

CITY OF *Panama City Beach*



ANNUAL FINANCIAL STATEMENTS

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018



City of Panama City Beach, Florida

FINANCIAL STATEMENTS

September 30, 2018



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City of Panama City Beach, Florida
Table of Contents
September 30, 2018

| | |
|--|----|
| Independent Auditors' Report | 1 |
| Management's Discussion and Analysis | 4 |
| Basic Financial Statements | |
| Government-wide Financial Statements | |
| Statement of Net Position | 17 |
| Statement of Activities | 19 |
| Fund Financial Statements | |
| Balance Sheet – Governmental Funds | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 21 |
| Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 22 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund | 23 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Redevelopment Fund | 25 |
| Statement of Net Position – Proprietary Funds | 26 |
| Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds | 28 |
| Statement of Cash Flows – Proprietary Funds | 29 |
| Statement of Fiduciary Net Position – Fiduciary Funds | 31 |
| Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 32 |
| Notes to Basic Financial Statements | 33 |

City of Panama City Beach, Florida
Table of Contents
September 30, 2018

Required Supplementary Information

| | |
|---|----|
| Schedule of Changes in Net Pension Liability and Related Ratios – General Employees’ Pension Plan | 85 |
| Schedule of Contributions – General Employees’ Pension Plan | 86 |
| Schedule of Investment Returns – General Employees’ Pension Plan | 87 |
| Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers’ Pension Plan | 88 |
| Schedule of Contributions – Police Officers’ Pension Plan | 89 |
| Schedule of Investment Returns – Police Officers’ Pension Plan | 90 |
| Schedule of Changes in Net Pension Liability and Related Ratios – Firefighters’ Pension Plan | 91 |
| Schedule of Contributions – Firefighters’ Pension Plan | 92 |
| Schedule of Investment Returns – Firefighters’ Pension Plan | 93 |
| Schedule of Changes in the City’s Total Other Postemployment Benefits Liability and Related Ratios | 94 |
| Schedule of Employer Contributions for Retirees’ Health Insurance Other Postemployment Benefits Plan | 95 |

Combining Financial Statements

| | |
|--|-----|
| Combining Balance Sheet – Nonmajor Governmental Funds | 96 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 97 |
| Combining Statement of Net Position – Nonmajor Proprietary Funds | 98 |
| Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds | 99 |
| Combining Statement of Cash Flows – Nonmajor Proprietary Funds | 100 |
| Combining Statement of Fiduciary Net Position – Fiduciary Funds | 102 |
| Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 103 |



City of Panama City Beach, Florida
Table of Contents
September 30, 2018

Compliance Section

| | |
|---|-----|
| Independent Auditors' Management Letter | 104 |
| 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 <i>Government Auditing Standards</i> | 107 |
| Independent Accountants' Report | 110 |

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, 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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, 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, 2018, 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.

Emphasis of Matters

Change in Accounting Principle

As described in Note 22 to the financial statements, the City adopted new accounting guidance, *Government Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits other than Pension*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–16 and the required supplementary information on pages 85-95, 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 are presented for 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 3, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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.

Carri Riggs & Ingram, L.L.C.

Certified Public Accountants
Panama City Beach, Florida
June 3, 2019

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 \$288,164,257 (net position). Of this amount, \$17,486,916 is unrestricted net position for governmental activities and \$57,651,591 is unrestricted net position for business-type activities, while \$29,347,771 is restricted net position for governmental activities and \$13,556,118 is restricted net position for business-type activities.
- Total net position, excluding the restatement adjustment of \$1,048,749, increased by \$18,781,912. Of this amount, \$9,828,635 is attributable to governmental activities and \$8,953,277 is attributable to business-type activities. The increase in net position of governmental activities is primarily attributable to tax increment revenue received by the Front Beach Road Community Redevelopment Area (FBRCA), and business taxes received by the General Fund. Current year tax increment revenue received by the FBRCA was used to reduce the principal amount of debt outstanding and to continue the construction efforts on Front Beach Road Segment 2. The City experienced an increase in business taxes in the current year of approximately \$850,000 over the prior year. The increase in net position of business-type activities is the result of several factors, including the collection of \$1,845,960 in impact fees and net income from operations, before amortization and depreciation of \$13,125,751. Additionally, the City received grant funds in the amount of \$518,425 in the current year for drainage work in Gulf Highlands. Both the governmental activities and business-type activities experienced an increase in investment earnings in the current year.
- As of September 30, 2018, the general fund's unassigned fund balance was \$9,743,460, or 41 percent of total general fund expenditures. Unassigned fund balance in the general fund increased by \$1,407,034. The increase is attributable to revenues from unrestricted sources exceeding current year expenditures. As previously noted, business taxes increased 7.6 percent over the prior year.
- Governmental activities' revenues increased less than 1 percent to \$36,245,118 and governmental activities' expenditures also increased 2 percent to \$26,516,483. Business-type activities' revenues increased 4 percent to \$38,325,440, while business-type activities' expenditures decreased 1 percent to \$29,272,163.

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 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 and assessments, 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 funds statements provide 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 2018, 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 | |
|-------------------------------------|-------------------------|----------------|--------------------------|----------------|----------------|----------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| <i>September 30,</i> | | | | | | |
| Current and other assets | \$ 56,265,053 | \$ 51,941,301 | \$ 84,016,020 | \$ 75,730,987 | \$ 140,281,073 | \$ 127,672,288 |
| Capital assets | 119,254,446 | 115,704,351 | 125,461,119 | 125,465,178 | 244,715,565 | 241,169,529 |
| Total assets | 175,519,499 | 167,645,652 | 209,477,139 | 201,196,165 | 384,996,638 | 368,841,817 |
| Deferred outflows of resources | 3,730,364 | 4,807,108 | 2,979,308 | 3,737,300 | 6,709,672 | 8,544,408 |
| Current liabilities | 4,594,713 | 3,963,263 | 5,010,585 | 4,813,681 | 9,605,298 | 8,776,944 |
| Long-term liabilities | 44,226,072 | 48,356,968 | 44,482,541 | 46,453,243 | 88,708,613 | 94,810,211 |
| Total liabilities | 48,820,785 | 52,320,231 | 49,493,126 | 51,266,924 | 98,313,911 | 103,587,155 |
| Deferred inflows of resources | 3,450,464 | 2,982,550 | 1,777,678 | 1,434,175 | 5,228,142 | 4,416,725 |
| Net position | | | | | | |
| Net investment in capital assets | 80,143,927 | 75,862,989 | 89,977,934 | 90,906,789 | 170,121,861 | 166,769,778 |
| Restricted | 29,347,771 | 20,930,667 | 13,556,118 | 11,578,920 | 42,903,889 | 32,509,587 |
| Unrestricted | 17,486,916 | 20,356,323 | 57,651,591 | 49,746,657 | 75,138,507 | 70,102,980 |
| Total net position | \$ 126,978,614 | \$ 117,149,979 | \$ 161,185,643 | \$ 152,232,366 | \$ 288,164,257 | \$ 269,382,345 |

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 (59 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 15 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*, \$75,138,507 may be used to help meet the government's ongoing obligations to citizens and creditors.

Net investment in capital assets increased \$3,352,083 (or 2%). Net investment in capital assets in the governmental activities increased \$4,280,938, while net investment in capital assets of the business-type activities decreased by \$928,855. The governmental activities increase resulted from a combination of factors but was primarily attributable to the purchase of land within the FBRCRA, the commencement of construction of the new City Hall facility, and ongoing construction of the Front Beach Road Segment 2 roadway project. Both the City Hall facility and Front Beach Road Segment 2 roadway project are expected to be completed in the upcoming fiscal year. 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. Additionally, the City started the process of acquiring a tract of land for the future site of a waste water treatment facility.

Restricted net position increased \$10,394,302 (or 32%). Restricted net position in the governmental activities increased by \$8,417,104 and restricted net position in the business-type activities increased by \$1,977,198. 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 fees and discretionary sales tax collections which were not expended in the current year. 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.

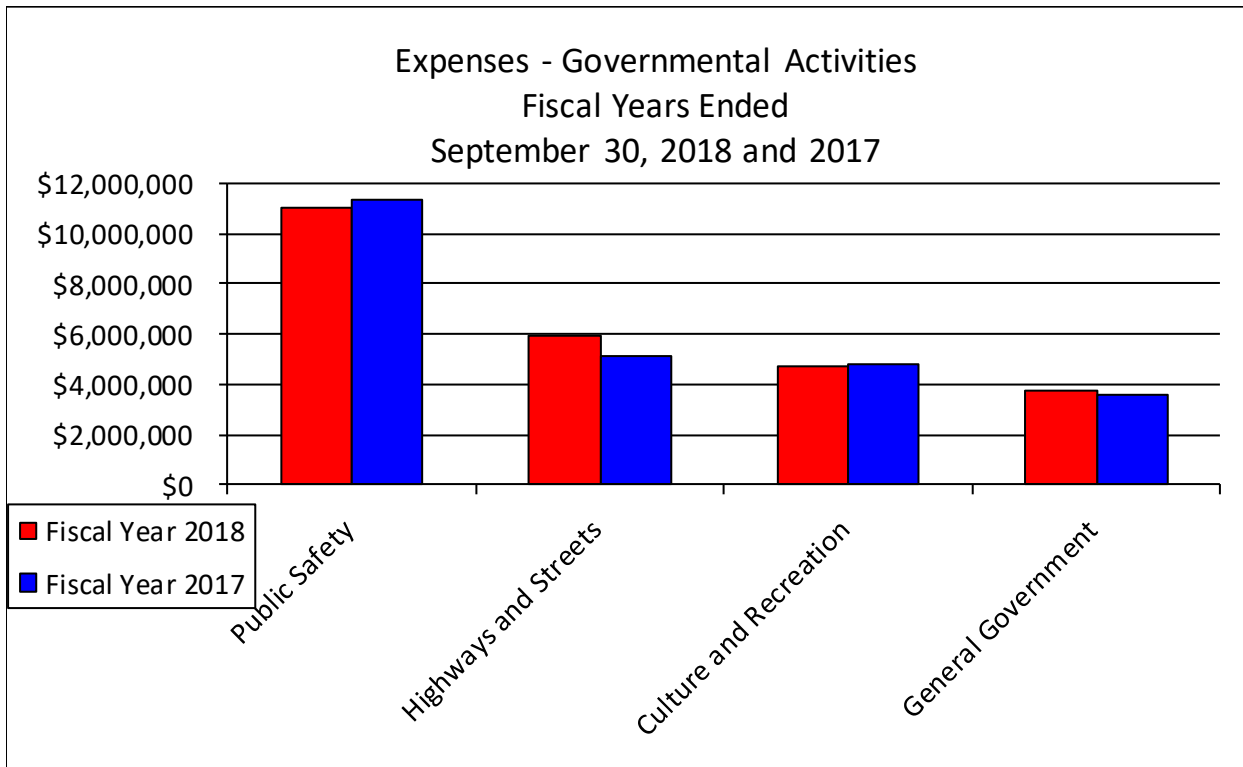
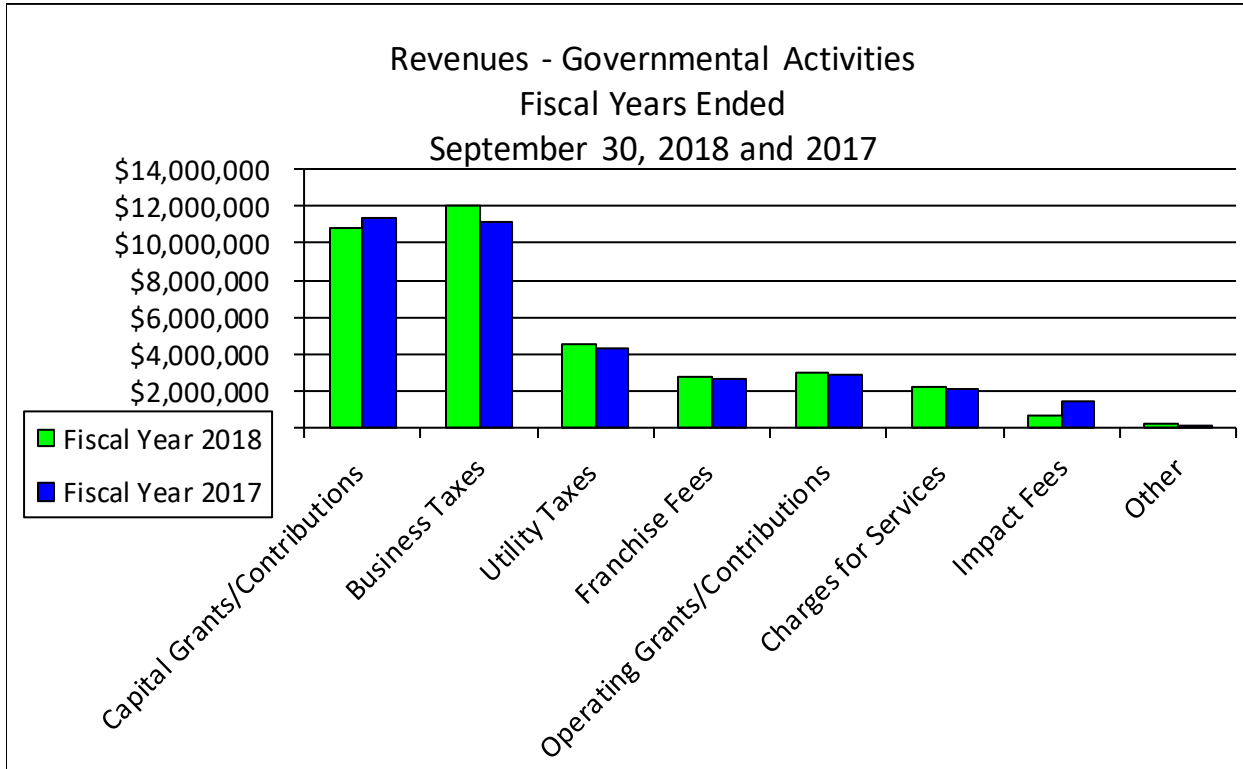
The increase in unrestricted net position was \$5,035,527 (or 7%). The governmental activities' decrease was \$2,869,407, while the business-type activities' increase was \$7,904,934. The decrease in the governmental activities resulted from the use of unrestricted reserves to fund architectural services for several capital projects as well as the start of construction for one of those projects. Additionally, funds were expended from unrestricted reserves to partially buydown the City's accrued compensated absences liability. The increase in the business-type activities' unrestricted net position is attributable to net income from operations, before amortization and depreciation of \$12,474,487.

The following schedule provides a summary of changes in net position for the years ended September 30, 2018 and 2017:

Changes in Net Position

| <i>Year Ended September 30,</i> | Governmental Activities | | Business-type Activities | | Total | |
|--|-------------------------|---------------|--------------------------|---------------|----------------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Program revenues | | | | | | |
| Charges for services | \$ 2,250,044 | \$ 2,158,461 | \$ 35,214,682 | \$ 34,339,702 | \$ 37,464,726 | \$ 36,498,163 |
| Operating grants/contributions | 2,959,457 | 2,840,594 | 152,021 | 158,451 | 3,111,478 | 2,999,045 |
| Capital grants/contributions | 10,761,630 | 11,337,116 | 518,425 | 500,000 | 11,280,055 | 11,837,116 |
| General revenues | | | | | | |
| Business taxes | 12,047,880 | 11,198,381 | - | - | 12,047,880 | 11,198,381 |
| Utility taxes | 4,505,681 | 4,349,773 | - | - | 4,505,681 | 4,349,773 |
| Franchise fees | 2,773,797 | 2,674,901 | - | - | 2,773,797 | 2,674,901 |
| Impact fees | 721,070 | 1,500,230 | 1,845,960 | 1,753,335 | 2,567,030 | 3,253,565 |
| Penalties on delinquent business taxes | 23,752 | 6,002 | - | - | 23,752 | 6,002 |
| Investment earnings | 201,807 | 29,169 | 594,352 | 155,082 | 796,159 | 184,251 |
| Total revenues | 36,245,118 | 36,094,627 | 38,325,440 | 36,906,570 | 74,570,558 | 73,001,197 |
| Expenses | | | | | | |
| General government | 3,717,011 | 3,588,761 | - | - | 3,717,011 | 3,588,761 |
| Public safety | 10,998,430 | 11,396,042 | - | - | 10,998,430 | 11,396,042 |
| Highways and streets | 5,945,167 | 5,126,120 | - | - | 5,945,167 | 5,126,120 |
| Culture and recreation | 4,762,157 | 4,781,153 | - | - | 4,762,157 | 4,781,153 |
| Interest on long- term debt | 1,093,718 | 1,155,851 | 1,528,262 | 1,807,157 | 2,621,980 | 2,963,008 |
| Utility - water | - | - | 13,801,880 | 14,010,500 | 13,801,880 | 14,010,500 |
| Utility - waste water | - | - | 10,746,673 | 10,470,767 | 10,746,673 | 10,470,767 |
| Utility - storm water | - | - | 893,383 | 848,262 | 893,383 | 848,262 |
| Pier | - | - | 1,385,867 | 1,366,754 | 1,385,867 | 1,366,754 |
| Aquatic center | - | - | 916,098 | 971,465 | 916,098 | 971,465 |
| Total expenses | 26,516,483 | 26,047,927 | 29,272,163 | 29,474,905 | 55,788,646 | 55,522,832 |
| Increase in net position before transfers | 9,728,635 | 10,046,700 | 9,053,277 | 7,431,665 | 18,781,912 | 17,478,365 |
| Transfers | 100,000 | 4,050,000 | (100,000) | (4,050,000) | - | - |
| Increase in net position | \$ 9,828,635 | \$ 14,096,700 | \$ 8,953,277 | \$ 3,381,665 | \$ 18,781,912 | \$ 17,478,365 |

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



Governmental activities' revenues exceeded expenses by \$9,828,635, while business-type activities' revenues exceeded expenses by \$8,953,277. Total revenues increased \$1,569,361 from the previous year. The change in total revenues from business-type activities was an increase of \$1,418,870 while the change in governmental activities was an increase of \$150,491. Charges for services increased \$966,563, capital grants and contributions decreased \$557,061, business taxes increased \$849,499, impact fees decreased \$686,535, and investment earnings increased \$611,908 in the current year. The increase in charges for services was primarily from business-type activities. The increase was the result of a combination of factors with the single biggest increase attributable to storm water assessment revenue. In the current fiscal year, the City increased its assessment fee for the first time since the implementation of the storm water assessment program.

