

City of Panama City Beach

PANAMA CITY BEACH, FL



ANNUAL FINANCIAL STATEMENTS

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2013

City of Panama City Beach, Florida

FINANCIAL STATEMENTS

September 30, 2013

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2013, 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.

Auditor's 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, 2013, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for each major governmental fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 15 and the required supplementary information on pages 71 through 74 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 and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for the purpose of additional analysis as required by *Chapter 10.550, State of Florida Rules of the Auditor General*, and is also not a required part of the financial statements. The schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill is presented for the purpose of additional analysis as required by *Chapter 10.550, State of Florida Rules of the Auditor General*, and is also not a part of the required financial statements.

The combining and individual nonmajor fund financial statements, and the schedule of expenditures of state financial assistance, and the schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill 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 underlying accounting and other records used to prepare the basic financial statements or 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, the schedule of expenditures of state financial assistance, and the schedule of receipts and expenditures of funds related to the Deepwater Horizon oil spill are fairly stated in all material respects in relation to the 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 26, 2014, 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the City's internal control over financial reporting and compliance.

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

Certified Public Accountants
Panama City Beach, Florida
June 26, 2014

Management's Discussion and Analysis

Management's Discussion and Analysis

The City of Panama City Beach's (the "City") management's discussion and analysis 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 (its ability to address the next and subsequent year's challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Since management's discussion and analysis (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 \$216,597,743 (net position). Of this amount, \$9,264,579 is unrestricted net position for governmental activities and \$44,913,838 is unrestricted net position for business-type activities, while \$18,242,980 is restricted net position for governmental activities and \$11,775,620 is restricted net position for business-type activities.
- Total net position increased by \$16,110,796. Of this amount, \$5,880,194 is attributable to governmental activities and \$10,230,602 is attributable to business-type activities. The increase in net position of governmental activities is attributable to both the Front Beach Road Community Redevelopment Area and the General Fund. Current year tax increment revenue received was used to fund construction projects in the Front Beach Road Community Redevelopment Area (FBR CRA) and to reduce the principal amount of debt outstanding. Additionally, significant proportionate share payments were received for various roadways located within the FBR CRA in the current year and remain on hand or have been expended for capital projects. The General Fund received contributions of approximately \$2.5 million in cash and equipment related to the construction of the amphitheater located at Aaron Bessant Park. Additionally, the General Fund received a final settlement as a result of the Deepwater Horizon oil spill of slightly more than \$700,000 in fiscal year 2013. The increase in net assets of business-type activities is the result of several factors including the collection of \$1,296,090 in impact fees and net income from operations before amortization and depreciation of \$17,123,084 which includes approximately \$6.6 million received as a final settlement as a result of the Deepwater Horizon oil spill.
- As of September 30, 2013, the general fund's unassigned fund balance was \$9,929,590 or 56 percent of total general fund expenditures. Unassigned fund balance in the General Fund increased by \$2,654,006 primarily as a result of strong business tax receipts collections which exceeded the prior year by approximately \$500,000 as well as the receipt of approximately \$700,000 from the Deepwater Horizon oil spill settlement.

- Governmental activities revenues increased \$4,021,538 from \$24,181,596 to \$28,203,134, while governmental activities expenditures increased 6 percent to \$22,317,867. Business-type activities revenues increased to \$39,052,751, while business-type activities expenditures increased 1 percent to \$28,036,597.

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 similar to 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 tax receipts, utility taxes, franchise fees, and state shared revenues, while business-type activities are supported by charges to the users of those particular activities, such as water, waste water, and admission charges.

The *statement of net position* presents information on all assets and liabilities of the City, with the difference between the two reported as *net position*. Assets, liabilities 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 expenditures 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, but unused sick leave).

Expenditures 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. In order to better understand the City's operations, governmental activities expenditures, include among others, general government services, public safety, highways and streets, and culture and recreation. Business-type activities expenditures, which are financed by user fees and charges, include water, waste water, storm water, pier and aquatic center services.

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

Fund Financial Statements

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

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

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

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

The *government-wide financial statements* and the *fund financial statements* provide different presentations of the City's financial position. Categorized by governmental activities and business-type activities, the government-wide financial statements provide an overall picture of the City's financial standing. These statements, which are comparable to private-sector companies, provide a good understanding of the City's overall financial health and present the means used to pay for various activities, or functions provided by the City. All assets of the City, including buildings, land, and infrastructure are reported in the *statement of net position*, as well as all liabilities, including outstanding principal on bonds, capital leases, 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. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

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 of the City, 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, liabilities and net position of the City. At the end of fiscal year 2013, the City is able to 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.

City of Panama City Beach, Florida Net Position

	Governmental Activities		Business-type Activities		Total	
<i>September 30,</i>	2013	2012	2013	2012	2013	2012
Current and other assets	\$ 35,709,644	\$ 33,183,246	\$ 77,618,610	\$ 66,465,062	\$ 113,328,254	\$ 99,648,308
Capital assets	105,179,607	103,275,755	127,829,848	130,979,994	233,009,455	234,255,749
Total assets	140,889,251	136,459,001	205,448,458	197,445,056	346,337,709	333,904,057
Current liabilities	4,665,466	4,848,614	5,770,862	5,180,477	10,436,328	10,029,091
Long-term liabilities	51,414,345	52,681,141	67,889,293	70,706,878	119,303,638	123,388,019
Total liabilities	56,079,811	57,529,755	73,660,155	75,887,355	129,739,966	133,417,110
Net position invested in capital assets net of related debt	57,301,881	53,799,273	75,098,845	76,438,951	132,400,726	130,238,224
Net position - restricted	18,242,980	10,171,267	11,775,620	11,414,127	30,018,600	21,585,394
Net position - unrestricted	9,264,579	14,958,706	44,913,838	33,704,623	54,178,417	48,663,329
Total net position	\$ 84,809,440	\$ 78,929,246	\$ 131,788,303	\$ 121,557,701	\$ 216,597,743	\$ 200,486,947

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 (61 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.

The *restricted net position*, representing 14 percent of the City's net position, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net position*, \$54,178,417 may be used to help meet the government's ongoing obligations to citizens and creditors.

Net position invested in capital assets, net of related debt increased \$2,162,502 (or 2%). Significant additions to capital assets occurred in the governmental activities in the current year. Capital additions in governmental activities were primarily related to the completion of the north section of Powell Adams Road within the Front Beach Road Community Redevelopment Area as well as the completion of the amphitheater located at Aaron Bessant Park.

Restricted net position increased \$8,433,206 (or 39%). Restricted net position in the governmental activities increased by \$8,071,713 while restricted net position in the business-type activities increased by \$361,493. The increase in the governmental activities primarily resulted from the reclassification of community redevelopment activity from unrestricted to restricted to more appropriately reflect the nature of this activity.

The increase in net position, unrestricted was \$5,515,088 (or 11%). The governmental activities decrease was \$5,694,127 while the business-type activities increase was \$11,209,215. The majority of the decrease in governmental activities is attributable to the reclassification of community redevelopment activity from unrestricted to restricted as mentioned above. The increase in unrestricted net position in business-type activities primarily resulted from operating profits from the water and waste water system being retained for future use which included the \$6.6 million settlement resulting from the Deepwater Horizon oil spill.