Capital grants and contributions decreased a total of \$557,061, with governmental activities experiencing a decrease of \$575,486 while business-type activities experienced an increase of \$18,425. The decrease in capital grants and contributions in governmental activities was attributed to a combination of factors. Primarily, the City received a significant capital grant in the prior fiscal year for improvements to the City's recreational facilities which was non-recurring in the current fiscal year.

Impact fees decreased \$686,535 in total, with \$779,160 of the decrease attributable to governmental activities offset by a \$92,625 increase attributable to business-type activities.

Investment earnings increased \$439,270 in business-type activities and \$172,638 in governmental activities for a total increase of \$611,908. The increase was attributable to a change in investment strategy and an overall upward trend in interest rates.

Total expenses in governmental activities increased \$468,556 from the previous year. Business-type activities expenses decreased \$202,742. The changes were insignificant relative to total expenditures. The increase in the governmental activities' expenses was attributable to highways and streets which was partially offset by a decrease in public safety expenses. The increase in highways and streets expenses was the result of increased efforts to resurface City roads in the current year. The decrease in public safety expenses was related to pension expense.

30% of the revenues for governmental activities were generated by capital grants and contributions, 33% by business taxes, and 20% from utility taxes and franchise fees. Capital grants and contributions as a percentage of total revenues for governmental activities decreased by 2% from the prior year. As previously noted, the City received a significant capital grant in the prior year which was non-recurring. Business taxes as a percent of total revenues for governmental activities increased 2%. Most of the governmental resources were expended for public safety (41%), highways and streets (22%), and culture and recreation (18%).

Charges for services provide 92% 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 (87%).

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, 2018, total assets were \$29,720,220 and total liabilities were \$1,011,235. At the end of fiscal year 2018, unassigned fund balance of the general fund was \$9,743,460, while total fund balance equaled \$28,708,985. Total fund balance increased \$2,311,328 (9%). Restricted fund balance increased \$1,261,359 (38%), committed fund balance increased \$2,794,278 (362%), assigned fund balance decreased \$3,163,771 (23%) and nonspendable fund balance increased \$12,428 (38%). Unassigned fund balance increased \$1,407,034 (17%). Fiscal year 2018 revenues in the general fund exceeded expenditures by \$2,334,610.

Restricted fund balance increased for two primary reasons. Impact fees were collected in amounts which exceeded current year expenditures of such funds. Similarly, discretionary half-cent sales tax funds were collected in excess of amounts expended in the current year. Committed fund balance increased due to the construction of the new City Hall which started late in the current year. Assigned fund balance decreased primarily because the City has either expended or committed the amounts previously assigned for capital assets and accrued compensated absences. Unassigned fund balance increased because current year unrestricted revenues exceeded expenditures.

The general fund budget was amended during the year to reflect increases in available revenues as well as decreases in current expenditures and increases in capital outlay expenditures. The increase in total budgeted revenues was \$1,468,572, which represented a change from the original to the amended budget of 6%. Approximately 22% of the increase was attributable to an increase in municipal services impact fees, 12% to intergovernmental revenues, 13% to investment earnings and an additional 22% of the increase was attributable to business taxes. Budgeted expenditures for current expenditures decreased from the original to the final amounts by \$134,173, while the budget for capital outlay expenditures increased by \$1,100,950. The capital outlay budget was increased to appropriate funds for the construction of the new City Hall, for architectural design services for a new centrally located fire station and for engineering services for Bay Parkway Phase II.

Community Redevelopment Fund

The other major governmental fund of the City is the community redevelopment fund. As of September 30, 2018, total assets were \$24,437,620 and total liabilities were \$1,295,886. At the end of fiscal year 2018, the total fund balance equaled \$23,141,734. Total fund balance increased \$91,378. Assigned fund balance increased from \$0 to a balance of \$16,524 at year end.

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 | 2018 Unrestricted Net Position | 2017 Unrestricted Net Position |
|----------------|--------------------------------------|--------------------------------------|
| Utility | \$ 56,317,647 | \$ 48,435,657 |
| Pier | 1,040,149 | 1,170,989 |
| Aquatic Center | 293,795 | 140,011 |
| Total | \$ 57,651,591 | \$ 49,746,657 |

The *utility fund* is used to account for the operations of the City's water, waste water and storm water systems. Operating revenues increased \$808,054, or 2%, in 2018 compared to 2017 primarily from slight growth in the City's customer base combined with an increase in demand for services and modest rate increases. The primary reason for the increase in the unrestricted net position of the utility fund was from net operating income of \$7,819,589.

The *pier fund* accounts for the operations and maintenance of the City's Russell-Fields Pier. Operating expenses exceeded operating revenues by \$156,339. Personal services and depreciation expense accounted for a significant portion of operating expenses, 41% and 32%, respectively. Pier fund operations generated positive cash flows in 2018. 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 2018, operating expenses exceeded operating revenues by \$505,447. The shortfall in operations was offset by transfers from the City's 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, 2018, was \$244,715,565 (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 \$1,020,000 was expended in fiscal year 2018 on water expansion, relocation and rehabilitation projects. Relocations of water lines on Panama City Beach Parkway and Cauley and Moylan Avenues were completed in the current year at a total cost of approximately \$221,500. Additionally, the new water system in the Bayside area was placed in service at a total cost of approximately \$1.5 million dollars.
- During the year, the City expended approximately \$2,955,000 on various waste water capital projects. The new sewer system in the Bayside area was completed in the current year at a total approximate cost of \$2.5 million dollars. Relocations of sewer lines on Panama City Beach Parkway and Cauley and Moylan Avenues were completed in the current year at a total cost of approximately \$500,000. Additionally, approximately \$780,000 was expended to replace the influent piping system at the City's waste water treatment facility.
- Two storm water projects were completed in the current year. Drainage projects at Gulf Highlands and Sea Oats were completed at a total cost of \$1,100,000 and \$510,000, respectively.
- At September 30, 2018, approximately \$53.2 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 2018; however, construction on Front Beach Road Segment 2 was well underway with approximately \$11.3 million dollars expended as of September 30, 2018. Right-of-way and pond acquisition efforts for the next phase of construction were underway during the current year as well with approximately \$800,000 expended in 2018.
- Approximately \$900,000 was expended in 2018 in the City's General Fund for architectural, engineering and construction services related to a new City Hall, a new centrally located fire station and the construction of Phase II of Bay Parkway. City Hall construction was underway prior to the fiscal year end.

**Capital Assets
(net of depreciation)**

| <i>September 30,</i> | Governmental Activities | | Business-type Activities | | Total | |
|--------------------------|-------------------------|-----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Land | \$ 48,261,550 | \$ 47,469,894 | \$ 8,205,031 | \$ 8,041,412 | \$ 56,466,581 | \$ 55,511,306 |
| Construction in progress | 18,405,215 | 12,660,689 | 2,555,704 | 4,204,583 | 20,960,919 | 16,865,272 |
| Intangible assets | - | - | 194,788 | 194,788 | 194,788 | 194,788 |
| Buildings | 11,858,888 | 12,260,153 | 23,252,575 | 24,394,628 | 35,111,463 | 36,654,781 |
| Improvements | 36,758,957 | 39,461,735 | 82,127,938 | 78,378,338 | 118,886,895 | 117,840,073 |
| Machinery and equipment | 3,969,836 | 3,851,880 | 9,125,083 | 10,251,429 | 13,094,919 | 14,103,309 |
| Total | \$ 119,254,446 | \$ 115,704,351 | \$ 125,461,119 | \$ 125,465,178 | \$ 244,715,565 | \$ 241,169,529 |

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 \$80,525,576. 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 | |
|----------------------|-------------------------|---------------|--------------------------|---------------|---------------|---------------|
| | 2018 | 2017 | 2018 | 2017 | 2018 | 2017 |
| Revenue bonds | \$ 39,870,000 | \$ 42,185,000 | \$ 40,655,576 | \$ 42,311,254 | \$ 80,525,576 | \$ 84,496,254 |

Total outstanding bond debt decreased by \$3,970,678 in the current fiscal year. Principal payments totaled \$3,915,000 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. Although much of Bay County was severely affected by Hurricane Michael in October 2018, the City fared extremely well. Adequate reserves were available to fund cleanup efforts post-storm and it is expected that most of the funds expended will be recovered from the federal government.

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, 2018

| Primary Government | | | |
|---------------------------------------|------------------------------------|-------------------------------------|---------------|
| | Governmental Activities | Business-type Activities | Total |
| Assets | | | |
| Cash and cash equivalents | \$ 8,493,442 | \$ 28,136,502 | \$ 36,629,944 |
| Accounts receivable, net | 324,964 | 6,334,379 | 6,659,343 |
| Taxes and fees receivable | 610,086 | - | 610,086 |
| Grants receivable | 2,194 | - | 2,194 |
| Due from other governments | 440,789 | 66,792 | 507,581 |
| Inventory | 16,009 | 572,473 | 588,482 |
| Investments | 13,577,218 | 25,614,808 | 39,192,026 |
| Prepays | 37,147 | 31,141 | 68,288 |
| Prepaid bond insurance | - | 6,355 | 6,355 |
| Net pension asset | 952,732 | 965,035 | 1,917,767 |
| Restricted assets | | | |
| Cash and cash equivalents | 31,810,472 | 22,139,227 | 53,949,699 |
| Accounts receivable, net | - | 679 | 679 |
| Grant receivable | - | 148,629 | 148,629 |
| Capital assets | | | |
| Nondepreciable | 66,666,765 | 10,955,523 | 77,622,288 |
| Depreciable, net | 52,587,681 | 114,505,596 | 167,093,277 |
| Total assets | 175,519,499 | 209,477,139 | 384,996,638 |
| Deferred outflows of resources | | | |
| Deferred outflows related to pensions | 1,553,119 | 484,796 | 2,037,915 |
| Deferred loss on refunding | 2,177,245 | 2,494,512 | 4,671,757 |
| Total deferred outflows of resources | 3,730,364 | 2,979,308 | 6,709,672 |

(Continued)

City of Panama City Beach, Florida
Statement of Net Position (Continued)
September 30, 2018

| | Primary Government | | |
|--------------------------------------|------------------------------------|-------------------------------------|----------------|
| | Governmental Activities | Business-type Activities | Total |
| Liabilities | | | |
| Accounts payable | \$ 1,714,997 | \$ 883,363 | \$ 2,598,360 |
| Accrued expenses and deposits | 2,386,551 | 1,628,361 | 4,014,912 |
| Accrued interest payable | 453,521 | 419,072 | 872,593 |
| Due to other governments | 36,113 | 681,554 | 717,667 |
| Internal balances | (2,579) | 2,579 | - |
| Unearned revenue | 6,110 | 1,395,656 | 1,401,766 |
| Long-term liabilities | | | |
| Due within one year | | | |
| Revenue certificates payable | - | 2,203,018 | 2,203,018 |
| Accrued compensated absences | 865,000 | 458,000 | 1,323,000 |
| Revenue bonds payable, net | 2,375,000 | 1,715,527 | 4,090,527 |
| Due in more than one year | | | |
| Accrued compensated absences | 1,599,751 | 698,331 | 2,298,082 |
| Net pension liability | 974,483 | - | 974,483 |
| Net OPEB obligation | 916,838 | 467,616 | 1,384,454 |
| Revenue bonds payable, net | 37,495,000 | 38,940,049 | 76,435,049 |
| Total liabilities | 48,820,785 | 49,493,126 | 98,313,911 |
| Deferred inflows of resources | | | |
| Deferred inflows related to pensions | 3,353,140 | 1,728,040 | 5,081,180 |
| Deferred inflows related to OPEB | 97,324 | 49,638 | 146,962 |
| Total deferred inflows of resources | 3,450,464 | 1,777,678 | 5,228,142 |
| Net position | | | |
| Net investment in capital assets | 80,143,927 | 89,977,934 | 170,121,861 |
| Restricted for | | | |
| Law enforcement | 45,232 | - | 45,232 |
| Beach access public parking | 766,889 | - | 766,889 |
| Impact fees | 3,027,351 | 11,469,569 | 14,496,920 |
| Reforestation | 5,381 | - | 5,381 |
| Highways and streets | 1,595,687 | - | 1,595,687 |
| Debt service | 5,645,698 | 557,977 | 6,203,675 |
| Community redevelopment | 18,261,533 | - | 18,261,533 |
| Storm water | - | 1,528,572 | 1,528,572 |
| Unrestricted | 17,486,916 | 57,651,591 | 75,138,507 |
| Total net position | \$ 126,978,614 | \$ 161,185,643 | \$ 288,164,257 |

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, 2018

| 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 |
| Primary government | | | | | | | |
| Governmental activities | | | | | | | |
| General government | \$ 3,717,011 | \$ 1,182,953 | \$ 2,155,344 | \$ - | \$ (378,714) | \$ - | \$ (378,714) |
| Public safety | 10,998,430 | 113,146 | 395,926 | - | (10,489,358) | - | (10,489,358) |
| Highways and streets | 5,945,167 | 410,666 | 268,239 | 10,654,594 | 5,388,332 | - | 5,388,332 |
| Culture and recreation | 4,762,157 | 543,279 | 139,948 | 107,036 | (3,971,894) | - | (3,971,894) |
| Interest on long-term debt | 1,093,718 | - | - | - | (1,093,718) | - | (1,093,718) |
| Total governmental activities | 26,516,483 | 2,250,044 | 2,959,457 | 10,761,630 | (10,545,352) | - | (10,545,352) |
| Business-type activities | | | | | | | |
| Utility | | | | | | | |
| Water | 13,801,880 | 18,648,705 | 790 | - | - | 4,847,615 | 4,847,615 |
| Waste water | 10,746,673 | 13,351,989 | 490 | - | - | 2,605,806 | 2,605,806 |
| Storm water | 893,383 | 1,573,590 | 34 | 518,425 | - | 1,198,666 | 1,198,666 |
| Pier | 1,385,867 | 1,229,528 | 150,055 | - | - | (6,284) | (6,284) |
| Aquatic center | 916,098 | 410,870 | 652 | - | - | (504,576) | (504,576) |
| Interest on long-term debt | 1,528,262 | - | - | - | - | (1,528,262) | (1,528,262) |
| Total business-type activities | 29,272,163 | 35,214,682 | 152,021 | 518,425 | - | 6,612,965 | 6,612,965 |
| Total primary government | \$ 55,788,646 | \$ 37,464,726 | \$ 3,111,478 | \$ 11,280,055 | (10,545,352) | 6,612,965 | (3,932,387) |
| General revenues | | | | | | | |
| Business taxes | | | | | 12,047,880 | - | 12,047,880 |
| Utility taxes | | | | | 4,505,681 | - | 4,505,681 |
| Franchise fees | | | | | 2,773,797 | - | 2,773,797 |
| Impact fees | | | | | 721,070 | 1,845,960 | 2,567,030 |
| Penalties on delinquent business taxes | | | | | 23,752 | - | 23,752 |
| Total general revenues | | | | | 20,072,180 | 1,845,960 | 21,918,140 |
| Investment earnings | | | | | 201,807 | 594,352 | 796,159 |
| Transfers | | | | | 100,000 | (100,000) | - |
| Total general revenues, investment earnings and transfers | | | | | 20,373,987 | 2,340,312 | 22,714,299 |
| Change in net position | | | | | 9,828,635 | 8,953,277 | 18,781,912 |
| Net position - beginning (as originally stated) | | | | | 116,552,875 | 151,780,721 | 268,333,596 |
| Restatement adjustments | | | | | 597,104 | 451,645 | 1,048,749 |
| Net position - beginning (as restated) | | | | | 117,149,979 | 152,232,366 | 269,382,345 |
| Net position - ending | | | | | \$ 126,978,614 | \$ 161,185,643 | \$ 288,164,257 |

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

City of Panama City Beach, Florida
Balance Sheet
Governmental Funds
September 30, 2018

| | General Fund | Community Redevelopment Fund | Other Governmental Funds | Total |
|---|----------------------|------------------------------------|--------------------------------|-----------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 8,432,166 | \$ 17,555 | \$ 43,721 | \$ 8,493,442 |
| Accounts receivable, net | 21,355 | 1,293 | - | 22,648 |
| Taxes and fees receivable | 610,086 | - | - | 610,086 |
| Grant receivable | 814 | - | - | 814 |
| Due from other governments | 423,799 | - | - | 423,799 |
| Due from other funds | 2,784 | 3,859 | - | 6,643 |
| Inventory | 16,009 | - | - | 16,009 |
| Investments | 13,577,218 | - | - | 13,577,218 |
| Prepays | 34,786 | 593 | 1,768 | 37,147 |
| Cash and cash equivalents - restricted | 6,601,203 | 24,412,233 | 797,036 | 31,810,472 |
| Due from other funds - restricted | - | 2,087 | - | 2,087 |
| Total assets | \$ 29,720,220 | \$ 24,437,620 | \$ 842,525 | 55,000,365 |
| Liabilities and fund balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 425,462 | \$ 1,287,165 | \$ 2,370 | 1,714,997 |
| Accrued expenses and deposits | 540,355 | 5,765 | - | 546,120 |
| Due to other governments | 35,395 | 718 | - | 36,113 |
| Due to other funds | 6,063 | - | - | 6,063 |
| Unearned revenue | 3,960 | 2,150 | - | 6,110 |
| Due to other funds - restricted | - | 88 | - | 88 |
| Total liabilities | 1,011,235 | 1,295,886 | 2,370 | 2,309,491 |
| Fund balances | | | | |
| Nonspendable | 45,454 | 593 | 1,768 | 47,815 |
| Restricted | 4,609,606 | 23,124,617 | 797,036 | 28,531,259 |
| Committed | 3,565,500 | - | - | 3,565,500 |
| Assigned | 10,744,965 | 16,524 | 41,351 | 10,802,840 |
| Unassigned | 9,743,460 | - | - | 9,743,460 |
| Total fund balances | 28,708,985 | 23,141,734 | 840,155 | 52,690,874 |
| Total liabilities and fund balances | \$ 29,720,220 | \$ 24,437,620 | \$ 842,525 | |
| 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. | | | | 320,686 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | 119,254,446 |
| Net pension asset reported in the governmental activities are not financial resources and, therefore, are not reported in the funds. | | | | 952,732 |
| Long-term and claim liabilities, including bonds and self insurance liability, are not due and payable in the current period and, therefore, are not reported in the funds. | | | | (46,520,024) |
| Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds. | | | | 279,900 |
| Net position of governmental activities | | | | \$ 126,978,614 |

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, 2018

| | General Fund | Community Redevelopment Fund | Other Governmental Funds | Total |
|---|----------------------|------------------------------------|--------------------------------|----------------------|
| Revenues | | | | |
| Taxes | | | | |
| Business taxes | \$ 12,047,880 | \$ - | \$ - | \$ 12,047,880 |
| Utility taxes | 4,505,681 | - | - | 4,505,681 |
| Tax increment funds | - | 9,969,342 | - | 9,969,342 |
| Franchise fees | 2,773,797 | - | - | 2,773,797 |
| Intergovernmental | 3,285,410 | - | - | 3,285,410 |
| Municipal services impact fees | 644,270 | 76,800 | - | 721,070 |
| Permits, fees and special assessments | 911,953 | 719 | 13,000 | 925,672 |
| Fines and forfeitures | 128,777 | 9,050 | 8,886 | 146,713 |
| Contributions and donations | 521,724 | 19 | 23,786 | 545,529 |
| Grants | 35,037 | - | - | 35,037 |
| Rents | 257,021 | 5,265 | - | 262,286 |
| Investment earnings | 200,782 | 815 | 210 | 201,807 |
| Other fees and miscellaneous | 504,594 | 109,008 | - | 613,602 |
| Total revenues | 25,816,926 | 10,171,018 | 45,882 | 36,033,826 |
| Expenditures | | | | |
| Current | | | | |
| General government | 3,223,989 | 557,202 | - | 3,781,191 |
| Public safety | 11,457,913 | - | 27,722 | 11,485,635 |
| Highways and streets | 2,997,550 | 508,861 | - | 3,506,411 |
| Culture and recreation | 3,333,874 | - | - | 3,333,874 |
| Capital outlay | | | | |
| General government | 402,713 | 26,805 | - | 429,518 |
| Public safety | 763,673 | - | - | 763,673 |
| Highways and streets | 531,272 | 5,557,621 | - | 6,088,893 |
| Culture and recreation | 771,332 | - | - | 771,332 |
| Debt service | | | | |
| Principal | - | 2,315,000 | - | 2,315,000 |
| Interest | - | 1,120,051 | - | 1,120,051 |
| Total expenditures | 23,482,316 | 10,085,540 | 27,722 | 33,595,578 |
| Excess of revenues over expenditures | 2,334,610 | 85,478 | 18,160 | 2,438,248 |
| Other financing sources (uses) | | | | |
| Transfers in | 100,000 | 2,040 | - | 102,040 |
| Transfers out | (54,232) | - | - | (54,232) |
| Grants and aid | (151,775) | - | - | (151,775) |
| Proceeds from disposal of assets | 82,725 | 3,860 | - | 86,585 |
| Total other financing sources (uses) | (23,282) | 5,900 | - | (17,382) |
| Net change in fund balances | 2,311,328 | 91,378 | 18,160 | 2,420,866 |
| Fund balances - beginning | 26,397,657 | 23,050,356 | 821,995 | 50,270,008 |
| Fund balances - ending | \$ 28,708,985 | \$ 23,141,734 | \$ 840,155 | \$ 52,690,874 |

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, 2018

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

| | |
|--|---------------------|
| Net change in fund balances - total governmental funds (page 21) | \$ 2,420,866 |
| 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. | 3,549,732 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position. | 363 |
| 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. | 1,523,815 |
| 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. | 185,252 |
| 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. | 2,148,607 |
| Change in net position of governmental activities (page 19) | \$ 9,828,635 |

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, 2018

| | Budgeted Amounts | | Variance with Final Budget- Actual Amounts Budget Basis | Actual Amounts Budget Basis | Budget to GAAP Difference | Actual Amounts GAAP Basis |
|---------------------------------------|-------------------|-------------------|--|-----------------------------------|---------------------------------|---------------------------------|
| | Original | Final | | | | |
| Revenues | | | | | | |
| Taxes | | | | | | |
| Business taxes | \$ 11,585,184 | \$ 11,910,184 | \$ 114,442 | \$ 12,024,626 | \$ 23,254 | \$ 12,047,880 |
| Utility taxes | 4,437,000 | 4,493,500 | 5,562 | 4,499,062 | 6,619 | 4,505,681 |
| Franchise fees | 2,716,000 | 2,772,000 | 168 | 2,772,168 | 1,629 | 2,773,797 |
| Intergovernmental | 3,060,486 | 3,238,374 | 26,566 | 3,264,940 | 20,470 | 3,285,410 |
| Municipal services impact fees | 325,917 | 644,269 | 1 | 644,270 | - | 644,270 |
| Permits, fees and special assessments | 797,000 | 881,500 | 27,014 | 908,514 | 3,439 | 911,953 |
| Fines and forfeitures | 98,500 | 108,500 | 9,202 | 117,702 | 11,075 | 128,777 |
| Contributions and donations | 227,600 | 571,160 | (49,436) | 521,724 | - | 521,724 |
| Grants | - | 38,975 | 6 | 38,981 | (3,944) | 35,037 |
| Rents | 270,854 | 250,590 | (2,319) | 248,271 | 8,750 | 257,021 |
| Investment earnings | 23,800 | 214,800 | (1,559) | 213,241 | (12,459) | 200,782 |
| Other fees and miscellaneous | 688,827 | 575,888 | (31,299) | 544,589 | (39,995) | 504,594 |
| Total revenues | 24,231,168 | 25,699,740 | 98,348 | 25,798,088 | 18,838 | 25,816,926 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | | | | | | |
| Legislative | 222,639 | 210,250 | 5,769 | 204,481 | 2,031 | 206,512 |
| Administration | 1,009,831 | 900,710 | 44,367 | 856,343 | 7,404 | 863,747 |
| Legal | 500,000 | 560,000 | 99,015 | 460,985 | 9,303 | 470,288 |
| Comprehensive planning | 338,031 | 313,639 | 18,404 | 295,235 | 7,153 | 302,388 |
| Protective services | 1,443,190 | 1,465,748 | 105,582 | 1,360,166 | 20,888 | 1,381,054 |
| Total general government | 3,513,691 | 3,450,347 | 273,137 | 3,177,210 | 46,779 | 3,223,989 |
| Public safety | | | | | | |
| Police | 7,643,275 | 7,466,664 | 63,779 | 7,402,885 | (35,667) | 7,367,218 |
| Fire | 4,304,451 | 4,159,212 | 27,070 | 4,132,142 | (41,447) | 4,090,695 |
| Total public safety | 11,947,726 | 11,625,876 | 90,849 | 11,535,027 | (77,114) | 11,457,913 |
| Highways and streets | 3,020,449 | 3,240,105 | 111,119 | 3,128,986 | (131,436) | 2,997,550 |
| Culture and recreation | | | | | | |
| Library | 222,900 | 215,850 | 5,851 | 209,999 | (3,191) | 206,808 |
| Recreation | 3,145,789 | 3,184,204 | 57,871 | 3,126,333 | 733 | 3,127,066 |
| Total culture and recreation | 3,368,689 | 3,400,054 | 63,722 | 3,336,332 | (2,458) | 3,333,874 |
| Total current | 21,850,555 | 21,716,382 | 538,827 | 21,177,555 | (164,229) | 21,013,326 |

(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, 2018

| | Budgeted Amounts | | Variance with Final Budget- Actual Amounts Budget Basis | Actual Amounts Budget Basis | Budget to GAAP Difference | Actual Amounts GAAP Basis |
|--------------------------------------|------------------|---------------|--|-----------------------------------|---------------------------------|---------------------------------|
| | Original | Final | | | | |
| Expenditures (continued) | | | | | | |
| Capital outlay | | | | | | |
| General government | | | | | | |
| Administration | \$ 280,000 | \$ 501,000 | \$ 196,708 | \$ 304,292 | \$ 71,207 | \$ 375,499 |
| Comprehensive planning | - | 250 | 16 | 234 | (69) | 165 |
| Protective services | 27,000 | 67,000 | 39,562 | 27,438 | (389) | 27,049 |
| Total general government | 307,000 | 568,250 | 236,286 | 331,964 | 70,749 | 402,713 |
| Public safety | | | | | | |
| Police | 300,000 | 537,000 | 567 | 536,433 | (32,875) | 503,558 |
| Fire | 44,000 | 361,000 | 100,074 | 260,926 | (811) | 260,115 |
| Total public safety | 344,000 | 898,000 | 100,641 | 797,359 | (33,686) | 763,673 |
| Highways and streets | 265,000 | 605,700 | 100,444 | 505,256 | 26,016 | 531,272 |
| Culture and recreation | | | | | | |
| Recreation | 856,000 | 801,000 | 12,938 | 788,062 | (16,730) | 771,332 |
| Total culture and recreation | 856,000 | 801,000 | 12,938 | 788,062 | (16,730) | 771,332 |
| Total capital outlay | 1,772,000 | 2,872,950 | 450,309 | 2,422,641 | 46,349 | 2,468,990 |
| Total expenditures | 23,622,555 | 24,589,332 | 989,136 | 23,600,196 | (117,880) | 23,482,316 |
| Excess of revenues over expenditures | 608,613 | 1,110,408 | 1,087,484 | 2,197,892 | 136,718 | 2,334,610 |
| Other financing sources (uses) | | | | | | |
| Transfers in | 100,000 | 100,000 | - | 100,000 | - | 100,000 |
| Transfers out | - | - | - | - | 54,232 | (54,232) |
| Grants and aid | (151,800) | (151,800) | 25 | (151,775) | - | (151,775) |
| Proceeds from disposal of assets | 50,000 | 83,350 | (625) | 82,725 | - | 82,725 |
| Total other financing sources (uses) | (1,800) | 31,550 | (600) | 30,950 | 54,232 | (23,282) |
| Net change in fund balances | 606,813 | 1,141,958 | 1,086,884 | 2,228,842 | 82,486 | 2,311,328 |
| Fund balances - beginning | 21,981,236 | 24,167,112 | 3,074,126 | 27,241,238 | (843,581) | 26,397,657 |
| Fund balances - ending | \$ 22,588,049 | \$ 25,309,070 | \$ 4,161,010 | \$ 29,470,080 | \$ (761,095) | \$ 28,708,985 |

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, 2018

| | Budgeted Amounts | | Variance with Final Budget- Actual Amounts Budget Basis | Actual Amounts Budget Basis | Budget to GAAP Difference | Actual Amounts GAAP Basis |
|--|----------------------|----------------------|--|-----------------------------------|---------------------------------|---------------------------------|
| | Original | Final | | | | |
| Revenues | | | | | | |
| Tax increment funds | \$ 10,454,946 | \$ 9,969,342 | \$ - | \$ 9,969,342 | \$ - | \$ 9,969,342 |
| Municipal services impact fees | 350,000 | 72,000 | 4,800 | 76,800 | - | 76,800 |
| Permits, fees and special assessments | - | - | - | - | 719 | 719 |
| Fines and forfeitures | 1,000 | 4,400 | 4,090 | 8,490 | 560 | 9,050 |
| Contributions and donations | - | 19 | - | 19 | - | 19 |
| Rents | 4,800 | 5,265 | - | 5,265 | - | 5,265 |
| Investment earnings | - | 658 | 157 | 815 | - | 815 |
| Other fees and miscellaneous | 40,000 | 100,138 | 9,120 | 109,258 | (250) | 109,008 |
| Total revenues | 10,850,746 | 10,151,822 | 18,167 | 10,169,989 | 1,029 | 10,171,018 |
| Expenditures | | | | | | |
| Current | | | | | | |
| General government | 821,936 | 586,564 | 30,491 | 556,073 | 1,129 | 557,202 |
| Highways and streets | 743,597 | 622,052 | 125,063 | 496,989 | 11,872 | 508,861 |
| Total current | 1,565,533 | 1,208,616 | 155,554 | 1,053,062 | 13,001 | 1,066,063 |
| Capital outlay | | | | | | |
| General government | - | 26,850 | 45 | 26,805 | - | 26,805 |
| Highways and streets | 16,860,000 | 7,305,000 | 2,620,214 | 4,684,786 | 872,835 | 5,557,621 |
| Total capital outlay | 16,860,000 | 7,331,850 | 2,620,259 | 4,711,591 | 872,835 | 5,584,426 |
| Debt service | | | | | | |
| Principal | 2,315,000 | 2,315,000 | - | 2,315,000 | - | 2,315,000 |
| Interest | 1,120,100 | 1,120,100 | 49 | 1,120,051 | - | 1,120,051 |
| Total debt service | 3,435,100 | 3,435,100 | 49 | 3,435,051 | - | 3,435,051 |
| Total expenditures | 21,860,633 | 11,975,566 | 2,775,862 | 9,199,704 | 885,836 | 10,085,540 |
| Excess (deficiency) of revenues over (under) expenditures | (11,009,887) | (1,823,744) | 2,794,029 | 970,285 | (884,807) | 85,478 |
| Other financing sources | | | | | | |
| Transfers in | - | - | - | - | (2,040) | 2,040 |
| Proceeds from disposal of assets | - | - | - | - | (3,860) | 3,860 |
| Total other financing sources | - | - | - | - | (5,900) | 5,900 |
| Net change in fund balances | (11,009,887) | (1,823,744) | 2,794,029 | 970,285 | (878,907) | 91,378 |
| Fund balances - beginning | 21,782,368 | 23,463,307 | 49,524 | 23,512,831 | (462,475) | 23,050,356 |
| Fund balances - ending | \$ 10,772,481 | \$ 21,639,563 | \$ 2,843,553 | \$ 24,483,116 | \$ (1,341,382) | \$ 23,141,734 |