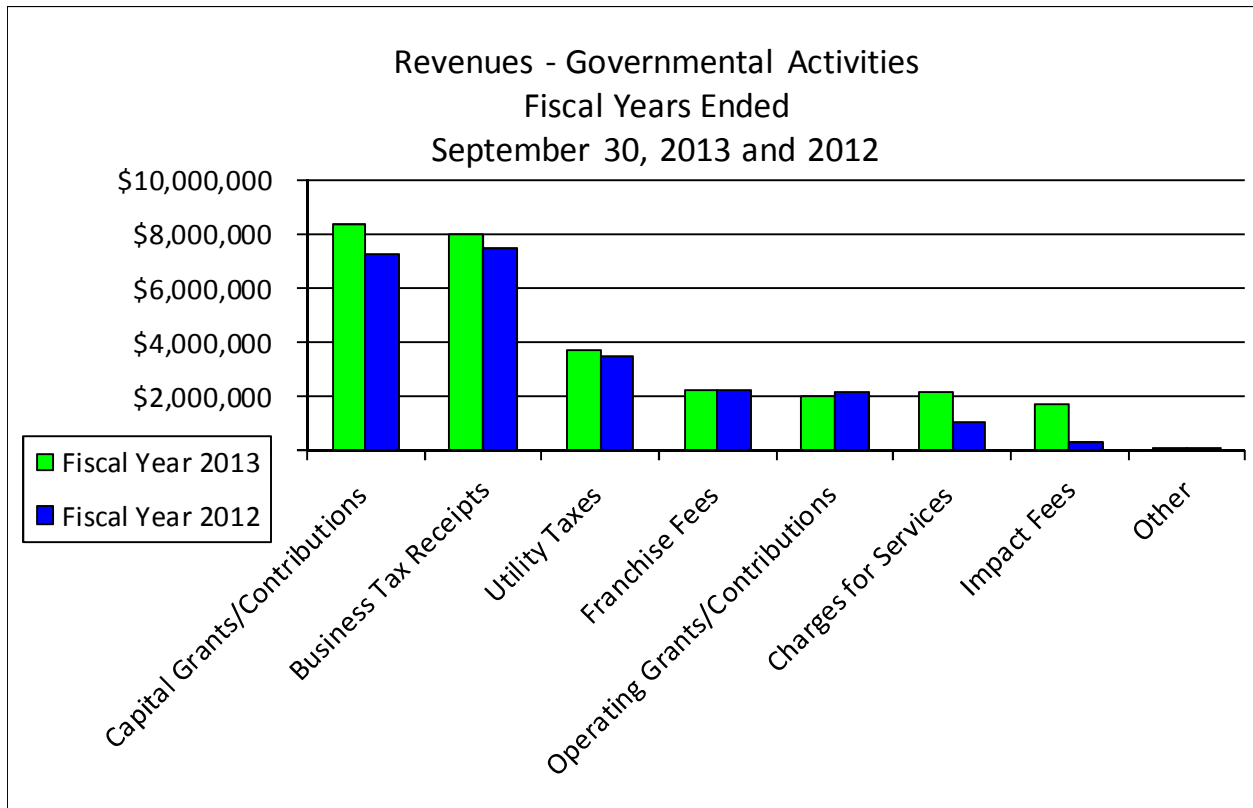
**City of Panama City Beach, Florida
Changes in Net Position**

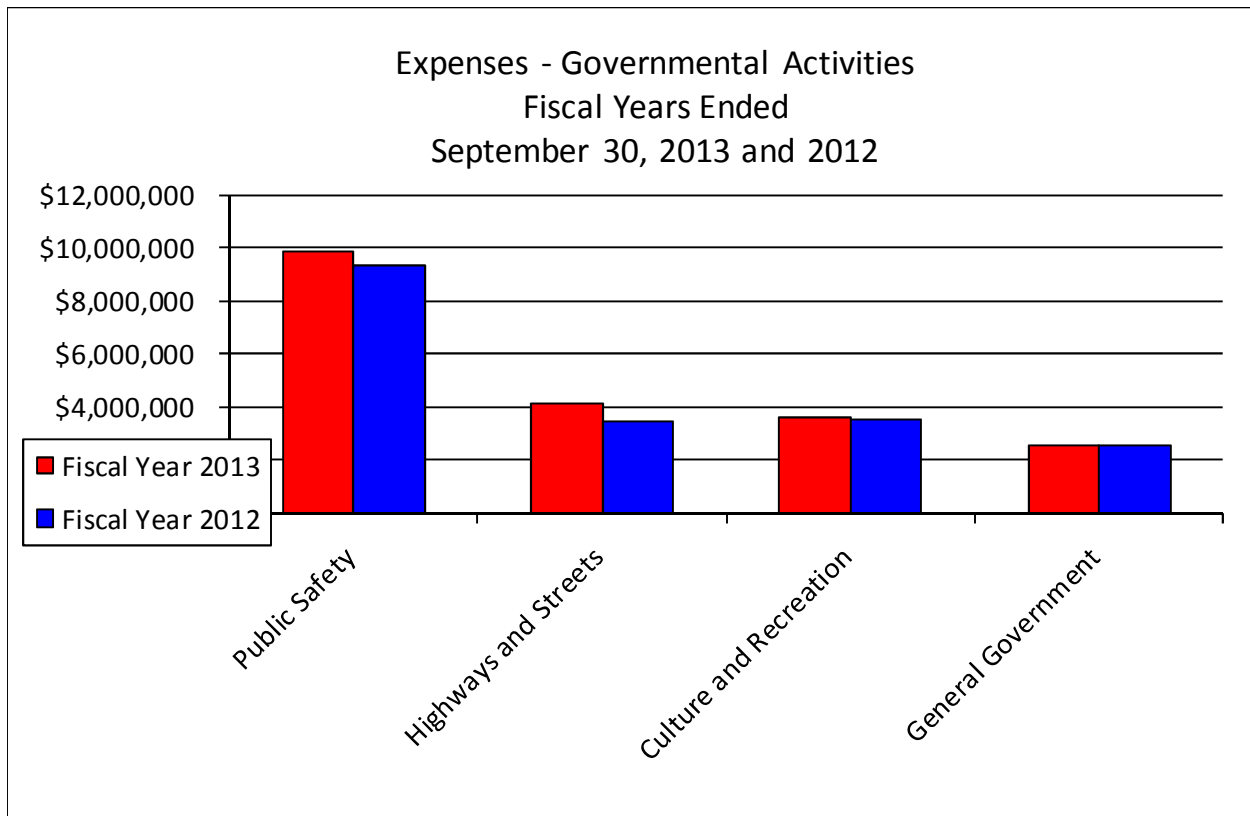
	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Program revenues						
Charges for services	\$ 2,136,739	\$ 1,062,705	\$ 36,760,216	\$ 29,806,387	\$ 38,896,955	\$ 30,869,092
Operating grants/contributions	2,052,629	2,146,847	29,955	32,000	2,082,584	2,178,847
Capital grants/contributions	8,356,165	7,266,725	830,000	750,000	9,186,165	8,016,725
General revenues						
Business tax receipts	8,007,479	7,508,156	-	-	8,007,479	7,508,156
Utility taxes	3,692,176	3,494,294	-	-	3,692,176	3,494,294
Franchise fees	2,211,043	2,259,244	-	-	2,211,043	2,259,244
Impact fees	1,709,817	322,191	1,296,090	595,762	3,005,907	917,953
Penalties on delinquent business tax receipts	25	76	-	-	25	76
Interest earnings	37,061	121,358	136,490	374,087	173,551	495,445
Total revenues	28,203,134	24,181,596	39,052,751	31,558,236	67,255,885	55,739,832

continued

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Expenses						
General government	\$ 2,566,961	\$ 2,546,932	\$ -	\$ -	\$ 2,566,961	\$ 2,546,932
Public safety	9,865,712	9,297,871	-	-	9,865,712	9,297,871
Highways and streets	4,159,676	3,447,373	-	-	4,159,676	3,447,373
Culture and recreation	3,589,520	3,515,559	-	-	3,589,520	3,515,559
Interest on long- term debt	2,135,998	2,200,922	2,746,202	2,915,088	4,882,200	5,116,010
Utilities - water	-	-	13,434,266	13,328,916	13,434,266	13,328,916
Utilities - waste water	-	-	9,555,430	9,284,573	9,555,430	9,284,573
Utilities - storm water	-	-	600,675	582,498	600,675	582,498
Pier	-	-	890,398	806,111	890,398	806,111
Aquatic center	-	-	809,626	902,801	809,626	902,801
Total expenses	22,317,867	21,008,657	28,036,597	27,819,987	50,354,464	48,828,644
Increase in net position before transfers	5,885,267	3,172,939	11,016,154	3,738,249	16,901,421	6,911,188
Transfers	(5,073)	(162,701)	5,073	162,701	-	-
Increase in net position	\$ 5,880,194	\$ 3,010,238	\$ 11,021,227	\$ 3,900,950	\$ 16,901,421	\$ 6,911,188

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





Governmental activities revenues exceeded expenses by \$5,885,267 while business-type activities revenues exceeded expenses by \$11,016,154. Total revenues increased \$11,516,053 from the previous year. The change in total revenues from business-type activities was an increase of \$7,494,515 while the change in governmental activities was an increase of \$4,021,538. Charges for services increased \$8,027,863, capital grants and contributions increased \$1,169,440, and impact fees increased \$2,087,954 in the current year. The increase in charges for services was a combination of an increase in charges for services from governmental activities and an increase from business-type activities. The increase in both governmental activities and business-type activities charges for services resulted primarily from the fact that approximately \$7.3 million was received in a final settlement from BP from the Deepwater Horizon oil spill.

Capital grants and contributions increased a total of \$1,169,440. \$1,089,440 of the increase was attributable to governmental activities while \$80,000 was attributable to business-type activities. The increase in capital grants and contributions in governmental activities resulted primarily from an increase in capital contributions for the current year from the Bay County Tourist Development Center for the construction of an amphitheater at Aaron Bessant Park.