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, 2018

| Business-type Activities/Enterprise Funds | | | |
|---|-----------------|-------------------------------|---------------|
| | Utility Fund | Other Proprietary Funds | Total |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 27,140,954 | \$ 995,548 | \$ 28,136,502 |
| Accounts receivable, net | 6,301,332 | 33,047 | 6,334,379 |
| Due from other funds | 217 | 247 | 464 |
| Due from other governments | 12,863 | 53,929 | 66,792 |
| Inventory | 572,473 | - | 572,473 |
| Investments | 25,111,562 | 503,246 | 25,614,808 |
| Prepays | 25,900 | 5,241 | 31,141 |
| Prepaid bond insurance | 6,355 | - | 6,355 |
| Total current assets | 59,171,656 | 1,591,258 | 60,762,914 |
| Noncurrent assets | | | |
| Net pension asset | 848,652 | 116,383 | 965,035 |
| Restricted assets | | | |
| Cash and cash equivalents | 22,139,227 | - | 22,139,227 |
| Accounts receivable, net | 679 | - | 679 |
| Grant receivable | 148,629 | - | 148,629 |
| Capital assets | | | |
| Nondepreciable | 10,955,523 | - | 10,955,523 |
| Depreciable, net | 104,227,700 | 10,277,896 | 114,505,596 |
| Total noncurrent assets | 138,320,410 | 10,394,279 | 148,714,689 |
| Total assets | 197,492,066 | 11,985,537 | 209,477,603 |
| Deferred outflows of resources | | | |
| Deferred outflows related to pensions | 426,331 | 58,465 | 484,796 |
| Deferred loss on refunding | 2,494,512 | - | 2,494,512 |
| Total deferred outflows of resources | 2,920,843 | 58,465 | 2,979,308 |

(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, 2018

| Business-type Activities/Enterprise Funds | | | |
|--|-----------------------|-------------------------------|-----------------------|
| | Utility Fund | Other Proprietary Funds | Total |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 857,200 | \$ 26,163 | \$ 883,363 |
| Accrued expenses and deposits | 1,597,459 | 30,902 | 1,628,361 |
| Accrued interest payable | 419,072 | - | 419,072 |
| Due to other funds | 2,368 | 675 | 3,043 |
| Due to other governments | 659,035 | 22,519 | 681,554 |
| Unearned revenue | 1,363,184 | 32,472 | 1,395,656 |
| Revenue certificates payable | 2,203,018 | - | 2,203,018 |
| Accrued compensated absences | 431,000 | 27,000 | 458,000 |
| Revenue bonds payable, net | 1,715,527 | - | 1,715,527 |
| Total current liabilities | 9,247,863 | 139,731 | 9,387,594 |
| Noncurrent liabilities | | | |
| Accrued compensated absences | 650,083 | 48,248 | 698,331 |
| Net OPEB obligation | 435,267 | 32,349 | 467,616 |
| Revenue bonds payable, net | 38,940,049 | - | 38,940,049 |
| Total noncurrent liabilities | 40,025,399 | 80,597 | 40,105,996 |
| Total liabilities | 49,273,262 | 220,328 | 49,493,590 |
| Deferred inflows of resources | | | |
| Deferred inflows related to pensions | 1,519,640 | 208,400 | 1,728,040 |
| Deferred inflows related to OPEB | 46,204 | 3,434 | 49,638 |
| Total deferred inflows of resources | 1,565,844 | 211,834 | 1,777,678 |
| Net position | | | |
| Net investment in capital assets | 79,700,038 | 10,277,896 | 89,977,934 |
| Restricted for | | | |
| Impact fees | 11,469,569 | - | 11,469,569 |
| Debt service | 557,977 | - | 557,977 |
| Storm water | 1,528,572 | - | 1,528,572 |
| Unrestricted | 56,317,647 | 1,333,944 | 57,651,591 |
| Total net position | \$ 149,573,803 | \$ 11,611,840 | \$ 161,185,643 |

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, 2018

| | Business-type Activities/Enterprise Funds | | |
|---|---|----------------------------|-----------------------|
| | Utility Fund | Other Proprietary Funds | Total |
| Operating revenues | | | |
| Charges for services | | | |
| Water and waste water sales | \$ 30,930,773 | \$ - | \$ 30,930,773 |
| Storm water assessments | 1,555,500 | - | 1,555,500 |
| Connection and reset fees | 429,139 | - | 429,139 |
| Administrative and review fees | 83,635 | - | 83,635 |
| Admissions and other fees | - | 1,344,001 | 1,344,001 |
| Rent | 21,630 | 248,378 | 270,008 |
| Miscellaneous | 564,264 | 48,019 | 612,283 |
| Total operating revenues | 33,584,941 | 1,640,398 | 35,225,339 |
| Operating expenses | | | |
| Personal services | 5,432,079 | 934,394 | 6,366,473 |
| Professional services | 466,791 | 20,030 | 486,821 |
| Office supplies | 17,966 | 1,561 | 19,527 |
| Contractual services | 256,846 | 76,594 | 333,440 |
| Insurance | 284,170 | 54,724 | 338,894 |
| Repairs and maintenance | 1,507,843 | 147,816 | 1,655,659 |
| Operating supplies | 1,602,231 | 219,422 | 1,821,653 |
| Communication services | 102,988 | 15,822 | 118,810 |
| Public utility services | 10,510,844 | 149,608 | 10,660,452 |
| Transportation | 80,381 | 168 | 80,549 |
| Rentals | 53,024 | 69,053 | 122,077 |
| Printing and binding | 15,085 | 2,109 | 17,194 |
| Miscellaneous | 65,060 | 12,979 | 78,039 |
| Amortization | 9,541 | - | 9,541 |
| Depreciation | 5,360,503 | 597,904 | 5,958,407 |
| Total operating expenses | 25,765,352 | 2,302,184 | 28,067,536 |
| Net operating income (loss) | 7,819,589 | (661,786) | 7,157,803 |
| Nonoperating revenues (expenses) | | | |
| Investment earnings | 591,106 | 3,246 | 594,352 |
| Grants and contributions | 519,739 | 150,707 | 670,446 |
| Gain on disposal of assets | 312,759 | 219 | 312,978 |
| Interest expense | (1,528,262) | - | (1,528,262) |
| Total nonoperating revenues (expenses) | (104,658) | 154,172 | 49,514 |
| Net income (loss) before impact fees and transfers | 7,714,931 | (507,614) | 7,207,317 |
| Impact fees | 1,845,960 | - | 1,845,960 |
| Transfers in | - | 500,000 | 500,000 |
| Transfers out | (100,000) | (500,000) | (600,000) |
| Total impact fees and transfers | 1,745,960 | - | 1,745,960 |
| Change in net position | 9,460,891 | (507,614) | 8,953,277 |
| Total net position - beginning (as originally stated) | 139,689,804 | 12,090,917 | 151,780,721 |
| Restatement adjustment | 423,108 | 28,537 | 451,645 |
| Total net position - beginning (as restated) | 140,112,912 | 12,119,454 | 152,232,366 |
| Total net position - ending | \$ 149,573,803 | \$ 11,611,840 | \$ 161,185,643 |

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, 2018

| | Business-type Activities / Enterprise Funds | | |
|--|---|----------------------------|----------------------|
| | Utility Fund | Other Proprietary Funds | Total |
| Operating activities | | | |
| Receipts from customers and users | \$ 33,830,866 | \$ 1,632,754 | \$ 35,463,620 |
| Payments to suppliers | (16,251,687) | (958,480) | (17,210,167) |
| Payments to employees | (4,589,771) | (773,897) | (5,363,668) |
| Net cash provided (used) by operating activities | 12,989,408 | (99,623) | 12,889,785 |
| Noncapital financing activities | | | |
| Grants and contributions | 3,550 | 212,742 | 216,292 |
| Loans to other funds | - | (247) | (247) |
| Transfers (to) from other funds | (100,000) | - | (100,000) |
| Net cash (used) provided by noncapital financing activities | (96,450) | 212,495 | 116,045 |
| Capital and related financing activities | | | |
| Impact fees | 1,995,899 | - | 1,995,899 |
| Grants and contributions | 369,796 | - | 369,796 |
| Principal paid on revenue certificates | (22,877) | - | (22,877) |
| Principal paid on revenue bonds | (1,600,000) | - | (1,600,000) |
| Interest paid on revenue bonds | (1,323,445) | - | (1,323,445) |
| Proceeds from sale of assets | 604,187 | 1,134 | 605,321 |
| Purchase of capital assets | (6,033,959) | (67,346) | (6,101,305) |
| Net cash (used) by capital and related financing activities | (6,010,399) | (66,212) | (6,076,611) |
| Investing activities | | | |
| Purchase of investments | (25,000,000) | (503,246) | (25,503,246) |
| Investment earnings | 497,931 | 3,246 | 501,177 |
| Net cash (used) by investing activities | (24,502,069) | (500,000) | (25,002,069) |
| Net change in cash and cash equivalents | (17,619,510) | (453,340) | (18,072,850) |
| Cash and cash equivalents - beginning | 66,899,691 | 1,448,888 | 68,348,579 |
| Cash and cash equivalents - ending | \$ 49,280,181 | \$ 995,548 | \$ 50,275,729 |
| Classified as | | | |
| Current assets - cash and cash equivalents | \$ 27,140,954 | \$ 995,548 | \$ 28,136,502 |
| Restricted assets - cash and cash equivalents | 22,139,227 | - | 22,139,227 |
| Total | \$ 49,280,181 | \$ 995,548 | \$ 50,275,729 |

(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, 2018

| | Business-type Activities / Enterprise Funds | | |
|--|---|-------------------------------|----------------------|
| | Utility Fund | Other Proprietary Funds | Total |
| Reconciliation of net operating income (loss) to net cash provided (used) by operating activities | | | |
| Net operating income (loss) | \$ 7,819,589 | \$ (661,786) | \$ 7,157,803 |
| Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities | | | |
| Amortization | 9,541 | - | 9,541 |
| Depreciation | 5,360,503 | 597,904 | 5,958,407 |
| Bad debts | 137,697 | 330 | 138,027 |
| Expiration of revenue certificate | (4,874) | - | (4,874) |
| (Increase) decrease in assets | | | |
| Accounts receivable, net | 177,111 | (12,329) | 164,782 |
| Due from other funds | 684 | 545 | 1,229 |
| Due from other governments | (7,896) | - | (7,896) |
| Inventory | 4,723 | - | 4,723 |
| Prepays | (22,572) | 4,241 | (18,331) |
| Net pension asset | (848,652) | (116,383) | (965,035) |
| Accounts receivable, restricted | (679) | - | (679) |
| Decrease in deferred outflows related to pensions | 363,141 | 42,802 | 405,943 |
| Increase (decrease) in liabilities | | | |
| Accounts payable | 44,072 | (7,052) | 37,020 |
| Accrued expenses and deposits | (21,403) | 2,738 | (18,665) |
| Due to other funds | (4,678) | (4,552) | (9,230) |
| Due to other governments | (70,932) | 255 | (70,677) |
| Unearned revenue | 47,069 | 4,398 | 51,467 |
| Accrued compensated absences | (245,768) | 3,965 | (241,803) |
| Net OPEB obligation | (35,303) | (2,624) | (37,927) |
| Net pension liability | (6,685) | (858) | (7,543) |
| Increase in deferred inflows related to pensions | 248,516 | 45,349 | 293,865 |
| Increase in deferred inflows related to OPEB | 46,204 | 3,434 | 49,638 |
| Total adjustments | 5,169,819 | 562,163 | 5,731,982 |
| Net cash provided (used) by operating activities | \$ 12,989,408 | \$ (99,623) | \$ 12,889,785 |

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, 2018

| | Pension Trust Funds |
|---------------------------------|--------------------------------|
| <hr/> | |
| Assets | |
| Cash and cash equivalents | \$ 221,863 |
| Accounts receivable, net | 2,536 |
| Dividends receivable | 33,359 |
| Investments, at fair value | |
| Money market funds | 2,470,464 |
| Real estate investment trusts | 1,674,625 |
| Mutual funds | 72,684,885 |
| <hr/> | |
| Total assets | 77,087,732 |
| <hr/> | |
| Liabilities | |
| Accounts payable | 23,132 |
| Refunds payable | 22 |
| <hr/> | |
| Total liabilities | 23,154 |
| <hr/> | |
| Net position | |
| Restricted for pension benefits | \$ 77,064,578 |
| <hr/> <hr/> | |

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, 2018

| | Pension Trust Funds |
|---|--------------------------------|
| Additions | |
| Contributions | |
| Employer | \$ 1,513,671 |
| Plan members | 1,101,475 |
| Buyback of service | 6,433 |
| Insurance premiums | 329,947 |
| Total contributions | 2,951,526 |
| Investment earnings | |
| Interest | 4,777 |
| Dividends | 1,374,657 |
| Master limited partnership earnings | 118,664 |
| Net increase in fair value of investments | 4,418,425 |
| Total investment earnings | 5,916,523 |
| Less investment expenses | (151,195) |
| Net investment earnings | 5,765,328 |
| Total additions | 8,716,854 |
| Deductions | |
| Benefits | 4,653,082 |
| Refunds of contributions | 316,234 |
| Administrative expenses | 89,423 |
| Total deductions | 5,058,739 |
| Change in net position | 3,658,115 |
| Net position - beginning | 73,406,463 |
| Net position - ending | \$ 77,064,578 |

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)

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.

Investments

All investments are recorded at fair value 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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, interest of \$69,478 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.

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 straight-line method.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 31st of each year.

| <u>During Years of Service</u> | <u>Annual Leave Cap (Days**Each Year)</u> |
|--------------------------------|---|
| 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.

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 January 1, 1998 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 charge 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 two items that qualify for reporting in this category, which are the deferred changes related to the net pension liability (asset) and net OPEB 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 spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2018, is \$47,815.

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, 2018, is \$28,531,259.

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, 2018, is \$3,565,500.

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, 2018, is \$10,802,840.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2018, is \$9,743,460.

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.

New Accounting Pronouncements

The City implemented GASB issued Statements No. 75, Accounting and financial reporting for postemployment benefits other than pensions and No. 85, *Omnibus- issues related to blending component units, goodwill, fair value measurement and application and post employment benefits*, effective for reporting periods beginning after December 15, 2016 and June 15, 2017. The Statements address improving the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB), and for enhancing consistency in the application of accounting and financial reporting requirements for other post employment benefits.