Impact fees increased \$2,087,954 in total with \$1,387,626 of the increase attributable to governmental activities and \$700,328 attributable to business-type activities. Both types of activities benefited from an improving economy evidenced by increases in both commercial and residential construction. The increase in commercial activity resulted in significant transportation proportionate share payments (classified as impact fees) being received by the Community Redevelopment Fund.

Total expenses in governmental activities increased \$1,309,210 from the previous year. Public safety expenditures increased \$567,841 and highways and streets expenditures increased \$712,303. The increases in public safety were attributable to increases in personnel costs including salaries and related benefits. The highways and streets increase was due to an increase in depreciation expense which occurred as a result of new roads being completed and placed in service. Business-type activities expenses increased \$216,610 in total comprised of an increase in water expenses of \$105,350 and waste water expenses of \$270,857 offset by a decrease in long-term debt expense of \$168,886. Water and waste water expenses increased as a result of increased personnel costs including salaries and benefits. Long-term debt expense decreased as a result of the refunding of revenue bonds in the prior fiscal year which reduced current year interest expense.

30% of the revenues for governmental activities are generated by capital grants and contributions, 28% by business tax receipts, and 21% from utility taxes and franchise fees. These percentages remain fairly constant compared to the prior year. Most of the governmental resources are expended for public safety (44%), culture and recreation (16%), and highways and streets (19%).

Charges for services provide 94% of the revenues for business-type activities, while 2% of the revenues are provided from capital grants and contributions and 3% from impact fees. Most of the governmental resources are expended to operate the public utility systems (82%).

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, 2013, total assets were \$17,358,168 and total liabilities were \$3,068,532. At the end of fiscal year 2013, unassigned fund balance of the general fund was \$9,929,590 while total fund balance equaled \$14,289,636. Total fund balance increased \$2,717,521 (23%). Restricted fund balance increased \$263,070 (7%), assigned fund balance decreased \$199,794 (87%) and nonspendable fund balance increased \$239 (1%). Unassigned fund balance increased \$2,654,006 (36%). Fiscal year 2013 revenues in the General Fund exceeded expenditures by \$2,807,064 which resulted in the increase in unassigned fund balance in the current year.

The general fund's budget was amended during the year to reflect significant increases in available revenue as well as decreases in current expenditures and increases in capital outlay expenditures. The increase in total revenue was \$1,872,350 which represented a change from the original to the amended budget of 10%. Approximately 205% of the increase was attributable to an increase in other fees and miscellaneous revenue as a result of the previously mentioned oil spill settlement. Budgeted expenditures for current expenditures decreased from the original to the final amounts by \$127,733 while the budget for capital outlay expenditures increased by \$385,005. The increase in capital outlay expenditures was attributable to the construction of a new police department building.

Community Redevelopment Fund

The other major governmental fund of the City is the Community Redevelopment Fund. As of September 30, 2013, total assets were \$15,672,255 and total liabilities were \$700,691. At the end of fiscal year 2013, the assigned fund balance of the community redevelopment fund was \$251,984, while the total fund balance equaled \$14,971,564. Total fund balance increased \$70,499.

Non-Major 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, 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 non-major funds in the financial statements.

Unrestricted net assets of proprietary funds at the end of the year are presented below:

Fund	2013 Unrestricted Net Assets	2012 Unrestricted Net Assets
Utility	\$ 44,220,495	\$ 33,311,204
Pier	1,052,468	787,285
Aquatic Center	(359,125)	(393,866)
Total	\$ 44,913,838	\$ 33,704,623

The *Utility Fund* is used to account for the operations of the City's water, waste water and storm water systems. New construction and redevelopment being experienced by the City increased in the current year and water and waste water impact fee revenues reflected this trend by increasing \$700,328 or 118% compared to the prior year. Operating revenues increased \$6,775,178 or 24% in 2013 compared to 2012 primarily as a result of the funds received from BP as a result of the oil spill settlement.

The *Pier Fund* accounts for the operations and maintenance of the City Pier. Operating revenues exceeded operating expenditures by \$152,764. Depreciation expense accounted for a significant portion of operating expenses, 48%. Pier fund operations generated significant cash flow in 2013 allowing for a transfer of funds in the amount of \$348,500 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 2013, operating expenses exceeded operating revenues by \$538,560. The shortfall in operations was offset by subsidies from the City's General Fund and Pier Fund.

Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business type activities as of September 30, 2013, was \$233,009,455 (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 \$1,423,000 was expended in fiscal year 2013 on water expansion, rehabilitation and relocation projects. During the year, the City completed projects in the Palm Bay and Bay Point subdivisions. The combined cost for these projects was approximately \$425,000.
- During the current year funds were expended in the amount of \$579,000 on the central force main project which was completed in the current year. The total cost for the project was \$943,000.

During fiscal year 2013, storm water improvements at Hombre Circle were completed. The total construction costs related to these improvements were approximately \$155,000.

- At September 30, 2013, approximately \$40.5 million dollars is reflected in construction in progress and land for various road projects within the Front Beach Road Community Redevelopment Area. Planned improvements include expansion of road widths, additional turn lanes, burying utilities, and aesthetic improvements. Construction on Powell Adams Road was completed in fiscal year 2013. Current year funds expended were approximately \$2 million dollars with a total construction cost of approximately \$2.2 million dollars. Engineering studies and right-of-way acquisition is ongoing for other roads within the project area.

- Construction of an amphitheater at Aaron Bessant Park was completed in fiscal year 2013. The total project cost was approximately \$2.6 million dollars virtually all of which was funded by contributions to the City from the Bay County Tourist Development Center.
- The City entered into architectural services contracts during the year for two new buildings to be constructed on the existing government complex site. One building will house the City's public works, engineering staff, building and planning departments and the water department while the other building will be a new police station. The combined cost of both projects is expected to be approximately \$9.5 million.

**Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<i>September 30,</i>						
Land	\$ 45,449,567	\$ 45,436,821	\$ 7,255,847	\$ 7,019,994	\$ 52,705,414	\$ 52,456,815
Construction in progress	7,357,962	8,512,938	1,667,303	1,346,933	9,025,265	9,859,871
Intangible	-	-	194,788	194,788	194,788	194,788
Buildings	5,799,420	4,104,967	24,336,841	25,334,395	30,136,261	29,439,362
Improvements	43,212,311	42,432,697	81,966,625	83,163,125	125,178,936	125,595,822
Machinery and equipment	3,360,347	2,788,332	12,408,444	13,920,759	15,768,791	16,709,091
Total	\$ 105,179,607	\$ 103,275,755	\$ 127,829,848	\$ 130,979,994	\$ 233,009,455	\$ 234,255,749

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

Debt Management

At the end of the current fiscal year, the City had total bond debt outstanding of \$94,851,518. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bond Debt

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
<i>September 30,</i>						
Revenue bonds	\$ 47,877,717	\$ 49,476,482	\$ 46,973,801	\$ 48,153,717	\$ 94,851,518	\$ 97,630,199

Total outstanding bond debt decreased by \$2,778,681 in the current fiscal year. Principal payments totaled \$2,925,000 in the current year and were adjusted by amortization of deferred costs and premiums. The City's debt currently maintains an "AA" rating from Standard & Poor's and Fitch. All of the City's issues are rated by one or a combination of two rating agencies.

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 the basic financial statements.

Other Financial Information

The City's economy improved during the current fiscal year as evidenced by an increase in building construction and redevelopment activity. Despite continuing national economic concerns, tourism remained steady as evidenced by a 1% increase in business tax receipts in the current fiscal year. 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 water and police department facilities.

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 White, City Clerk.

City of Panama City Beach, Florida
Statement of Net Position
Year Ended September 30, 2013

Primary Government

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 9,950,879	\$ 41,507,019	\$ 51,457,898
Accounts receivable, net	77,167	5,633,853	5,711,020
Taxes and fees receivable	482,615	-	482,615
Grants receivable	71,036	-	71,036
Accrued interest receivable	853	5,084	5,937
Due from other governments	304,425	4,085	308,510
Inventory	14,013	573,261	587,274
Prepaid expenses	32,992	15,731	48,723
Note receivable, current	-	491,000	491,000
Unamortized debt issuance costs, current	99,203	58,994	158,197
Restricted assets			
Cash and cash equivalents	22,847,239	28,252,234	51,099,473
Accounts receivable, net	88,213	547	88,760
Grants receivable	45,737	-	45,737
Accrued interest receivable	403	1,838	2,241
Notes receivable	-	13,871	13,871
Capital assets			
Nondepreciable	52,807,529	9,117,938	61,925,467
Depreciable, net	52,372,078	118,711,910	171,083,988
Unamortized debt issuance costs, non current	1,694,869	1,061,093	2,755,962
Total assets	140,889,251	205,448,458	346,337,709

(Continued)

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

City of Panama City Beach, Florida
Statement of Net Position (Continued)
Year Ended September 30, 2013

Primary Government			
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 987,488	\$ 480,644	\$ 1,468,132
Accrued expenses and deposits	659,724	1,145,081	1,804,805
Accrued interest payable	910,204	850,838	1,761,042
Due to other governments	2,096,500	668,001	2,764,501
Internal balances	(955)	955	-
Deferred revenue	12,505	2,625,343	2,637,848
Long-term liabilities			
Due within one year			
Revenue certificates payable	-	2,141,090	2,141,090
Accrued compensated absences	282,000	168,000	450,000
Notes payable	-	2,171,041	2,171,041
Revenue bonds payable, net	1,663,765	1,302,141	2,965,906
Due in more than one year			
Accrued compensated absences	2,225,111	935,646	3,160,757
Net OPEB obligation	1,029,517	665,553	1,695,070
Notes payable	-	14,834,162	14,834,162
Revenue bonds payable, net	46,213,952	45,671,660	91,885,612
Total liabilities	56,079,811	73,660,155	129,739,966
Net position			
Net investment in capital assets	57,301,881	75,098,845	132,400,726
Restricted for			
Law enforcement	45,849	-	45,849
Beach access public parking	558,399	-	558,399
Impact fees	4,238,340	6,675,610	10,913,950
Debt service	5,594,059	1,286,909	6,880,968
Community redevelopment	7,806,333	-	7,806,333
Construction	-	2,546,802	2,546,802
Storm water	-	1,266,299	1,266,299
Unrestricted	9,264,579	44,913,838	54,178,417
Total net position	\$ 84,809,440	\$131,788,303	\$216,597,743

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, 2013

Functions / Programs	Net (Expenses) Revenues and Changes in Net Position						
	Expenses	Program Revenues			Primary Government		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary government							
General government	\$ 2,566,961	\$ 1,346,305	\$ 1,622,495	\$ -	\$ 401,839	\$ -	\$ 401,839
Public safety	9,865,712	210,679	173,600	10,658	(9,470,775)	-	(9,470,775)
Highways and streets	4,159,676	269,437	209,044	5,862,218	2,181,023	-	2,181,023
Culture and recreation	3,589,520	310,318	47,490	2,483,289	(748,423)	-	(748,423)
Interest on long-term debt	2,135,998	-	-	-	(2,135,998)	-	(2,135,998)
Total governmental activities	22,317,867	2,136,739	2,052,629	8,356,165	(9,772,334)	-	(9,772,334)
Business-type activities							
Utility							
Water	13,434,266	21,195,992	181	-	-	7,761,907	7,761,907
Waste water	9,555,430	13,302,448	141	830,000	-	4,577,159	4,577,159
Storm water	600,675	947,548	37	-	-	346,910	346,910
Pier	890,398	1,043,162	29,207	-	-	181,971	181,971
Aquatic center	809,626	271,066	389	-	-	(538,171)	(538,171)
Interest on long-term debt	2,746,202	-	-	-	-	(2,746,202)	(2,746,202)
Total business-type activities	28,036,597	36,760,216	29,955	830,000	-	9,583,574	9,583,574
Total primary government	\$ 50,354,464	\$ 38,896,955	\$ 2,082,584	\$ 9,186,165	(9,772,334)	9,583,574	(188,760)
General revenues							
Taxes							
Business tax receipts					8,007,479	-	8,007,479
Utility					3,692,176	-	3,692,176
Franchise fees					2,211,043	-	2,211,043
Impact fees					1,709,817	1,296,090	3,005,907
Penalties on delinquent business tax receipts					25	-	25
Total general revenues					15,620,540	1,296,090	16,916,630
Interest earnings					37,061	136,490	173,551
Transfers					(5,073)	5,073	-
Total general revenues, interest and transfers					15,652,528	1,437,653	17,090,181
Change in net position					5,880,194	11,021,227	16,901,421
Net position - beginning					78,929,246	121,557,701	200,486,947
Prior period adjustment					-	(790,625)	(790,625)
Net position - beginning, as restated					78,929,246	120,767,076	199,696,322
Net position - ending					\$ 84,809,440	\$ 131,788,303	\$ 216,597,743

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

City of Panama City Beach, Florida
Balance Sheet
Governmental Funds
Year Ended September 30, 2013

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 9,676,146	\$ 252,622	\$ 22,111	\$ 9,950,879
Accounts receivable, net	13,342	400	-	13,742
Taxes and fees receivable	482,615	-	-	482,615
Grants receivable	53,974	23,356	17,062	94,392
Accrued interest receivable	853	-	-	853
Due from other governments	221,680	-	-	221,680
Due from other funds	24,700	-	-	24,700
Inventory	14,013	-	-	14,013
Prepaid insurance	27,735	5,211	-	32,946
Cash and cash equivalents - restricted	6,842,863	15,390,483	613,893	22,847,239
Accrued interest receivable - restricted	247	156	-	403
Due from other funds - restricted	-	27	5,382	5,409
Total assets	\$ 17,358,168	\$ 15,672,255	\$ 658,448	\$ 33,688,871
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 307,224	\$ 680,214	\$ 50	\$ 987,488
Accrued expenses and deposits	657,463	2,261	-	659,724
Due to other governments	2,079,507	16,993	-	2,096,500
Due to other funds	12,333	723	16,098	29,154
Deferred revenue	12,005	500	-	12,505
Total liabilities	3,068,532	700,691	16,148	3,785,371
Fund balances				
Nonspendable	41,748	5,211	-	46,959
Restricted	4,288,957	14,714,369	619,250	19,622,576
Assigned	29,341	251,984	23,050	304,375
Unassigned	9,929,590	-	-	9,929,590
Total fund balances	14,289,636	14,971,564	642,300	29,903,500
Total liabilities and fund balances	\$ 17,358,168	\$ 15,672,255	\$ 658,448	
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.				256,810
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				105,179,607
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(50,530,477)
Net position of governmental activities				\$ 84,809,440

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, 2013

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Revenues				
Taxes				
Business tax receipts	\$ 8,007,479	\$ -	\$ -	\$ 8,007,479
Utility	3,702,352	-	-	3,702,352
Tax increment funds	-	6,059,990	-	6,059,990
Franchise fees	2,215,919	-	-	2,215,919
Intergovernmental	1,675,563	-	-	1,675,563
Municipal services impact fees	581,341	1,128,476	-	1,709,817
Licenses and permits	457,567	-	-	457,567
Fines and forfeitures	150,381	3,791	25,937	180,109
Contributions and donations	2,292,258	-	16,454	2,308,712
Grants	213,166	47,783	17,062	278,011
Rents	176,566	-	-	176,566
Interest	19,311	17,067	683	37,061
Other fees and miscellaneous	970,597	70,246	-	1,040,843
Total revenues	20,462,500	7,327,353	60,136	27,849,989
Expenditures				
Current				
General government	2,030,455	454,802	-	2,485,257
Public safety	9,173,357	-	26,963	9,200,320
Highways and streets	1,504,488	360,638	-	1,865,126
Culture and recreation	2,346,105	-	-	2,346,105
Debt service				
Principal	-	1,540,000	-	1,540,000
Interest	-	2,221,975	-	2,221,975
Capital outlay				
General government	54,064	-	-	54,064
Public safety	635,198	-	10,658	645,856
Highways and streets	120,473	2,679,439	-	2,799,912
Culture and recreation	1,791,296	-	-	1,791,296
Total expenditures	17,655,436	7,256,854	37,621	24,949,911
Excess of revenues over expenditures	2,807,064	70,499	22,515	2,900,078
Other financing sources (uses)				
Transfers in	100,000	-	-	100,000
Transfers out	(105,073)	-	-	(105,073)
Grants and aids	(135,129)	-	-	(135,129)
Proceeds from sale of assets	50,659	-	3,135	53,794
Net other financing sources (uses)	(89,543)	-	3,135	(86,408)
Net change in fund balances	2,717,521	70,499	25,650	2,813,670
Fund balances - beginning	11,572,115	14,901,065	616,650	27,089,830
Fund balances - ending	\$ 14,289,636	\$ 14,971,564	\$ 642,300	\$ 29,903,500