Subsequent Events

Management has evaluated subsequent events through June 3, 2019, 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 \$320,686 difference are as follows:

| | | |
|---|----|---------|
| Accounts receivable, net | \$ | 302,316 |
| Grants receivable | | 1,380 |
| Due from other governments | | 16,990 |
| <hr/> | | |
| Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i> | \$ | 320,686 |
| <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 \$119,254,446 difference are as follows:

| | | |
|---|----|--------------|
| Cost of capital assets | \$ | 157,764,491 |
| Less: accumulated depreciation | | (38,510,045) |
| <hr/> | | |
| Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i> | \$ | 119,254,446 |
| <hr/> | | |

Another element of that reconciliation states, "Long-term and claim liabilities, including bonds and self insurance liability, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(46,520,024) difference are as follows:

| | | |
|---|----|--------------|
| Revenue bonds payable, net | \$ | (39,870,000) |
| Net OPEB obligation | | (916,838) |
| Net pension liability | | (974,483) |
| Self insurance liability | | (1,840,431) |
| Accrued compensated absences | | (2,464,751) |
| Accrued interest payable | | (453,521) |
| <hr/> | | |
| Net adjustment to decrease fund balances – total governmental funds to arrive at <i>net position of governmental activities</i> | \$ | (46,520,024) |
| <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 \$279,900 difference are as follows:

| | | |
|---|----|-------------|
| Deferred outflows related to pensions | \$ | 1,553,119 |
| Deferred inflows related to pensions | | (3,353,140) |
| Deferred inflows related to OPEB | | (97,324) |
| Deferred loss on refunding | | 2,177,245 |
| <hr/> | | |
| Net adjustment to increase fund balances - total governmental funds to arrive at <i>net position of governmental activities</i> | \$ | 279,900 |
| <hr/> <hr/> | | |

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 \$3,549,732 difference are as follows:

| | | |
|--|----|-------------|
| Capital outlay expenditures | \$ | 8,053,416 |
| Less: depreciation expense | | (4,503,684) |
| <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> | \$ | 3,549,732 |
| <hr/> <hr/> | | |

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 \$363 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. | \$ | (23,637) |
| In the statement of activities, donations of capital assets are recognized at fair market value. However, in the governmental funds, the donations are not recognized. | | 24,000 |

| | | |
|---|----|-----|
| <i>Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net position of governmental activities</i> | \$ | 363 |
|---|----|-----|

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 \$1,523,815 difference are as follows:

| | | |
|----------------------|----|----------|
| Compensated absences | \$ | 462,936 |
| Insurance | | 90,243 |
| Various expenses | | (37,356) |
| Interest | | 26,333 |
| Interfund transfers | | 54,232 |
| Pension expense | | 950,380 |
| OPEB | | (22,953) |

| | | |
|---|----|-----------|
| <i>Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net position of governmental activities</i> | \$ | 1,523,815 |
|---|----|-----------|

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 \$185,252 difference are as follows:

| | | |
|------------------------------|----|---------|
| Rents | \$ | 22,288 |
| Fines and forfeitures | | 93,354 |
| Interfund transfers | | (2,040) |
| Contributions and donations | | 58,000 |
| Grants | | (345) |
| Other fees and miscellaneous | | 13,995 |

| | | |
|---|----|---------|
| <i>Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net position of governmental activities</i> | \$ | 185,252 |
|---|----|---------|

**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 \$2,148,607 difference are as follows:

| | | |
|--|----|-----------|
| Principal repayment of bonds | \$ | 2,315,000 |
| 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> | \$ | 2,148,607 |
| <hr/> | | |

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

\$90,573,076 of the City's deposits and \$221,863 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 - Deposits

At September 30, 2018, the City did not hold any 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.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

- 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:

The following investments are authorized:

- 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, infrastructure, 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.

Limitations:

- 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)

- All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

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 - Investments

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 in the fiduciary funds are held in safe keeping by the financial institution counterparty in the financial institution's general customer account name.

The City's investments are in local government investment pools, which are excluded from custodial credit risk.

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. The City's investments in the Florida Fixed Income Trust cash pool and 1-3 year fund are rated as AAf/S1+ and AA+f/S1, respectively based on S&P Global Ratings.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risks

At September 30, 2018, 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.

Concentration of Credit Risk - Investments

At September 30, 2018, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2018, the fiduciary funds' held six investments that were more than 5 percent of the total fiduciary fund investments in any single security concentration other than U.S. Government Treasuries and Agencies. The investments and respective percentage of the total fiduciary fund investments were SPDR Bloomberg Barclays Convertible Securities ETF (6%), Vanguard Total Bond Market ETF (6%), Ishares Core S&P 500 ETF (8%), John Hancock III – Disciplined Value Fund (9%), T. Rowe Price Institutional Large-Cap Growth Fund (13%), and American Europacific Growth Fund (14%).

At September 30, 2018, the City's and fiduciary funds' deposits consisted of the following:

| | Carrying Amount | Market Value |
|-----------------------|----------------------------|-------------------------|
| City | \$ 90,573,076 | \$ 90,573,076 |
| Fiduciary funds | 221,863 | 221,863 |
| Total deposits | \$ 90,794,939 | \$ 90,794,939 |

At September 30, 2018, the City maintained cash on hand of \$6,567.

The City and 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).

Net asset value (NAV) - Investments in the Florida Fixed Income Trust are in the Florida Fixed Income Trust Cash Pool and Florida Fixed Income Trust 1-3 Year Pool, with balances of \$26,643,952 and \$12,548,074, respectively, at September 30, 2018. The Florida Fixed Income Trust Cash Pool investment strategy is to provide minimal volatility of net asset value and positive holding period returns for 30 days or greater. The pool consists of up to 90% commercial paper investments and a maximum of 10% other investments deemed suitable for the pool. The Florida Fixed Income Trust

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

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

1-3 Year Pool investment strategy is to provide both current income consistent with low volatility of net asset value and positive holding period returns for time horizons of one to three years or greater. The pool consists of securities, US Treasury bonds, government agency bonds and mortgage backed securities, investment grade corporate debentures, commercial paper, certificates of deposit, supranational bonds, participation notes, money market instruments and FDIC insured instruments.

No specific investments are assigned to the City, rather the City's investments are equal to the total fund net asset value times the City's units as a percentage of total units outstanding. Investment earnings are utilized to purchase additional units within the pools. Additionally, the City may withdraw either a portion of or its entire investment at any time. The City's investments in the Florida Fixed Income Trust, at fair value measured at NAV, totaled \$39,192,026 as of September 30, 2018.

The fiduciary funds' have the following fair value measurements as of September 30, 2018:

| | Fair Value | Level 1 | Level 2 | Level 3 |
|---|-------------------|-------------------|----------|----------|
| Investments, at fair value | | | | |
| Money market funds | \$ 2,470,464 | \$ 2,470,464 | \$ - | \$ - |
| Real estate investment trusts | 1,674,625 | 1,674,625 | - | - |
| Mutual funds | 72,684,885 | 72,684,885 | - | - |
| Total investments, at fair value | \$ 76,829,974 | \$ 76,829,974 | \$ - | \$ - |

NOTE 5 – ACCOUNTS RECEIVABLE, NET

At September 30, 2018, accounts receivable in the governmental activities is summarized as follows:

| | |
|---------------------------------------|----------------|
| Total accounts receivable | \$ 324,964 |
| Less: allowance for doubtful accounts | - |
| Accounts receivable, net | \$ 324,964 |

At September 30, 2018, accounts receivable in the business-type activities is summarized as follows:

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

NOTE 5 – ACCOUNTS RECEIVABLE, NET (CONTINUED)

| | |
|---------------------------------------|--------------|
| Billed accounts receivable | \$ 223,935 |
| Unbilled accounts receivable | 6,311,498 |
| Other receivables | 36,299 |
| <hr/> | |
| Total accounts receivable | 6,571,732 |
| Less: allowance for doubtful accounts | (237,353) |
| <hr/> | |
| Accounts receivable, net | \$ 6,334,379 |
| <hr/> | |

At September 30, 2018, restricted accounts receivable in the business-type activities is summarized as follows:

| | |
|---------------------------------------|--------|
| Total restricted accounts receivable | \$ 679 |
| Less: allowance for doubtful accounts | - |
| <hr/> | |
| Restricted accounts receivable, net | \$ 679 |
| <hr/> | |

Restricted accounts receivable arise from activities in the storm water department.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of due from/to other funds' balances as of September 30, 2018 is as follows:

| Receivable fund | Payable fund | |
|-----------------|----------------------------|----------|
| General fund | Utility fund | \$ 2,356 |
| General fund | Nonmajor proprietary funds | 428 |
| Utility fund | CRA fund | 88 |
| Utility fund | General fund | 129 |
| CRA fund | General fund | 5,934 |
| CRA fund | Utility fund | 12 |

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

The composition of interfund transfers as of September 30, 2018 is as follows:

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

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

| Transfers out | Transfers in | | | | Total |
|----------------------------|---------------------|-----------------|------------------|----------------------------------|--------------|
| | General fund | CRA fund | Utility fund | Nonmajor proprietary funds | |
| General fund | \$ - | \$ 2,040 | \$ 46,483 | \$ 5,709 | \$ 54,232 |
| Utility fund | 100,000 | | - | - | 100,000 |
| Nonmajor proprietary funds | - | | - | 500,000 | 500,000 |
| Total | \$ 100,000 | \$ 2,040 | \$ 46,483 | \$ 505,709 | |

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:

| | September 30, 2017 | Increases | Decreases | September 30, 2018 |
|---|-------------------------------|---------------------|---------------------|-------------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 47,469,894 | \$ 791,656 | \$ - | \$ 48,261,550 |
| Construction in progress | 12,660,689 | 6,000,386 | (255,860) | 18,405,215 |
| Total capital assets, not being depreciated | 60,130,583 | 6,792,042 | (255,860) | 66,666,765 |
| Capital assets, being depreciated | | | | |
| Buildings | 15,399,333 | - | - | 15,399,333 |
| Improvements | 65,589,055 | 671,135 | - | 66,260,190 |
| Machinery and equipment | 9,398,964 | 870,099 | (830,860) | 9,438,203 |
| Total capital assets, being depreciated | 90,387,352 | 1,541,234 | (830,860) | 91,097,726 |
| Accumulated depreciation | | | | |
| Buildings | (3,139,180) | (401,265) | - | (3,540,445) |
| Improvements | (26,127,320) | (3,373,913) | - | (29,501,233) |
| Machinery and equipment | (5,547,084) | (728,506) | 807,223 | (5,468,367) |
| Total accumulated depreciation | (34,813,584) | (4,503,684) | 807,223 | (38,510,045) |
| Total capital assets, being depreciated, net of accumulated depreciation | 55,573,768 | (2,962,450) | (23,637) | 52,587,681 |
| Total governmental activities' capital assets – net | \$ 115,704,351 | \$ 3,829,592 | \$ (279,497) | \$ 119,254,446 |

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

NOTE 7 – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES (CONTINUED)

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

| <u>Governmental activities</u> | |
|---|---------------------|
| General government | \$ 91,585 |
| Public safety | 644,943 |
| Highways and streets | 2,364,076 |
| Culture and recreation | 1,403,080 |
| Total depreciation expense – governmental activities | \$ 4,503,684 |

NOTE 8 – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES

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

| | September 30, 2017 | Increases | Decreases | September 30, 2018 |
|---|-------------------------------|---------------------|-----------------------|-------------------------------|
| Capital assets, not being depreciated | | | | |
| Land | \$ 8,041,412 | \$ 163,619 | \$ - | \$ 8,205,031 |
| Intangible assets | 194,788 | - | - | 194,788 |
| Construction in progress | 4,204,583 | 5,482,906 | (7,131,785) | 2,555,704 |
| Total capital assets, not being depreciated | 12,440,783 | 5,646,525 | (7,131,785) | 10,955,523 |
| Capital assets, being depreciated | | | | |
| Buildings | 38,009,972 | - | (316,965) | 37,693,007 |
| Improvements | 115,230,989 | 7,175,009 | (2,538,808) | 119,867,190 |
| Machinery and equipment | 23,648,011 | 553,033 | (259,048) | 23,941,996 |
| Total capital assets, being depreciated | 176,888,972 | 7,728,042 | (3,114,821) | 181,502,193 |
| Accumulated depreciation | | | | |
| Buildings | (13,615,344) | (1,009,107) | 184,019 | (14,440,432) |
| Improvements | (36,852,651) | (3,286,705) | 2,400,104 | (37,739,252) |
| Machinery and equipment | (13,396,582) | (1,662,595) | 242,264 | (14,816,913) |
| Total accumulated depreciation | (63,864,577) | (5,958,407) | 2,826,387 | (66,996,597) |
| Total capital assets, being depreciated, net of accumulated depreciation | 113,024,395 | 1,769,635 | (288,434) | 114,505,596 |
| Total business-type activities' capital assets – net | \$ 125,465,178 | \$ 7,416,160 | \$ (7,420,219) | \$ 125,461,119 |

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

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

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

| <u>Business-type activities</u> | |
|--|---------------------|
| Utility fund | |
| Water | \$ 1,219,698 |
| Waste water | 3,978,968 |
| Storm water | 161,837 |
| Other proprietary funds | 597,904 |
| <hr/> | |
| Total depreciation expense – business-type activities | \$ 5,958,407 |

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2018:

| | Utility Fund | Other Proprietary Funds | Total |
|--|-------------------------|--|-----------------------|
| Land | \$ 8,205,031 | \$ - | \$ 8,205,031 |
| Intangible assets | 194,788 | - | 194,788 |
| Buildings | 33,538,983 | 4,154,024 | 37,693,007 |
| Improvements | 108,769,635 | 11,097,555 | 119,867,190 |
| Machinery and equipment | 23,239,141 | 702,855 | 23,941,996 |
| Construction in progress | 2,555,704 | - | 2,555,704 |
| <hr/> | | | |
| Total | 176,503,282 | 15,954,434 | 192,457,716 |
| <hr/> | | | |
| Accumulated depreciation | | | |
| Buildings | (13,236,258) | (1,204,174) | (14,440,432) |
| Improvements | (33,650,276) | (4,088,976) | (37,739,252) |
| Machinery and equipment | (14,433,525) | (383,388) | (14,816,913) |
| <hr/> | | | |
| Total accumulated depreciation | (61,320,059) | (5,676,538) | (66,996,597) |
| <hr/> | | | |
| Total business-type activities' | | | |
| capital assets – net | \$ 115,183,223 | \$ 10,277,896 | \$ 125,461,119 |

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. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. 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.

OPEB Plan participants must reimburse the City for the City's average blended cost. Contribution requirements of the City are established and may be amended through action of the Council. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. The following table provides a summary of participants in the OPEB Plan as of the measurement date.

| | |
|--|-----|
| Retires and beneficiaries currently receiving benefits | 15 |
| Active employees | 266 |
| Total | 281 |

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.

Benefits Provided

The OPEB Plan provides healthcare insurance benefits for retirees and their dependents. The OPEB Plan only provides an implicit subsidy as described above.

Total OPEB Liability and Changes in the Total OPEB Liability

The measurement date for the City's total OPEB liability was September 30, 2018. The measurement period for OPEB cost was October 1, 2017 to September 30, 2018. The components of the City's net OPEB liability are as follows:

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

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

| | | |
|---|----|-----------|
| Total OPEB liability | \$ | 1,384,454 |
| OPEB plan fiduciary net position | | - |
| <hr/> | | |
| City's net OPEB liability | \$ | 1,384,454 |
| | | |
| OPEB plan fiduciary net position as a percentage of total OPEB liability | | 0% |
| | | |
| The components of the changes in the total OPEB liability are as follows: | | |
| | | |
| Total OPEB liability | | |
| Service cost | \$ | 37,880 |
| Interest | | 55,707 |
| Difference between expected and actual experience | | (169,229) |
| Implicit rate subsidy | | (36,656) |
| <hr/> | | |
| Net change in total OPEB liability | | (112,298) |
| Total OPEB liability, beginning (restated) | | 1,496,752 |
| <hr/> | | |
| Total OPEB liability, ending | \$ | 1,384,454 |
| <hr/> <hr/> | | |

Actuarial Assumptions and OPEB Liability Sensitivity to Healthcare Trend Rate

The total OPEB liability reported at September 30, 2018 was based on an actuarial valuation dated October 1, 2017 rolled forward to September 30, 2018 using the following actuarial assumptions:

| | | |
|-----------------------|--|------------|
| Discount rate | 3.63% | |
| Salary increases | 2.5% per annum | |
| Mortality rates | 2017 PPA mortality table (RP-2014, base year 2006, adjusted to 2017 with mortality improvement scale MP-2016). | |
| Healthcare trend rate | Year | Trend Rate |
| | 2017 | 7.0% |
| | 2018 | 6.5% |
| | 2019 | 5.5% |
| | Ultimate | 4.5% |

Sensitivity of OPEB liability to healthcare cost trend rate

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rate that is 1 percentage point lower (6.5 percent decreasing to 5.5 percent) or 1 percentage point higher (6.5 percent increasing to 7.5 percent) than the current healthcare cost trend rates:

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

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

| | 1% Decrease | Trend Rate | 1% Increase |
|----------------------|--------------|--------------|--------------|
| Total OPEB liability | \$ 1,154,961 | \$ 1,384,454 | \$ 1,680,699 |

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.24 percent) or 1 percentage point higher (5.24 percent) than the current rate:

| | 1% Decrease 3.24% | Current Discount Rate 4.24% | 1% Increase 5.24% |
|----------------------|----------------------|-----------------------------------|----------------------|
| Total OPEB liability | \$ 1,678,517 | \$ 1,384,454 | \$ 1,161,718 |

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended September 30, 2018, the City recognized OPEB expense of \$93,587. At September 30, 2018, the City had deferred inflows of resources related to OPEB from the following sources:

| | Deferred Inflows of Resources |
|---|----------------------------------|
| Difference between expected and actual experience | \$ 146,962 |
| Total | \$ 146,962 |

Deferred inflows of resources shown above will be recognized in OPEB expense in the following years:

| Fiscal year ending | Net Inflows |
|--------------------|-------------------|
| 2019 | \$ 12,088 |
| 2020 | 12,088 |
| 2021 | 12,088 |
| 2022 | 12,088 |
| 2023 | 12,088 |
| Thereafter | 86,522 |
| Total | \$ 146,962 |

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

NOTE 10 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

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

| | Balance September 30, 2017 | Additions | Deductions | Balance September 30, 2018 | Due within One Year |
|--------------------------------|----------------------------------|-------------------|-----------------------|----------------------------------|------------------------|
| Revenue bonds payable | \$ 42,185,000 | \$ - | \$ (2,315,000) | \$ 39,870,000 | \$ 2,375,000 |
| Total bonds payable | 42,185,000 | - | (2,315,000) | 39,870,000 | 2,375,000 |
| Accrued compensated absences | 2,927,687 | 858,583 | (1,321,519) | 2,464,751 | 865,000 |
| Net pension liability (asset) | | | | | |
| General employees | 5,757 | - | (756,475) | (750,718) | - |
| Police officers | 1,774,113 | - | (799,630) | 974,483 | - |
| Firefighters | 473,202 | - | (675,216) | (202,014) | - |
| Net OPEB obligation (restated) | 991,209 | - | (74,371) | 916,838 | - |
| Total | \$ 48,356,968 | \$ 858,583 | \$ (5,942,211) | \$ 43,273,340 | \$ 3,240,000 |

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. 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.

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

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 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.

The bonds are payable from and secured by a lien upon and pledge of (a) net revenues of the systems, (b) sewer system development charges, (c) water system development charges, (d) until released, public service taxes, and (e) 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, 2018 totaled \$30,429,116. 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 \$350,000 and \$664,420, respectively. For the year ended September 30, 2018, pledged revenues were \$17,334,642.

\$ 23,550,000

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.

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

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 and any additional parity obligations as outlined in the 2012 bond document.

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.

The remaining principal and interest payments on this debt as of September 30, 2018 totaled \$20,477,754 Current year principal and interest payments on the bond required 7% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$600,000 and \$592,275, respectively. For the year ended September 30, 2018, pledged revenues were \$17,334,642. \$ 15,860,000

On September 11, 2009, the City issued \$28,725,000 Utility Revenue Bonds, Series 2009; 3% to 5% interest, depending on maturity date of bonds. Interest is payable semiannually on June 1 and December 1. Principal is payable annually on June 1 beginning June 1, 2010, with final maturity on June 1, 2039. The \$28,725,000 is composed of \$10,355,000 serial bonds and \$18,370,000 term bonds. 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 bonds were issued to provide funds for the purpose of: 1) financing the cost of the acquisition and construction of certain capital improvements in connection with the City's water and waste water utility system, 2) funding a required deposit to the reserve fund established pursuant to the Resolution, and 3) paying certain costs incurred in connection with the issuance of the bonds.

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 and any additional parity obligations as outlined in the 2009 bond document. The remaining principal and interest payments on this debt as of September 30, 2018 totaled \$719,250. Current year principal and interest payments on the bond required 4% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$650,000 and \$66,750, respectively. For the year ended September 30, 2018, pledged revenues were \$17,334,642.

| | |
|---|---------------|
| | \$ 685,000 |
| Total revenue bonds at September 30, 2018 | 40,095,000 |
| Less: revenue bonds – current portion | (1,665,000) |
| Revenue bonds – long-term at September 30, 2018 | \$ 38,430,000 |

| Year Ending September 30, | Principal | Interest | Total |
|---------------------------|---------------|---------------|---------------|
| 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 | 2,250,000 | 962,978 | 3,212,978 |
| 2024-2028 | 12,220,000 | 3,834,640 | 16,054,640 |
| 2029-2033 | 12,775,000 | 1,832,074 | 14,607,074 |
| 2034-2036 | 4,915,000 | 275,641 | 5,190,641 |
| Total | \$ 40,095,000 | \$ 11,531,120 | \$ 51,626,120 |

The principal balance of the defeased debt outstanding for the Utility Revenue Bonds, Series 2009, at September 30, 2018 is \$23,215,000.

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:

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

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

| | Original Amount of Certificate | Balance at September 30, 2017 | Net Changes During the Year | Balance at September 30, 2018 |
|---------------------------------|--------------------------------------|-------------------------------------|-----------------------------------|-------------------------------------|
| Wild Heron | \$ 431,834 | \$ 79,077 | \$ (7,689) | \$ 71,388 |
| Hills Road | 71,550 | 6,263 | - | 6,263 |
| Bayside Partners | 142,993 | 119,698 | - | 119,698 |
| Sunnyside Beach & Tennis | 203,385 | 166,404 | - | 166,404 |
| Tapestry Park North | 96,430 | 84,570 | (1,091) | 83,479 |
| Magnolia Beach | 100,000 | 78,745 | (725) | 78,020 |
| TW Olson-Magnolia | 490,500 | 386,236 | (3,560) | 382,676 |
| St. Andrews Land Company | 670,414 | 527,901 | (4,865) | 523,036 |
| Ocean Park Pavilion | 68,494 | 67,874 | - | 67,874 |
| Ocean Park Pavilion | 239,795 | 239,570 | (4,925) | 234,645 |
| St. Andrews Land Company | 212,496 | 198,793 | (22) | 198,771 |
| Antigua Developers | 143,950 | 21,461 | - | 21,461 |
| Clark Hinkle - McEachern Street | 12,432 | 4,874 | (4,874) | - |
| Shores of Panama | 250,626 | 249,303 | - | 249,303 |
| Total | \$ 3,134,899 | \$ 2,230,769 | \$ (27,751) | \$ 2,203,018 |

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.

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, 2018, the City's cost of water purchased from Bay County was \$8,682,502. The City did not meet its minimum purchase obligation for 2018 and as a result there was an amount due of \$155,806 at September 30, 2018. However, this liability was offset by \$403,117 representing Bay County's impact fees collected by the City in accordance with an interlocal agreement. As a result of these credits, there was no liability due to Bay County under the "take or pay" contract at September 30, 2018.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Commitments

At September 30, 2018, the City had open construction contract commitments of approximately \$9.5 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.

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 earnings are 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-four percent (94%) of the total assets held in trust for pension benefits are invested in equity mutual funds, two percent (2%) in real estate investment trusts, and the remaining balance of three percent (4%) 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.

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

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

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at October 1, 2017, the date of the latest actuarial valuation.

| | General Employees' | Police Officers' | Fire- Fighters' |
|--|-------------------------------|-----------------------------|----------------------------|
| Retirees and beneficiaries receiving benefits | 73 | 26 | 16 |
| Terminated plan members entitled to but not yet receiving benefits | 3 | 3 | 0 |
| Active plan members | 147 | 56 | 29 |
| Total | 223 | 85 | 45 |
| 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.

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.

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 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.
- **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 September 30, 2018, the most recent actuarial study shows a surplus of \$1,715,753 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.

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

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.
- 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.

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 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 September 30, 2018, the most recent actuarial study shows a deficit of \$974,483 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.

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's 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.

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 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.
- **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 September 30, 2018, the most recent actuarial study shows a surplus of approximately \$202,014 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 & 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.

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

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

Investment Policy

The Board’s targeted allocation policy for each pension plan as of September 30, 2018 is summarized below:

| Asset class | General Employees' | Police Officers' | Firefighters' |
|----------------------------------|-----------------------|---------------------|---------------|
| Large cap equity | 30% | 30% | 30% |
| Small cap equity | 20% | 20% | 20% |
| International equity | 15% | 15% | 15% |
| Fixed income | 25% | 25% | 25% |
| Real estate | 5% | 5% | 5% |
| Cash | 5% | 5% | 5% |
| Total targeted allocation | 100% | 100% | 100% |

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, 2018 is summarized below:

| | General Employees' | Police Officers' | Firefighters' |
|-------------------------------|-----------------------|---------------------|---------------|
| Money-weighted rate of return | 8.3% | 8.2% | 8.0% |

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.

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

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

- 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.

Net Pension Liability

The components of the net pension liability at September 30, 2018, are as follows:

| | General Employees' | Police Officers' | Firefighters' | Total |
|--------------------------------------|-----------------------|---------------------|---------------|---------------|
| Total pension liability | \$ 37,138,346 | \$ 22,727,044 | \$ 16,255,904 | \$ 76,121,294 |
| Plan fiduciary net position | (38,854,099) | (21,752,561) | (16,457,918) | (77,064,578) |
| City's net pension liability (asset) | \$ (1,715,753) | \$ 974,483 | \$ (202,014) | \$ (943,284) |

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

| | | |
|------|-----|------|
| 105% | 96% | 101% |
|------|-----|------|

At September 30, 2018, the City reported an asset of \$1,715,753 for the pension asset for the general employees’ retirement plan. The net pension asset is measured as of September 30, 2018. The net pension asset was allocated to each of the activities benefited by the plan.

At September 30, 2018, the City reported a liability of \$974,483 for the pension liability for the police officers’ retirement plan. The net pension liability is measured as of September 30, 2018. The net pension liability was reported in the governmental activities.

At September 30, 2018, the City reported an asset of \$202,014 for the pension asset for the firefighters’ retirement plan. The net pension asset is measured as of September 30, 2018. The net pension asset was reported in the governmental activities.

Pension Benefit (Expense), Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2018, the City recognized pension benefit of \$476,791, \$758,277, and \$11,918 for the general employees’ pension plan, the police officers’ pension plan, and the firefighters’ pension plan, respectively.

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

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

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the general employees' pension plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between actual and expected experience | \$ 20,618 | \$ 1,945,068 |
| Net difference between expected and actual earnings on pension plan investments | 567,705 | 1,127,247 |
| Assumption changes | 273,607 | - |
| Total | \$ 861,930 | \$ 3,072,315 |

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the police officers' pension plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between actual and expected experience | \$ 336,473 | \$ 96,805 |
| Net difference between expected and actual earnings on pension plan investments | 335,582 | 574,332 |
| Assumption changes | 114,921 | - |
| Total | \$ 786,976 | \$ 671,137 |

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension plan from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Difference between actual and expected experience | \$ 140,923 | \$ 837,557 |
| Net difference between expected and actual earnings on pension plan investments | 248,086 | 457,275 |
| Assumption changes | - | 42,896 |
| Total | \$ 389,009 | \$ 1,337,728 |

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

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

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

| Year Ending September 30: | General Employees' | Police Officers' | Firefighters' | Total |
|---------------------------|-----------------------|---------------------|---------------------|-----------------------|
| 2019 | \$ (401,664) | \$ 221,158 | \$ (33,567) | \$ (214,073) |
| 2020 | (906,731) | (114,426) | (377,626) | (1,398,783) |
| 2021 | (753,614) | (66,930) | (325,470) | (1,146,014) |
| 2022 | (148,376) | 51,158 | (136,174) | (233,392) |
| 2023 | - | 24,879 | (75,882) | (51,003) |
| Total | \$ (2,210,385) | \$ 115,839 | \$ (948,719) | \$ (3,043,265) |

Actuarial Assumptions

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2018 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 on the RP-2000 Fully Generational Scale BB. Male - 50% Annuitant White Collar/ 50% Annuitant Blue Collar. Female - 100% annuitant White Collar.

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.

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

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

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.

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, 2018 (see the discussion of the pension plan’s investment policy) are summarized in the following table.

| Asset Class | General Employees' | Police Officers' | Firefighters' |
|---|-----------------------|---------------------|---------------|
| Equity | | | |
| Large cap U.S. equity | 4.0% | 4.0% | 4.0% |
| Small cap U.S. equity | 4.5% | 4.5% | 4.5% |
| International (non-U.S.) equity developed | 5.0% | 5.0% | 5.0% |
| Emerging markets equity | 5.8% | 5.8% | 5.8% |
| Fixed income | | | |
| Long duration bonds - gov't/credit | 1.8% | 1.8% | 1.8% |
| Alternative investments | | | |
| Real estate (broad market) | 3.9% | 3.9% | 3.9% |

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

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.

| | 1% Decrease | Current Discount Rate | 1% Increase |
|--|----------------|-----------------------------|----------------|
| City's net pension liability (asset) - | | | |
| general employees' pension | \$ 826,178 | \$ (1,715,753) | \$ (6,696,021) |
| police officers' pension | 3,652,440 | 974,483 | (1,536,004) |
| firefighters' pension | 1,484,317 | (202,014) | (2,388,458) |

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 \$1,000,000 for the aggregate of contracts.

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.

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

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, 2018, 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

For the fiscal year ended September 30, 2018, the change in the claims liability was as follows:

| | | |
|---|----|-------------|
| Claims liability, October 1, 2017 | \$ | 2,231,058 |
| Total transfers into the claims account from premiums, rebates, and other | | 2,136,910 |
| Total transfers out of the claims account for claims, reinsurance fees, and other | | (2,285,961) |
| Claims liability, September 30, 2018 | \$ | 2,082,007 |

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 with no additional renewals. The rental income for the year ended September 30, 2018 was \$21,630.

NOTE 16 – LEASES (CONTINUED)

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, 2018, was \$67,193 for Frank Brown Park.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2018:

| Year Ending September 30, | Total |
|----------------------------------|-----------------|
| 2019 | \$ 5,475 |
| Total | \$ 5,475 |

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. An amended lease was signed on August 24, 2017 extending the lease through September 30, 2020. Base rent is due to the City on the twentieth 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 twentieth 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 the lease 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, 2018 was \$234,602.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2018:

| Year Ending September 30, | Total |
|----------------------------------|-------------------|
| 2019 | \$ 99,996 |
| 2020 | 99,996 |
| Total | \$ 199,992 |

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, 2018, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$459,749. These funds were subsequently paid to the CDD by the City.

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 10th 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, 2018 were \$2,221,506. Under the terms of the amended PIPA, \$1,786,322 was remitted to the CDD and \$435,184 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, 2018.

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.

NOTE 18 – NET ASSET RESTRICTIONS (Continued)

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 finance, plan or construct projects that will repair local roads, reduce traffic congestion or improve traffic flow, increase neighborhood safety with pedestrian paths, provide sidewalks near schools, or reduce local flooding.

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 areas. Pursuant to Section 163.337, Florida Statutes, a redevelopment trust fund was established for each of the areas.

Summary

Specific restrictions of net assets are summarized below as of September 30, 2018:

| | |
|-----------------------------|---------------|
| Governmental activities | |
| Law enforcement | \$ 45,232 |
| Beach access public parking | 766,889 |
| Impact fees | 3,027,351 |
| Reforestation | 5,381 |
| Highways and streets | 1,595,687 |
| Debt service | 5,645,698 |
| Community redevelopment | 18,261,533 |
| <hr/> | |
| Total | \$ 29,347,771 |
| <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.

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

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 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.

Summary

Specific restrictions of net assets are summarized below as of September 30, 2018:

| | | |
|--------------------------|----|------------|
| Business-type activities | | |
| Impact fees | \$ | 11,469,569 |
| Debt service | | 557,977 |
| Storm water | | 1,528,572 |
| <hr/> | | |
| Total | \$ | 13,556,118 |
| <hr/> <hr/> | | |

For the fiscal year ending September 30, 2018, the reported net position in governmental activities and business-type activities assets restricted by enabling legislation was \$39,007,360.

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 | \$ 34,786 | \$ 593 | \$ 1,768 | \$ 37,147 |
| Inventory | 10,668 | - | - | 10,668 |
| <hr/> | | | | |
| Total nonspendable | 45,454 | 593 | 1,768 | 47,815 |
| <hr/> | | | | |

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

NOTE 19 – FUND BALANCE CONSTRAINTS (CONTINUED)

| Fund Balances | General Fund | Community Redevelopment Fund | Other Governmental Funds | Total |
|----------------------------|-------------------------|---|---|----------------------|
| Restricted | | | | |
| Highways and streets | \$ 1,564,958 | \$ 709,884 | \$ - | \$ 2,274,842 |
| Debt service | - | 6,099,219 | - | 6,099,219 |
| Community redevelopment | - | 16,315,514 | - | 16,315,514 |
| Reforestation | 5,381 | - | - | 5,381 |
| Impact fees | 3,027,351 | - | - | 3,027,351 |
| Public safety | 11,916 | - | 30,147 | 42,063 |
| Public parking | - | - | 766,889 | 766,889 |
| Total restricted | 4,609,606 | 23,124,617 | 797,036 | 28,531,259 |
| Committed | | | | |
| Construction | 3,565,500 | - | - | 3,565,500 |
| Total committed | 3,565,500 | - | - | 3,565,500 |
| Assigned | | | | |
| Subsequent years | 1,536,096 | - | - | 1,536,096 |
| Compensated absences | 218,650 | - | - | 218,650 |
| Road maintenance | 533,500 | - | - | 533,500 |
| Future capital projects | 6,615,000 | - | - | 6,615,000 |
| Self insurance | 1,841,719 | - | - | 1,841,719 |
| Community redevelopment | - | 16,524 | - | 16,524 |
| Public safety | - | - | 41,351 | 41,351 |
| Total assigned | 10,744,965 | 16,524 | 41,351 | 10,802,840 |
| Unassigned | 9,743,460 | - | - | 9,743,460 |
| Total fund balances | \$ 28,708,985 | \$ 23,141,734 | \$ 840,155 | \$ 52,690,874 |

NOTE 20 - FUTURE ACCOUNTING PRONOUNCEMENTS

The following statements will be effective for the fiscal year ending September 30, 2019:

- Statement No. 83, *Certain Asset Retirement Obligations*;
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*.