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, 2013

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

Net change in fund balances - total governmental funds (page 20)	\$ 2,813,670
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.	1,590,078
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.	335,993
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 governmental funds.	(377,500)
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.	18,391
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.	1,499,562
Change in net position of governmental activities (page 18)	\$ 5,880,194

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, 2013

	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 tax receipts	\$ 7,465,000	\$ 7,906,860	\$ 100,669	\$ 8,007,529	\$ (50)	\$ 8,007,479
Utility	3,472,000	3,640,000	49,517	3,689,517	12,835	3,702,352
Franchise fees	2,306,000	2,141,000	54,020	2,195,020	20,899	2,215,919
Intergovernmental	1,623,564	1,648,407	70,970	1,719,377	(43,814)	1,675,563
Municipal services impact fees	180,059	433,677	147,664	581,341	-	581,341
Licenses and permits	252,100	414,675	42,892	457,567	-	457,567
Fines and forfeitures	149,100	136,118	15,469	151,587	(1,206)	150,381
Contributions and donations	2,310,220	2,493,662	(201,404)	2,292,258	-	2,292,258
Grants	260,920	390,889	147,411	538,300	(325,134)	213,166
Rents	141,758	162,805	8,183	170,988	5,578	176,566
Interest	42,600	17,200	2,016	19,216	95	19,311
Other fees and miscellaneous	336,418	1,026,796	(42,971)	983,825	(13,228)	970,597
Total revenues	18,539,739	20,412,089	394,436	20,806,525	(344,025)	20,462,500
Expenditures						
Current						
General government						
Legislative	153,110	135,186	2,878	132,308	163	132,471
Administration	748,384	792,596	23,964	768,632	(13,170)	755,462
Comprehensive planning	318,992	293,904	23,179	270,725	(2,784)	267,941
Protective services	1,038,594	952,297	91,274	861,023	13,558	874,581
Total general government	2,259,080	2,173,983	141,295	2,032,688	(2,233)	2,030,455
Public safety						
Police	6,241,585	6,351,579	199,735	6,151,844	26,212	6,178,056
Fire	3,146,679	3,049,562	62,709	2,986,853	8,448	2,995,301
Total public safety	9,388,264	9,401,141	262,444	9,138,697	34,660	9,173,357
Highways and streets	1,585,528	1,577,588	63,135	1,514,453	(9,965)	1,504,488
Culture and recreation						
Library	225,550	210,806	4,042	206,764	(1,431)	205,333
Recreation	2,243,709	2,210,880	84,532	2,126,348	14,424	2,140,772
Total culture and recreation	2,469,259	2,421,686	88,574	2,333,112	12,993	2,346,105
Total current	15,702,131	15,574,398	555,448	15,018,950	35,455	15,054,405

(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, 2013

	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						
Comprehensive	\$ -	\$ 9,000	\$ 5,200	\$ 3,800	\$ 622	\$ 4,422
Protective services	26,000	76,000	29,883	46,117	3,525	49,642
Total general government	26,000	85,000	35,083	49,917	4,147	54,064
Public safety						
Police	300,000	625,500	79,186	546,314	(1,233)	545,081
Fire	95,000	90,150	33	90,117	-	90,117
Total public safety	395,000	715,650	79,219	636,431	(1,233)	635,198
Highways and streets	177,000	169,355	4,312	165,043	(44,570)	120,473
Culture and recreation						
Library	-	3,000	3,000	-	-	-
Recreation	2,391,000	2,401,000	145,805	2,255,195	(463,899)	1,791,296
Total culture and recreation	2,391,000	2,404,000	148,805	2,255,195	(463,899)	1,791,296
Total capital outlay	2,989,000	3,374,005	267,419	3,106,586	(505,555)	2,601,031
Total expenditures	18,691,131	18,948,403	822,867	18,125,536	(470,100)	17,655,436
Excess (deficiency) of revenues over (under) expenditures	(151,392)	1,463,686	1,217,303	2,680,989	126,075	2,807,064
Other financing sources (uses)						
Transfers in	100,000	100,000	-	100,000	-	100,000
Transfers out	(105,074)	(105,074)	1	(105,073)	-	(105,073)
Grants and aids	(133,129)	(135,129)	-	(135,129)	-	(135,129)
Proceeds from sale of assets	35,000	50,675	-	50,675	16	50,659
Total other financing sources (uses)	(103,203)	(89,528)	1	(89,527)	16	(89,543)
Net change in fund balances	(254,595)	1,374,158	1,217,304	2,591,462	126,059	2,717,521
Fund balances - beginning	3,478,511	9,047,215	3,075,699	12,122,914	(550,799)	11,572,115
Fund balances - ending	\$ 3,223,916	\$ 10,421,373	\$ 4,293,003	\$ 14,714,376	\$ (424,740)	\$ 14,289,636

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, 2013

	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	\$ 6,127,000	\$ 6,076,745	\$ -	\$ 6,076,745	\$ (16,755)	6,059,990
Municipal services impact fees	100,000	305,018	823,458	1,128,476	-	1,128,476
Fines and forfeitures	1,000	3,391	-	3,391	400	3,791
Grants	133,445	47,782	(23,355)	24,427	23,356	47,783
Interest	40,885	17,525	10	17,535	(468)	17,067
Other fees and miscellaneous	25,000	63,218	7,641	70,859	(613)	70,246
Total revenues	6,427,330	6,513,679	807,754	7,321,433	5,920	7,327,353
Expenditures						
Current						
General government	850,776	471,533	17,558	453,975	827	454,802
Highways and streets	426,508	395,847	29,010	366,837	(6,199)	360,638
Total current	1,277,284	867,380	46,568	820,812	(5,372)	815,440
Debt service						
Principal	1,540,000	1,540,000	-	1,540,000	-	1,540,000
Interest	2,221,975	2,221,975	-	2,221,975	-	2,221,975
Total debt service	3,761,975	3,761,975	-	3,761,975	-	3,761,975
Capital outlay						
Highways and streets	3,235,000	2,273,395	(633,622)	2,907,017	(227,578)	2,679,439
Total capital outlay	3,235,000	2,273,395	(633,622)	2,907,017	(227,578)	2,679,439
Total expenditures	8,274,259	6,902,750	(587,054)	7,489,804	(232,950)	7,256,854
Excess (deficiency) of revenues over (under) expenditures	(1,846,929)	(389,071)	220,700	(168,371)	238,870	70,499
Fund balances - beginning	(7,707,157)	13,555,666	1,681,237	15,236,903	(335,838)	14,901,065
Fund balances - ending	\$ (9,554,086)	\$ 13,166,595	\$ 1,901,937	\$ 15,068,532	\$ 827	\$ 14,971,564

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

City of Panama City Beach, Florida
Statement of Net Position
Proprietary Funds
Year Ended September 30, 2013

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 40,215,022	\$ 1,291,997	\$ 41,507,019
Accounts receivable, net	5,604,428	29,425	5,633,853
Accrued interest receivable	5,084	-	5,084
Due from other funds	7,022	7,934	14,956
Due from other governments	-	4,085	4,085
Inventory	573,261	-	573,261
Prepaid insurance	7,940	7,791	15,731
Note receivable	491,000	-	491,000
Unamortized debt issuance costs	58,994	-	58,994
Total current assets	46,962,751	1,341,232	48,303,983
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	28,252,234	-	28,252,234
Accounts receivable	547	-	547
Accrued interest receivable	1,838	-	1,838
Notes receivable	13,871	-	13,871
Capital assets			
Nondepreciable	9,110,438	7,500	9,117,938
Depreciable, net	105,844,685	12,867,225	118,711,910
Unamortized debt issuance costs	1,061,093	-	1,061,093
Total noncurrent assets	144,284,706	12,874,725	157,159,431
Total assets	191,247,457	14,215,957	205,463,414
Liabilities			
Current liabilities			
Accounts payable	462,353	18,291	480,644
Accrued expenses and deposits	1,129,929	15,152	1,145,081
Accrued interest payable	850,838	-	850,838
Due to other funds	6,783	9,128	15,911
Due to other governments	662,010	5,991	668,001
Deferred revenue	2,592,247	33,096	2,625,343
Revenue certificates payable	2,141,090	-	2,141,090
Accrued compensated absences	159,000	9,000	168,000
Notes payable	1,680,041	491,000	2,171,041
Revenue bonds payable, net	1,302,141	-	1,302,141
Total current liabilities	10,986,432	581,658	11,568,090
Noncurrent liabilities			
Accrued compensated absences	912,276	23,370	935,646
Net OPEB obligation	622,692	42,861	665,553
Notes payable	14,834,162	-	14,834,162
Revenue bonds payable, net	45,671,660	-	45,671,660
Total noncurrent liabilities	62,040,790	66,231	62,107,021
Total liabilities	73,027,222	647,889	73,675,111
Net position			
Invested in capital assets, net of related debt	62,224,120	12,874,725	75,098,845
Restricted for			
Impact fees	6,675,610	-	6,675,610
Debt service	1,286,909	-	1,286,909
Construction	2,546,802	-	2,546,802
Storm water	1,266,299	-	1,266,299
Unrestricted	44,220,495	693,343	44,913,838
Total net position	\$ 118,220,235	\$ 13,568,068	\$ 131,788,303