The City has not yet determined the impact, if any, that the implementation of these new pronouncements will have on its financial statements. More detailed information regarding requirements related to GASB Statements may be found at the following website: www.gasb.org

NOTE 21 – SUBSEQUENT EVENTS

On October 10, 2018, the eye of Hurricane Michael, a category 5 hurricane, passed over Bay County, Florida, causing damage to buildings and businesses throughout the City. At the time of issuance of these financial statements, the full impact of the damages and their effects on the City's financial statements have not been determined. The City was able to use reserves to meet the immediate costs related to the storm. On March 28, 2019, the City approved resolution 19-71 and budget amendment #20, which primarily moved \$1,978,595 from reserves to cover additional cost associated with Hurricane Michael related salaries and related benefits and operating expenses.

On January 24, 2019, the City approved Resolution 19-53 and budget amendment #9 approving an agreement with Reliant South Construction Group, relating to the construction of a Fire Station, in the amount of \$5,001,752.

On March 28, 2019, the City approved Resolution 19-70 approving a transportation concurrency proportionate share agreement with the St. Joe Company for the conveyance of land needed for Bay Parkway Segment 2, in the amount of \$730,095.

On April 25, 2019, the City approved resolution 19-84 approving an agreement with Gulf Coast Utility Contactors, LLC, related to the North Glades and Hombre Drainage improvements project, in the amount of \$748,472.

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

NOTE 22 – CHANGE IN ACCOUNTING PRINCIPLES

In 2018, the City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, resulting in a decrease in beginning OPEB liability and restatement of beginning net position for the City’s governmental activities, business-type activities, and proprietary funds.

| Elements of Restatement | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| Net position - beginning (as originally stated) | \$ 116,552,875 | \$ 151,780,721 | \$ 268,333,596 |
| Cumulative effect of application of GASB No. 75 | 597,104 | 451,645 | 1,048,749 |
| Net position - beginning (as restated) | \$ 117,149,979 | \$ 152,232,366 | \$ 269,382,345 |

| Business-Type Activities | | | |
|---|-----------------------|-------------------------------|-----------------------|
| Elements of Restatement | Utility Fund | Other Proprietary Funds | Total |
| Net position - beginning (as restated) | \$ 139,689,804 | \$ 12,090,917 | \$ 151,780,721 |
| Cumulative effect of application of GASB No. 75 | 423,108 | 28,537 | 451,645 |
| Net position - beginning (as restated) | \$ 140,112,912 | \$ 12,119,454 | \$ 152,232,366 |

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, | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|----------------|--------------|--------------|--------------|--------------|
| Total pension liability | | | | | |
| Service cost | \$ 1,098,483 | \$ 1,081,152 | \$ 1,015,477 | \$ 1,057,919 | \$ 1,040,681 |
| Interest | 3,134,812 | 2,878,833 | 2,715,866 | 2,488,143 | 864,624 |
| Differences between expected and actual experiences | (1,670,609) | (982,721) | (642,786) | 157,575 | 1,874,051 |
| Changes of assumptions | - | 486,743 | - | - | - |
| Benefit payments, including refunds of member contributions | (2,340,677) | (967,953) | (1,067,418) | (1,255,002) | (1,285,877) |
| DROP adjustment | - | - | - | 534,139 | - |
| Net change in total pension liability | 222,009 | 2,496,054 | 2,021,139 | 2,982,774 | 2,493,479 |
| Total pension liability - beginning | 36,916,337 | 34,420,283 | 32,399,144 | 29,416,370 | 26,922,891 |
| Total pension liability - ending (a) | 37,138,346 | 36,916,337 | 34,420,283 | 32,399,144 | 29,416,370 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | 745,847 | 809,369 | 892,284 | 995,644 | 1,095,319 |
| Contributions - member | 631,150 | 571,937 | 563,913 | 538,751 | 548,921 |
| Contributions - Buy back of service | 6,433 | | | | |
| Net investment income (loss) | 2,939,347 | 4,128,258 | 2,525,763 | (550,968) | 2,892,762 |
| Benefit payments, including refunds of member contributions | (2,340,677) | (967,953) | (1,067,418) | (1,255,002) | (1,285,877) |
| Administrative expense | (31,038) | (20,903) | (24,884) | (29,135) | (23,565) |
| DROP adjustment | - | - | - | 534,139 | - |
| Net change in plan fiduciary net position | 1,951,062 | 4,520,708 | 2,889,658 | 233,429 | 3,227,560 |
| Plan fiduciary net position - beginning | 36,903,037 | 32,382,329 | 29,492,671 | 29,259,242 | 26,031,682 |
| Plan fiduciary net position - ending (b) | 38,854,099 | 36,903,037 | 32,382,329 | 29,492,671 | 29,259,242 |
| Net pension liability (asset) - ending (a) - (b) | \$ (1,715,753) | \$ 13,300 | \$ 2,037,954 | \$ 2,906,473 | \$ 157,128 |
| Plan fiduciary net position as a percentage of the total pension liability | 104.62% | 99.96% | 94.08% | 91.03% | 99.47% |
| Covered-employee payroll | 7,254,593 | 6,573,994 | 6,483,319 | 6,238,976 | 5,500,368 |
| Net pension liability (asset) as a percentage of covered-employee payroll | -23.65% | 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, | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------------|---------------------|---------------------|---------------------|---------------------|
| Actuarially determined contribution | \$ 657,992 | \$ 642,937 | \$ 672,608 | \$ 869,713 | \$ 880,755 |
| Contributions made in relation to the actuarially determined contribution | 745,847 | 809,369 | 892,284 | 995,644 | 1,095,319 |
| Contribution deficiency (excess) | \$ (87,855) | \$ (166,432) | \$ (219,676) | \$ (125,931) | \$ (214,564) |
| Covered-employee payroll | \$ 7,254,593 | \$ 6,573,994 | \$ 6,483,319 | \$ 6,238,976 | \$ 5,500,368 |
| Contributions as a percentage of covered-employee payroll | 10.28% | 12.31% | 13.76% | 15.96% | 19.91% |

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of October 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

| Year Ended September 30, | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 8.30% | 12.90% | 8.70% | -1.60% | 10.60% |

Notes to Schedule:

Only data for fiscal years after 2014 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, | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|-------------------|---------------------|---------------------|---------------------|---------------------|
| Total pension liability | | | | | |
| Service cost | \$ 621,201 | \$ 609,635 | \$ 546,733 | \$ 520,895 | \$ 479,598 |
| Interest | 1,760,885 | 1,650,451 | 1,528,848 | 1,525,052 | 304,873 |
| Differences between expected and actual experiences | (516,658) | (53,433) | 317,692 | (181,955) | 1,536,515 |
| Changes of assumptions | - | 174,190 | - | - | - |
| Benefit payments, including refunds of member contributions | (1,056,520) | (967,438) | (904,815) | (926,647) | (1,037,205) |
| Net change in total pension liability | 808,908 | 1,413,405 | 1,488,458 | 937,345 | 1,283,781 |
| Total pension liability - beginning | 21,918,136 | 20,504,731 | 19,016,273 | 18,078,928 | 16,795,147 |
| Total pension liability - ending (a) | 22,727,044 | 21,918,136 | 20,504,731 | 19,016,273 | 18,078,928 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | 577,269 | 580,095 | 590,606 | 589,810 | 646,023 |
| Contributions - member | 373,527 | 344,327 | 338,561 | 325,235 | 307,896 |
| Contributions - state | 155,114 | 142,663 | 137,097 | 117,870 | 111,257 |
| Net investment income (loss) | 1,596,109 | 2,226,214 | 1,355,563 | (280,772) | 1,723,373 |
| Benefit payments, including refunds of member contributions | (1,056,520) | (967,438) | (904,815) | (926,647) | (1,037,205) |
| Administrative expense | (36,961) | (24,921) | (18,136) | (20,470) | (18,632) |
| Net change in plan fiduciary net position | 1,608,538 | 2,300,940 | 1,498,876 | (194,974) | 1,732,712 |
| Plan fiduciary net position - beginning | 20,144,023 | 17,843,083 | 16,344,207 | 16,539,181 | 14,806,469 |
| Plan fiduciary net position - ending (b) | 21,752,561 | 20,144,023 | 17,843,083 | 16,344,207 | 16,539,181 |
| Net pension liability - ending (a) - (b) | \$ 974,483 | \$ 1,774,113 | \$ 2,661,648 | \$ 2,672,066 | \$ 1,539,747 |
| Plan fiduciary net position as a percentage of the total pension liability | 95.71% | 91.91% | 87.02% | 85.95% | 91.48% |
| Covered-employee payroll | 3,395,701 | 3,130,244 | 3,078,788 | 2,967,537 | 2,732,684 |
| Net pension liability as a percentage of covered-employee payroll | 28.70% | 56.68% | 86.45% | 90.04% | 56.35% |

Notes to Schedule:

Benefit changes: Effective October 12, 2017, two changes were made, 1st) in addition to the benefits provided for all normal and early retirees (not disability retirees or terminated vested persons), retiring on or after the effective date, shall receive an additional supplemental monthly benefit of one hundred fifty dollars per month payable for the life of the retiree and 2nd) the normal retirement age and date was updated to add "or the completion of 25 years of credited service, regardless of age" to the requirements.

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, | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined contribution | \$ 522,598 | \$ 536,211 | \$ 626,841 | \$ 568,283 | \$ 691,416 |
| Contributions made in relation to the actuarially determined contribution | 577,269 | 580,095 | 590,606 | 589,810 | 757,280 |
| Contribution deficiency (excess) | \$ (54,671) | \$ (43,884) | \$ 36,235 | \$ (21,527) | \$ (65,864) |
| Covered-employee payroll | \$ 3,395,701 | \$ 3,130,244 | \$ 3,078,788 | \$ 2,967,537 | \$ 2,732,684 |
| Contributions as a percentage of covered-employee payroll | 17.00% | 18.53% | 19.18% | 19.88% | 27.71% |

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of October 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, (2) the date he attains age 55 and has completed at least 10 years of credited service, or the completion of 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 – Police Officers’ Pension Plan

| Year Ended September 30, | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 8.20% | 12.70% | 8.60% | -1.40% | 10.40% |

Notes to Schedule:

Only data for fiscal years after 2014 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, | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|--------------|------------|--------------|--------------|------------|
| Total pension liability | | | | | |
| Service cost | \$ 270,658 | \$ 262,044 | \$ 261,854 | \$ 239,906 | \$ 264,424 |
| Interest | 1,431,146 | 1,351,472 | 1,297,175 | 1,108,633 | 577,530 |
| Differences between expected and actual experiences | (706,386) | (157,157) | (380,401) | 614,707 | 392,824 |
| Changes of assumptions | - | (70,012) | - | - | - |
| Benefit payments, including refunds of member contributions | (1,572,119) | (790,069) | (596,757) | (461,583) | (428,064) |
| DROP adjustment | - | - | - | 765,571 | - |
| Net change in total pension liability | (576,701) | 596,278 | 581,871 | 2,267,234 | 806,714 |
| Total pension liability - beginning | 16,832,605 | 16,236,327 | 15,654,456 | 13,387,222 | 12,580,508 |
| Total pension liability - ending (a) | 16,255,904 | 16,832,605 | 16,236,327 | 15,654,456 | 13,387,222 |
| Plan fiduciary net position | | | | | |
| Contributions - employer | 190,555 | 266,409 | 383,158 | 416,807 | 501,112 |
| Contributions - member | 96,798 | 80,110 | 78,955 | 86,266 | 146,638 |
| Contributions - state | 174,833 | 176,633 | 193,237 | 187,733 | 206,650 |
| Net investment income (loss) | 1,229,872 | 1,812,924 | 1,124,888 | (212,505) | 1,243,226 |
| Benefit payments, including refunds of member contributions | (1,572,119) | (790,069) | (596,757) | (461,583) | (428,064) |
| Administrative expense | (21,424) | (21,738) | (21,443) | (26,963) | (31,784) |
| DROP adjustment | - | - | - | 765,571 | - |
| Net change in plan fiduciary net position | 98,515 | 1,524,269 | 1,162,038 | 755,326 | 1,637,778 |
| Plan fiduciary net position - beginning | 16,359,403 | 14,835,134 | 13,673,096 | 12,917,770 | 11,279,992 |
| Plan fiduciary net position - ending (b) | 16,457,918 | 16,359,403 | 14,835,134 | 13,673,096 | 12,917,770 |
| Net pension liability (asset) - ending (a) - (b) | \$ (202,014) | \$ 473,202 | \$ 1,401,193 | \$ 1,981,360 | \$ 469,452 |
| Plan fiduciary net position as a percentage of the total pension liability | 101.24% | 97.19% | 91.37% | 87.34% | 96.49% |
| Covered-employee payroll | 1,905,548 | 1,584,980 | 1,524,460 | 1,460,571 | 1,285,641 |
| Net pension liability (asset) as a percentage of covered-employee payroll | -10.60% | 29.86% | 91.91% | 135.66% | 36.52% |

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

| Year Ended September 30, | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|--------------------|---------------------|---------------------|--------------------|---------------------|
| Actuarially determined contribution | \$ 176,073 | \$ 125,213 | \$ 223,668 | \$ 357,840 | \$ 550,138 |
| Contributions made in relation to the actuarially determined contribution | 190,555 | 266,409 | 383,158 | 416,807 | 707,762 |
| Contribution deficiency (excess) | \$ (14,482) | \$ (141,196) | \$ (159,490) | \$ (58,967) | \$ (157,624) |
| Covered-employee payroll | \$ 1,905,548 | \$ 1,584,980 | \$ 1,524,460 | \$ 1,460,571 | \$ 1,285,641 |
| Contributions as a percentage of covered-employee payroll | 10.00% | 16.81% | 25.13% | 28.54% | 55.05% |

Notes to Schedule:

Valuation date: Actuarially determined contribution rates are calculated as of October 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

| Year Ended September 30, | 2018 | 2017 | 2016 | 2015 | 2014 |
|--|-------------|-------------|-------------|-------------|-------------|
| Annual money-weighted rate of return, net of investment expense | 8.00% | 12.70% | 8.50% | -1.20% | 10.80% |

Notes to Schedule:

Only data for fiscal years after 2014 was available. The City will continue to present 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 the City's Total Other
Postemployment Benefits Liability and Related Ratios

| Year Ended September 30, | 2018 |
|---|-------------------|
| Total OPEB liability | |
| Service cost | \$ 37,880 |
| Interest | 55,707 |
| Differences between expected and actual experiences | (169,229) |
| Implicit rate subsidy | (36,656) |
| Net change in total OPEB liability | (112,298) |
| Total OPEB liability - beginning | 1,496,752 |
| Total OPEB liability - ending | 1,384,454 |
| Covered-employee payroll | 15,838,042 |
| Net OPEB liability as a percentage of covered-employee payroll | 8.74% |

Notes to Schedule:

Note 1: GASB 75 requires information for 10 years. However, until a full 10 year trend is compiled, the City is presenting information for only those years for which information is available.

Note 2: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

See Independent Auditors' Report.

City of Panama City Beach, Florida
Schedule of Employer Contributions for Retirees' Health
Insurance Other Postemployment Benefits Plan

| Year Ended September 30, | 2018 | |
|--|-------------|------------|
| Contractually required contribution | \$ | - |
| Contributions in relation to the contractually required contribution | | - |
| Contribution deficiency/(excess) | \$ | - |
| City's covered-employee payroll | \$ | 15,838,042 |
| Contributions as a percentage of covered-employee payroll | | 0% |

This schedule is intended to show information for 10 years. 2018 is the first year for this presentation, so no prior year data is available. Additional years will be included as they become available.

See Independent Auditors' Report.

Combining Financial Statements

City of Panama City Beach, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2018

| Special Revenue Funds | | | | | |
|--|-------------------------------------|-----------------------------|---|-------------|-------------------|
| | Law Enforcement Trust Fund | Cops and Kids Fund | Beach Access Public Parking Fund | Total | |
| Assets | | | | | |
| Cash and cash equivalents | \$ - | \$ 43,721 | \$ - | \$ - | \$ 43,721 |
| Prepays | 1,768 | - | - | - | 1,768 |
| Cash and cash equivalents - restricted | 30,147 | - | 766,889 | - | 797,036 |
| Total assets | \$ 31,915 | \$ 43,721 | \$ 766,889 | \$ - | \$ 842,525 |
| Liabilities and fund balances | | | | | |
| Accounts payable | \$ - | \$ 2,370 | \$ - | \$ - | \$ 2,370 |
| Total liabilities | - | 2,370 | - | - | 2,370 |
| Fund balances | | | | | |
| Nonspendable | 1,768 | - | - | - | 1,768 |
| Restricted | 30,147 | - | 766,889 | - | 797,036 |
| Assigned | - | 41,351 | - | - | 41,351 |
| Total fund balances | 31,915 | 41,351 | 766,889 | - | 840,155 |
| Total liabilities and fund balances | \$ 31,915 | \$ 43,721 | \$ 766,889 | \$ - | \$ 842,525 |

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, 2018

| | Special Revenue Funds | | | Total |
|--|-------------------------------------|-----------------------------|---|---------------|
| | Law Enforcement Trust Fund | Cops and Kids Fund | Beach Access Public Parking Fund | |
| Revenues | | | | |
| Licenses and permits | \$ - | \$ - | \$ 13,000 | \$ 13,000 |
| Fines and forfeitures | 8,886 | - | - | 8,886 |
| Contributions and donations | - | 23,786 | - | 23,786 |
| Interest | 210 | - | - | 210 |
| Total revenues | 9,096 | 23,786 | 13,000 | 45,882 |
| Expenditures | | | | |
| Current | | | | |
| Public safety | 3,032 | 24,690 | - | 27,722 |
| Total expenditures | 3,032 | 24,690 | - | 27,722 |
| Excess (deficiency) of revenues over (under) expenditures | 6,064 | (904) | 13,000 | 18,160 |
| Net change in fund balances | 6,064 | (904) | 13,000 | 18,160 |
| Fund balances - beginning | 25,851 | 42,255 | 753,889 | 821,995 |
| Fund balances - ending | \$ 31,915 | \$ 41,351 | \$ 766,889 | \$ 840,155 |

See Independent Auditors' Report.

City of Panama City Beach, Florida
Combining Statement of Net Position
Nonmajor Proprietary Funds
September 30, 2018

| | Business-type Activities/Enterprise Funds | | |
|---|--|------------------------------------|----------------------|
| | Pier Fund | Aquatic Center Fund | Total |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 612,415 | \$ 383,133 | \$ 995,548 |
| Accounts receivable, net | 15,899 | 17,148 | 33,047 |
| Due from other funds | - | 247 | 247 |
| Due from other governments | 53,929 | - | 53,929 |
| Investments | 503,246 | - | 503,246 |
| Prepays | 4,242 | 999 | 5,241 |
| Total current assets | 1,189,731 | 401,527 | 1,591,258 |
| Noncurrent assets | | | |
| Net pension asset | 77,117 | 39,266 | 116,383 |
| Capital assets | | | |
| Depreciable, net | 7,436,279 | 2,841,617 | 10,277,896 |
| Total noncurrent assets | 7,513,396 | 2,880,883 | 10,394,279 |
| Total assets | 8,703,127 | 3,282,410 | 11,985,537 |
| Deferred outflows of resources | | | |
| Deferred outflows related to pensions | 38,740 | 19,725 | 58,465 |
| Total deferred outflows of resources | 38,740 | 19,725 | 58,465 |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | 7,472 | 18,691 | 26,163 |
| Accrued expenses and deposits | 22,918 | 7,984 | 30,902 |
| Due to other funds | 392 | 283 | 675 |
| Due to other governments | 21,555 | 964 | 22,519 |
| Unearned revenue | 6,968 | 25,504 | 32,472 |
| Accrued compensated absences | 17,000 | 10,000 | 27,000 |
| Total current liabilities | 76,305 | 63,426 | 139,731 |
| Noncurrent liabilities | | | |
| Accrued compensated absences | 32,832 | 15,416 | 48,248 |
| Net OPEB obligation | 16,465 | 15,884 | 32,349 |
| Total noncurrent liabilities | 49,297 | 31,300 | 80,597 |
| Total liabilities | 125,602 | 94,726 | 220,328 |
| Deferred inflows of resources | | | |
| Deferred inflows related to pensions | 138,089 | 70,311 | 208,400 |
| Deferred inflows related to OPEB | 1,748 | 1,686 | 3,434 |
| Total deferred inflows of resources | 139,837 | 71,997 | 211,834 |
| Net position | | | |
| Net investment in capital assets | 7,436,279 | 2,841,617 | 10,277,896 |
| Unrestricted | 1,040,149 | 293,795 | 1,333,944 |
| Total net position | \$ 8,476,428 | \$ 3,135,412 | \$ 11,611,840 |

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, 2018

| | Business-type Activities/Enterprise Funds | | |
|---|---|---------------------------|----------------------|
| | Pier Fund | Aquatic Center Fund | Total |
| Operating revenues | | | |
| Charges for services | | | |
| Admissions and other fees | \$ 991,188 | \$ 352,813 | \$ 1,344,001 |
| Rent | 235,950 | 12,428 | 248,378 |
| Miscellaneous | 2,390 | 45,629 | 48,019 |
| Total operating revenues | 1,229,528 | 410,870 | 1,640,398 |
| Operating expenses | | | |
| Personal services | 570,303 | 364,091 | 934,394 |
| Professional services | 9,634 | 10,396 | 20,030 |
| Office supplies | 697 | 864 | 1,561 |
| Contractual services | 45,071 | 31,523 | 76,594 |
| Insurance | 33,591 | 21,133 | 54,724 |
| Repairs and maintenance | 109,675 | 38,141 | 147,816 |
| Operating supplies | 72,337 | 147,085 | 219,422 |
| Communication services | 9,125 | 6,697 | 15,822 |
| Public utility services | 32,796 | 116,812 | 149,608 |
| Transportation | 92 | 76 | 168 |
| Rentals | 58,617 | 10,436 | 69,053 |
| Printing and binding | 2 | 2,107 | 2,109 |
| Miscellaneous | 4,427 | 8,552 | 12,979 |
| Depreciation | 439,500 | 158,404 | 597,904 |
| Total operating expenses | 1,385,867 | 916,317 | 2,302,184 |
| Net operating (loss) | (156,339) | (505,447) | (661,786) |
| Nonoperating revenues | | | |
| Investment earnings | 3,246 | - | 3,246 |
| Grants and contributions | 150,055 | 652 | 150,707 |
| Gain on disposal of assets | - | 219 | 219 |
| Total nonoperating revenues | 153,301 | 871 | 154,172 |
| Net (loss) before transfers | (3,038) | (504,576) | (507,614) |
| Transfers in | - | 500,000 | 500,000 |
| Transfers out | (500,000) | - | (500,000) |
| Total transfers | (500,000) | 500,000 | - |
| Change in net position | (503,038) | (4,576) | (507,614) |
| Total net position - beginning (as originally stated) | 8,964,588 | 3,126,329 | 12,090,917 |
| Restatement adjustment | 14,878 | 13,659 | 28,537 |
| Total net position - beginning (as restated) | 8,979,466 | 3,139,988 | 12,119,454 |
| Total net position - ending | \$ 8,476,428 | \$ 3,135,412 | \$ 11,611,840 |

See Independent Auditors' Report.

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended September 30, 2018

| | Business-type Activities/Enterprise Funds | | |
|--|---|---------------------------|--------------|
| | Pier Fund | Aquatic Center Fund | Total |
| Operating activities | | | |
| Receipts from customers and users | \$ 1,220,487 | \$ 412,267 | \$ 1,632,754 |
| Payments to suppliers | (500,831) | (457,649) | (958,480) |
| Payments to employees | (466,500) | (307,397) | (773,897) |
| Net cash provided (used) by operating activities | 253,156 | (352,779) | (99,623) |
| Noncapital financing activities | | | |
| Grants and contributions | 212,090 | 652 | 212,742 |
| Loans to other funds | - | (247) | (247) |
| Transfers (to) from other funds | (500,000) | 500,000 | - |
| Net cash (used) provided by noncapital financing activities | (287,910) | 500,405 | 212,495 |
| Capital and related financing activities | | | |
| Proceeds from sale of assets | - | 1,134 | 1,134 |
| Purchase of capital assets | (67,302) | (44) | (67,346) |
| Net cash (used) provided by capital and related financing activities | (67,302) | 1,090 | (66,212) |
| Investing activities | | | |
| Purchase of investments | (503,246) | - | (503,246) |
| Interest and dividends on investments | 3,246 | - | 3,246 |
| Net cash (used) by investing activities | (500,000) | - | (500,000) |
| Net change in cash and cash equivalents | (602,056) | 148,716 | (453,340) |
| Cash and cash equivalents - beginning | 1,214,471 | 234,417 | 1,448,888 |
| Cash and cash equivalents - ending | \$ 612,415 | \$ 383,133 | \$ 995,548 |
| | | | (Continued) |
| Classified as | | | |
| Current assets - cash and cash equivalents | \$ 612,415 | \$ 383,133 | \$ 995,548 |
| Total | \$ 612,415 | \$ 383,133 | \$ 995,548 |

See Independent Auditors' Report.

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds (Continued)
Year Ended September 30, 2018

| | Business-type Activities/Enterprise Funds | | |
|---|---|---------------------------|--------------------|
| | Pier Fund | Aquatic Center Fund | Total |
| Reconciliation of net operating (loss) to net cash provided (used) by operating activities | | | |
| Net operating (loss) | \$ (156,339) | \$ (505,447) | \$ (661,786) |
| Adjustments to reconcile net operating (loss) to net cash provided (used) by operating activities | | | |
| Depreciation | 439,500 | 158,404 | 597,904 |
| Bad debts | - | 330 | 330 |
| (Increase) decrease in assets | | | |
| Accounts receivable, net | (8,363) | (3,966) | (12,329) |
| Due from other funds | 545 | - | 545 |
| Prepays | 1,706 | 2,535 | 4,241 |
| Net pension asset | (77,117) | (39,266) | (116,383) |
| (Increase) decrease in deferred outflows related to pensions | 26,471 | 16,331 | 42,802 |
| Increase (decrease) in liabilities | | | |
| Accounts payable | (7,359) | 307 | (7,052) |
| Accrued expenses and deposits | 2,161 | 577 | 2,738 |
| Due to other funds | (4,226) | (326) | (4,552) |
| Due to other governments | 70 | 185 | 255 |
| Unearned revenue | (652) | 5,050 | 4,398 |
| Accrued compensated absences | 3,804 | 161 | 3,965 |
| Net OPEB obligation | (1,335) | (1,289) | (2,624) |
| Net pension liability | (552) | (306) | (858) |
| Increase in deferred inflows related to pensions | 33,094 | 12,255 | 45,349 |
| Increase in deferred inflows related to OPEB | 1,748 | 1,686 | 3,434 |
| Total adjustments | 409,495 | 152,668 | 562,163 |
| Net cash provided (used) by operating activities | \$ 253,156 | \$ (352,779) | \$ (99,623) |

See Independent Auditors' Report.

City of Panama City Beach, Florida
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2018

| | General Employees' Pension Trust Fund | Police Officers' Pension Trust Fund | Firefighters' Pension Trust Fund | Total |
|---------------------------------|--|--|---|-------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 109,303 | \$ 71,649 | \$ 40,911 | \$ 221,863 |
| Accounts receivable, net | - | - | 2,536 | 2,536 |
| Dividends receivable | 16,978 | 9,619 | 6,762 | 33,359 |
| Investments, at fair value | | | | |
| Money market funds | 1,119,350 | 765,803 | 585,311 | 2,470,464 |
| Real estate investment trusts | 840,275 | 455,650 | 378,700 | 1,674,625 |
| Mutual funds | 36,779,759 | 20,456,552 | 15,448,574 | 72,684,885 |
| Total assets | 38,865,665 | 21,759,273 | 16,462,794 | 77,087,732 |
| Liabilities | | | | |
| Accounts payable | 11,544 | 6,712 | 4,876 | 23,132 |
| Refunds payable | 22 | - | - | 22 |
| Total liabilities | 11,566 | 6,712 | 4,876 | 23,154 |
| Net position | | | | |
| Restricted for pension benefits | \$ 38,854,099 | \$ 21,752,561 | \$ 16,457,918 | \$ 77,064,578 |

See Independent Auditors' Report.

City of Panama City Beach, Florida
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2018

| | General Employees' Pension Trust Fund | Police Officers' Pension Trust Fund | Firefighters' Pension Trust Fund | Total |
|---|--|---|--|------------------|
| Additions | | | | |
| Contributions | | | | |
| Employer | \$ 745,847 | \$ 577,269 | \$ 190,555 | \$ 1,513,671 |
| Plan members | 631,150 | 373,527 | 96,798 | 1,101,475 |
| Buyback of service | 6,433 | - | - | 6,433 |
| Insurance premiums | - | 155,114 | 174,833 | 329,947 |
| Total contributions | 1,383,430 | 1,105,910 | 462,186 | 2,951,526 |
| Investment earnings | | | | |
| Interest | 2,370 | 1,789 | 618 | 4,777 |
| Dividends | 694,880 | 380,269 | 299,508 | 1,374,657 |
| Master limited partnership earnings | 59,364 | 32,597 | 26,703 | 118,664 |
| Net increase in fair value of investments | 2,249,034 | 1,227,311 | 942,080 | 4,418,425 |
| Total investment earnings | 3,005,648 | 1,641,966 | 1,268,909 | 5,916,523 |
| Less investment expenses | (66,301) | (45,857) | (39,037) | (151,195) |
| Net investment earnings | 2,939,347 | 1,596,109 | 1,229,872 | 5,765,328 |
| Total additions | 4,322,777 | 2,702,019 | 1,692,058 | 8,716,854 |
| Deductions | | | | |
| Benefits | 2,219,356 | 904,973 | 1,528,753 | 4,653,082 |
| Refunds of contributions | 121,321 | 151,547 | 43,366 | 316,234 |
| Administrative expenses | 31,038 | 36,961 | 21,424 | 89,423 |
| Total deductions | 2,371,715 | 1,093,481 | 1,593,543 | 5,058,739 |
| Change in net position | 1,951,062 | 1,608,538 | 98,515 | 3,658,115 |
| Net position - beginning | 36,903,037 | 20,144,023 | 16,359,403 | 73,406,463 |
| Net position - ending | \$ 38,854,099 | \$ 21,752,561 | \$ 16,457,918 | \$ 77,064,578 |

See Independent Auditors' Report.

Compliance Section



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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, 2018, and have issued our report thereon dated June 3, 2019.

Auditors’ Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 3, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Corrective actions have not been taken to address findings in the preceding financial audit report.

| Tabulation of Uncorrected Audit Findings | | |
|--|------------------------|------------------------|
| Current Year Finding # | 2016-2017 FY Finding # | 2015-2016 FY Finding # |
| 2018-001 | 2017-001 | 2016-01 |
| 2018-002 | 2017-002 | |

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 us to apply appropriate procedures and communicate 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 to identify 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.

Special District Component Units

Section 10.554(1)(i)5.c., 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 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 3, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 3, 2019.

Internal Control Over Financial Reporting

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

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.

2018-001 Segregation of Duties (Prior Years 2017-001 and 2016-01)(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 has not eliminated the issue of the lack of segregation of duties; however, the City believes a much greater segregation of duties has been achieved with this additional employee and greater compensating controls will continue to 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.

2018-002 Business Tax Receipts (Prior Years 2017-002)

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: In the prior year we recommended 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. We are aware that on approximately October 1, 2018, the City implemented new controls over the processing of business tax receipts.

Management's response: Management agrees with the recommendation regarding the processing of business tax receipts. The City's finance department has worked 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. The City believes significant improvement has been made in this regard subsequent to fiscal year end.

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 3, 2019



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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, 2018. 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, 2018.

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 3, 2019