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, 2013

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Operating revenues			
Charges for services			
Water and waste water sales	\$ 26,949,852	\$ -	\$ 26,949,852
Storm water assessments	941,308	-	941,308
Connection and reset fees	245,110	-	245,110
Administrative and review fees	28,790	-	28,790
Admissions and other fees	-	943,303	943,303
Rent	36,000	231,306	267,306
Miscellaneous	7,244,928	139,619	7,384,547
Total operating revenues	35,445,988	1,314,228	36,760,216
Operating expenses			
Personal services	5,429,962	627,678	6,057,640
Professional services	722,122	20,026	742,148
Office supplies	41,905	6,676	48,581
Contractual services	149,747	37,474	187,221
Insurance	173,033	37,503	210,536
Repairs and maintenance	1,323,388	63,259	1,386,647
Operating supplies	1,413,634	113,704	1,527,338
Communication services	80,854	19,745	100,599
Public utility services	8,968,171	144,235	9,112,406
Transportation	84,730	1,094	85,824
Rentals	48,991	44,967	93,958
Printing and binding	15,534	1,738	17,272
Miscellaneous	60,971	5,991	66,962
Amortization	58,994	-	58,994
Depreciation	5,022,707	575,934	5,598,641
Total operating expenses	23,594,743	1,700,024	25,294,767
Net operating income (loss)	11,851,245	(385,796)	11,465,449
Nonoperating revenues (expenses)			
Interest income	135,270	1,220	136,490
Grants and contributions	830,359	29,596	859,955
Gain on disposal of assets	4,372	-	4,372
Interest expense	(2,726,743)	(19,459)	(2,746,202)
Total nonoperating revenues (expenses)	(1,756,742)	11,357	(1,745,385)
Net income (loss) before impact fees and transfers	10,094,503	(374,439)	9,720,064
Impact fees	1,296,090	-	1,296,090
Transfers in	-	453,573	453,573
Transfers out	(100,000)	(348,500)	(448,500)
Total impact fees and transfers	1,196,090	105,073	1,301,163
Change in net position	11,290,593	(269,366)	11,021,227
Total net position - beginning	107,720,267	13,837,434	121,557,701
Prior period adjustment	(790,625)	-	(790,625)
Total net position - beginning, as restated	106,929,642	13,837,434	120,767,076
Total net position - ending	\$ 118,220,235	\$ 13,568,068	\$ 131,788,303

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, 2013

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Operating activities			
Receipts from customers and users	\$ 35,450,177	\$ 1,302,720	\$ 36,752,897
Payments to suppliers	(14,279,034)	(624,276)	(14,903,310)
Payments to employees	(3,887,297)	(488,792)	(4,376,089)
Net cash provided by operating activities	17,283,846	189,652	17,473,498
Noncapital financing activities			
Grants and contributions	359	29,596	29,955
Transfers from (to) other funds	(100,000)	100,000	-
Receipt of payments due on notes	56,601	-	56,601
Net cash provided by noncapital financing activities	(43,040)	129,596	86,556
Capital and related financing activities			
Impact fees	1,392,907	-	1,392,907
Grants and contributions	80,000	-	80,000
Transfers from other funds	-	5,073	5,073
Principal paid on revenue certificates	(125,754)	-	(125,754)
Principal paid on notes	(881,780)	(44,000)	(925,780)
Interest paid on notes	(523,674)	(19,459)	(543,133)
Principal paid on revenue bonds	(1,385,000)	-	(1,385,000)
Interest paid on revenue bonds	(2,046,676)	-	(2,046,676)
Proceeds from sale of assets	4,372	-	4,372
Purchase of capital assets	(2,998,333)	(11,717)	(3,010,050)
Net cash (used) by capital and related financing activities	(6,483,938)	(70,103)	(6,554,041)
Investing activities			
Interest received	132,299	1,220	133,519
Net cash provided by investing activities	132,299	1,220	133,519
Net change in cash and cash equivalents	10,889,167	250,365	11,139,532
Cash and cash equivalents - beginning	57,578,089	1,041,632	58,619,721
Cash and cash equivalents - ending	\$ 68,467,256	\$ 1,291,997	\$ 69,759,253
Classified as			
Current assets - cash and cash equivalents	\$ 40,215,022	\$ 1,291,997	\$ 41,507,019
Restricted assets - cash and cash equivalents	28,252,234	-	28,252,234
Total	\$ 68,467,256	\$ 1,291,997	\$ 69,759,253

(Continued)

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, 2013

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Reconciliation of net operating income (loss) to net cash provided by operating activities			
Net operating income (loss)	\$ 11,851,245	\$ (385,796)	\$ 11,465,449
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities			
Amortization	58,994	-	58,994
Depreciation	5,022,707	575,934	5,598,641
Bad debts	104,505	960	105,465
Professional services	150,000	-	150,000
Forfeited deposits	5,240	-	5,240
(Increase) decrease in assets			
Accounts receivable	(188,073)	(6,238)	(194,311)
Due from other funds	(6,637)	(6,460)	(13,097)
Due from other governments	-	(43)	(43)
Inventory	(55,766)	-	(55,766)
Prepaid insurance	(190)	(810)	(1,000)
Accounts receivable, restricted	8,778	-	8,778
Due from other funds, restricted	135	-	135
Increase (decrease) in liabilities			
Accounts payable	(152,601)	(4,235)	(156,836)
Accrued expenses and deposits	110,400	1,447	111,847
Due to other funds	4,380	9,128	13,508
Due to other governments	197,853	(637)	197,216
Deferred revenue	19,863	(4,450)	15,413
Accrued compensated absences	53,608	2,718	56,326
Net OPEB obligation	99,405	8,134	107,539
Total adjustments	5,432,601	575,448	6,008,049
Net cash provided by operating activities	\$ 17,283,846	\$ 189,652	\$ 17,473,498
Noncash financing, capital, and investing activities			
Public access reuse grant applied directly to reduce note principal	\$ 750,000	\$ -	\$ 750,000

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
Year Ended September 30, 2013

	Pension Trust Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 1,435,262
Accounts receivable, net	48,217
Investments, at fair value	
Money market funds	1,225,303
Real estate investment trusts	1,243,624
Mutual funds	49,215,502
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Total assets	53,167,908
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Liabilities	
Accounts payable	43,303
Refunds payable	16,181
Retirement benefits payable	50,785
<hr/>	
Total liabilities	110,269
<hr/>	
Net position	
Held in trust for pension benefits	\$ 53,057,639
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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, 2013

	Pension Trust Funds
<hr/>	
Additions	
Contributions	
Employer	\$ 1,636,956
Plan members	1,015,659
Insurance premiums	298,456
Total contributions	2,951,071
Investment earnings	
Interest	685
Dividends	1,116,135
Net increase in fair value of investments	5,430,636
Total investment earnings	6,547,456
Less investment expenses	(102,940)
Net investment earnings	6,444,516
Total additions	9,395,587
Deductions	
Benefits	1,487,339
Refunds of contributions	113,311
Administrative expenses	72,042
Total deductions	1,672,692
Change in net position	7,722,895
Net position - beginning	45,334,744
Net position - ending	\$ 53,057,639

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 of Panama City Beach, 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 does provide 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. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are 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 enterprise funds. The fiduciary statement includes 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 non-major 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 3, and all proprietary funds. Budgets are prepared and adopted on the cash basis of accounting, except as described in Note 3. 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 Statute.

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.

During the current fiscal year, various changes to the budget were approved by the Council in accordance with Florida Statutes.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Encumbrances

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

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

Cash and Cash Equivalents

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

Deposits and Investments

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

Accounts Receivable, net

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended September 30, 2013, interest of \$18,023 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 received. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unamortized Debt Issuance Costs

Bond issuance costs associated with the issuance of revenue bonds are amortized over the life of the bonds using the straight-line method.

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.

Deferred Gain / Loss from Refunding of Debt

In the proprietary funds (and for the governmental activities, in the government wide statements), the difference between the re-acquisition price (new debt) and the net carrying value of the old debt on refunded debt transactions is deferred and amortized as a component of interest expense using the straight line method over the shorter of the remaining life of the old debt or the life of the new debt. The deferred amount is offset against the new liability.

Deferred Revenue

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

Accrued Compensated Absences

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

During Years of Service	Annual Leave Cap (Days**Each Year)
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, 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. Those hired on or prior to this date will be paid a maximum of 2,080 hours (2,756 hours for certified firefighters).

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

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

Restricted Assets

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

Subsequent Events

Management has evaluated subsequent events through June 26, 2014, the date the financial statements were available to be issued.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

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

Nonspendable – This category includes resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2013, is \$46,959.

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, 2013, is \$19,622,576.

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, 2013, is \$0.

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, 2013, is \$304,375.

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, 2013, is \$9,929,590.

The City considers restricted amounts to 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 would first use 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.

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

NOTE 2 – BUDGETS

The City adopts budgets on a cash basis of accounting, except for the Special Revenue Funds (as follows):

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

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

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 \$256,810 difference are as follows:

Accounts receivable, net	\$	151,684
Grants receivable		22,381
Due from other governments		82,745
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	256,810
<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 \$105,179,607 difference are as follows:

Cost of capital assets	\$	128,136,666
Less: accumulated depreciation		(22,957,059)
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	105,179,607
<hr/>		

Another element of that reconciliation states, "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this (\$50,530,477) 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)**

Bonds payable	\$ (46,815,000)
Unamortized premium costs	(1,062,717)
Less: unamortized debt issuance costs	1,794,072
OPEB liability	(1,029,517)
Compensated absences	(2,507,111)
Accrued interest payable	(910,204)

Net adjustment to decrease fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$ (50,530,477)
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Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$1,590,078 difference are as follows:

Capital outlay expenditures	\$ 5,291,128
Less: depreciation expense	(3,701,050)

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>	\$ 1,590,078
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Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, adjustments, and donations) is to increase net position." The details of this \$335,993 difference are as follows:

In the statement of activities, donations of capital assets and seizures are recognized at the estimated fair value. However, in the governmental funds, the donations and seizures are not recognized.	\$ 335,993
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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>	\$ 335,993
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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 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 governmental funds." The details of this (\$377,500) difference are as follows:

Compensated absences	\$	(165,090)
Insurance		(70,443)
Professional services		(19,053)
Interest		27,212
Pier Park community development district		16,755
OPEB		(166,881)
<hr/>		
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>		\$ (377,500)
<hr/>		

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 governmental funds." The details of this \$18,391 difference are as follows:

Utility taxes	\$	(10,176)
Franchise fees		(4,876)
Intergovernmental		65,990
Rents		650
Fines and forfeitures		(1,307)
Grants		(32,012)
Other fees and miscellaneous		122
<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>		\$ 18,391
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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 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 \$1,499,562 difference are as follows:

Principal repayments		
Bonds	\$	1,540,000
Plus, amortization of bond premium costs		58,765
Less, amortization of bond issuance costs		(99,203)
<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>	\$	1,499,562
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NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

All cash resources of the City are placed in banks that qualify as 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.

Investments

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

The Local Government Surplus Funds Trust Fund, hereinafter, Florida PRIME and Fund B, or any intergovernmental investment pool authorized pursuant to the Florida Inter-local Cooperation Act as provided in Florida Statutes, Section 163.01.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

The Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

Interest-bearing time deposits or savings accounts in state-certified qualified public depositories as defined in Florida Statutes, Section 280.02.

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

Securities of, or other interests in, any open-end or closed-end management-type investment company or investment trust registered under the Investment Company Act of 1940, 15 U.S.C. ss. 80a-1 et. seq., as amended from time to time, provided that the portfolio of such investment company or investment trust is limited to obligations of the United States Government or any agency or instrumentality thereof and to repurchase agreements fully collateralized by such United States Government obligations, and provided that such investment company or investment trust takes delivery of such collateral either directly or through an authorized custodian.

Credit Risks

The credit risk of certain investments, such as investment pools managed by other outside parties, cannot be categorized as to credit risk because the City's investments are not evidenced by specific, identifiable investment securities.

Interest Rate Risks

At September 30, 2013, the City did not hold any investments that were considered to be an interest rate risk.

Custodial Risks

At September 30, 2013, the City held \$44,626,303 in investments that were considered to be a custodial risk.

Concentration of Credit Risk

At September 30, 2013, the City did not hold any investments that were considered to be a concentration of credit risk.

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

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

At September 30, 2013, the City's deposits and investments consisted of the following:

	Carrying Amount	Market Value
Demand deposits	\$ 94,550,113	\$ 94,550,113
Nonnegotiable certificate of deposits	8,007,258	8,007,258
Total deposits and investments	\$ 102,557,371	\$ 102,557,371

NOTE 5 – ACCOUNTS RECEIVABLE, NET

At September 30, 2013, accounts receivable in the governmental activities is summarized as follows:

Total accounts receivable	\$ 77,167
Less: allowance for doubtful accounts	-
Accounts receivable, net	\$ 77,167

At September 30, 2013, restricted accounts receivable in the governmental activities is summarized as follows:

Total restricted accounts receivable	\$ 88,213
Less: allowance for doubtful accounts	-
Restricted accounts receivable, net	\$ 88,213

At September 30, 2013, accounts receivable in the business type activities is summarized as follows:

Billed accounts receivable	\$ 2,204,663
Unbilled accounts receivable	3,745,099
Other receivables	92,346
Total accounts receivable	6,042,108
Less: allowance for doubtful accounts	(408,255)
Accounts receivable, net	\$ 5,633,853

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

NOTE 5 – ACCOUNTS RECEIVABLE, NET (CONTINUED)

At September 30, 2013, restricted accounts receivable in the business type activities is summarized as follows:

Total restricted accounts receivable	\$	547
Less: allowance for doubtful accounts		-
Restricted accounts receivable, net	\$	547

Restricted accounts receivable arise from activities in the storm water department and from overpayments made from restricted accounts required to be deposited back to those same accounts upon receipt.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of due from / to other funds balances as of September 30, 2013 is as follows:

Receivable fund	Payable Fund	Amount
General fund	Utility fund	\$ 6,783
General fund	Safe Kids fund	16,098
General fund	CRA fund	28
General fund	Pier fund	935
General fund	Aquatic center fund	856
LETf fund	General fund	5,382
Utility fund	General fund	6,299
Utility fund	CRA fund	723
Pier fund	General fund	514
Pier fund	Aquatic center fund	1,115
Aquatic center fund	General fund	83
Aquatic center fund	Pier fund	6,222
CRA fund	General fund	55
Total		\$ 45,093

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, 2013 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	Amount
General fund	Aquatic center fund	\$ 100,000
General fund	Pier fund	5,073
Utility fund	General fund	100,000
Pier fund	Aquatic center fund	348,500
Total		\$ 553,573

NOTE 7 – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES

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

	September 30, 2012	Increases	Decreases	September 30, 2013
Capital assets, not being depreciated				
Land	\$ 45,436,821	\$ 12,746	\$ -	\$ 45,449,567
Construction in progress	8,512,938	4,038,927	(5,193,903)	7,357,962
Total capital assets, not being depreciated	53,949,759	4,051,673	(5,193,903)	52,807,529
Capital assets, being depreciated				
Buildings	6,476,755	1,889,504	-	8,366,259
Improvements	54,754,929	3,766,650	-	58,521,579
Machinery and equipment	7,633,633	1,090,978	(283,312)	8,441,299
Total capital assets, being depreciated	68,865,317	6,747,132	(283,312)	75,329,137
Less: accumulated depreciation				
Buildings	(2,371,788)	(195,051)	-	(2,566,839)
Improvements	(12,322,232)	(2,987,036)	-	(15,309,268)
Machinery and equipment	(4,845,301)	(518,963)	283,312	(5,080,952)
Total accumulated depreciation	(19,539,321)	(3,701,050)	283,312	(22,957,059)
Total capital assets, being depreciated, net of accumulated depreciation	49,325,996	3,046,082	-	52,372,078
Total governmental activities' capital assets – net	\$ 103,275,755	\$ 7,097,755	\$ (5,193,903)	\$ 105,179,607

During the fiscal year ending September 30, 2013, the City received contributed and seized assets with an estimated fair market value of \$335,993.

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:

Governmental activities	
General government	\$ 46,724
Public safety	417,235
Highways and streets	2,130,449
Culture and recreation	1,106,642
Total depreciation expense – governmental activities	\$ 3,701,050

NOTE 8 – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES

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

	September 30, 2012	Increases	Decreases	September 30, 2013
Capital assets, not being depreciated				
Land	\$ 7,019,994	\$ 235,853	\$ -	\$ 7,255,847
Intangible	194,788	-	-	194,788
Construction in progress	1,346,933	2,261,264	(1,940,894)	1,667,303
Total capital assets, not being depreciated	8,561,715	2,497,117	(1,940,894)	9,117,938
Capital assets, being depreciated				
Buildings	38,636,974	-	-	38,636,974
Improvements	109,899,434	1,860,770	-	111,760,204
Machinery and equipment	20,235,135	31,502	(24,132)	20,242,505
Total capital assets, being depreciated	168,771,543	1,892,272	(24,132)	170,639,683
Less: accumulated depreciation				
Buildings	(13,302,579)	(997,554)	-	(14,300,133)
Improvements	(26,736,309)	(3,057,270)	-	(29,793,579)
Machinery and equipment	(6,314,376)	(1,543,817)	24,132	(7,834,061)
Total accumulated depreciation	(46,353,264)	(5,598,641)	24,132	(51,927,773)
Total capital assets, being depreciated, net of accumulated depreciation	122,418,279	(3,706,369)	-	118,711,910
Total business-type activities' capital assets – net	\$ 130,979,994	\$ (1,209,252)	\$ (1,940,894)	\$ 127,829,848

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:

Business-type activities

Utility fund		
Water	\$	1,441,975
Waste water		3,452,297
Storm water		128,435
Pier fund		425,775
Aquatic center fund		150,159
Total depreciation expense – business-type activities	\$	5,598,641

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2013:

	Utility Fund	Pier Fund	Aquatic Center Fund	Total
Land	\$ 7,255,847	\$ -	\$ -	\$ 7,255,847
Intangibles	194,788	-	-	194,788
Buildings	34,479,955	1,943,959	2,213,060	38,636,974
Improvements	100,662,649	9,028,934	2,068,621	111,760,204
Machinery and equipment	19,782,014	153,717	306,774	20,242,505
Construction In Progress	1,659,803	-	7,500	1,667,303
Total	164,035,056	11,126,610	4,595,955	179,757,621
Less: accuculated depreciation				
Buildings	(13,681,682)	(201,535)	(416,916)	(14,300,133)
Improvements	(27,805,376)	(1,457,478)	(530,725)	(29,793,579)
Machinery and equipment	(7,592,875)	(49,538)	(191,648)	(7,834,061)
Total accumulated depreciation	(49,079,933)	(1,708,551)	(1,139,289)	(51,927,773)
Total business-type activities' capital assets – net	\$ 114,955,123	\$ 9,418,059	\$ 3,456,666	\$ 127,829,848

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (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 self-insured health and fully insured dental plans. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

Eligibility

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

Funding Policy

For the Postemployment Health Care Benefits Plan, contribution requirements of the City are established and may be amended through recommendations of the City staff and action from the City Council. The City has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. As of October 1, 2012 there were 20 retirees and 3 eligible dependents receiving postemployment health care benefits. For the fiscal year ended September 30, 2013, estimated benefits exceeded retiree premiums resulting in City contributions of \$8,068. Annual OPEB costs are comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions. Required contributions are based on projected pay-as-you-go financing.

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

Coverage	Blue Options
Individual	3559
Retiree & Spouse	\$ 542.00
	1,246.60

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

Dental insurance can be purchased at a cost of \$21.10 per month per member.

Annual OPEB Cost and Net OPEB Obligation

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

Description	Total
Annual required contribution of employer	\$ 273,014
Plus: interest on net OPEB obligation	56,826
Less: amortization of net OPEB obligation	(47,356)
Total annual OPEB cost	\$ 282,484
Beginning of year net OPEB obligation	\$ 1,420,654
Plus: actual annual OPEB cost	282,484
Less: employer contributions	(8,068)
End of year net OPEB obligation	\$ 1,695,070

A Schedule of Employer Contributions can be found in required supplementary information immediately following the notes.

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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

NOTE 9 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)

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

For the fiscal year ended September 30, 2013, the City's OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4.0 percent per year, and an annual healthcare cost trend rate of 8.4 percent initially for the 2012 fiscal year, grading to an ultimate rate of 5.0 percent for the fiscal year ending September 30, 2023. The unfunded actuarial accrued liability and gains/losses are being amortized based on a level percentage of projected payroll on a closed basis over 30 years.

NOTE 10 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

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

	Balance September 30. 2012	Additions	Deductions	Balance September 30. 2013	Due within One Year
Revenue bonds payable	\$ 48,355,000	\$ -	\$ (1,540,000)	\$ 46,815,000	\$ 1,605,000
Adjusted for deferred amounts for issuance premium	1,121,482	-	(58,765)	1,062,717	58,765
Total bonds payable	49,476,482	-	(1,598,765)	47,877,717	1,663,765
Accrued compensated absences	2,342,021	415,777	(250,687)	2,507,111	282,000
Net OPEB obligation	862,638	166,879	-	1,029,517	-
Total	\$ 52,681,141	\$ 582,656	\$ (1,849,452)	\$ 51,414,345	\$ 1,945,765

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

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

Revenue Bonds Payable:

\$54,835,000 Capital Improvement Revenue Bonds, Series 2006, (Front Beach Road Project), payable in annual principal installments ranging from \$900,000 to \$3,610,000 over the life of the bonds beginning November 1, 2007, and semi-annual interest installments based on stated variable rates of interest ranging from 4% to 5% over the life of the bonds. Final maturity of the bonds is on November 1, 2031.

The bonds are payable from a pledge of and first lien upon Front Beach Road CRA Tax Increment Revenue. The bonds were issued to provide funds for the purpose of financing the preparation, planning, design, land acquisition, construction and implementations necessary to carry out the Front Beach Road Community Redevelopment Area Plan. The \$54,835,000 is composed of \$38,420,000 Serial Bonds and \$16,415,000 term bonds. \$ 46,815,000

Total revenue bonds at September 30, 2013	46,815,000
Less: revenue bonds – current portion	(1,605,000)

Revenue bonds – long-term at September 30, 2013	\$ 45,210,000
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Debt service requirements to maturity on Capital Improvement Revenue Bonds, Series 2006, (Front Beach Road Project), payable at September 30, 2013 are as follows:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 1,605,000	\$ 2,155,144	\$ 3,760,144
2015	1,670,000	2,085,550	3,755,550
2016	1,745,000	2,006,438	3,751,438
2017	1,830,000	1,917,062	3,747,062
2018	1,920,000	1,823,312	3,743,312
2019-2023	10,970,000	7,751,455	18,721,455
2024-2028	13,630,000	5,015,450	18,645,450
2029-2032	13,445,000	1,385,375	14,830,375
Total	\$ 46,815,000	\$ 24,139,786	\$ 70,954,786

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

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

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

	Balance September 30. 2012	Additions	Deductions	Balance September 30. 2013	Due within One Year
Revenue Bonds Payable	\$ 48,310,000	\$ -	\$ (1,385,000)	\$ 46,925,000	\$ 1,460,000
Adjusted for deferred amounts					
On refunding	(1,508,016)	-	266,344	(1,241,672)	(219,119)
For issuance premium	1,351,733	-	(61,260)	1,290,473	61,260
Total bonds payable	48,153,717	-	(1,179,916)	46,973,801	1,302,141
Revenue certificates payable	2,266,844	12,432	(138,186)	2,141,090	2,141,090
Notes payable	18,680,983	-	(1,675,780)	17,005,203	2,171,041
Accrued compensated balances	1,047,320	239,836	(183,510)	1,103,646	168,000
Net OPEB obligation	558,014	107,539	-	665,553	-
Total	\$ 70,706,878	\$ 359,807	\$ (3,177,392)	\$ 67,889,293	\$ 5,782,272

Revenue Bonds Payable:

\$28,725,000 Utility Revenue Bonds, Series 2009, dated September 11, 2009; 3.00% to 5.00% 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.

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.

\$ 26,875,000

\$20,910,000 Utility Revenue Refunding Bonds, Series 2012, dated March 14, 2012; 2% to 5% interest, depending on maturity dates of bonds. Principal and interest are payable semi-annually on June 1 and December 1, with final maturity on June 1, 2032.

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

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

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.

	\$ 20,050,000
Total revenue bonds at September 30, 2013	46,925,000
Less: revenue bonds – current portion	(1,460,000)
Revenue bonds – long-term at September 30, 2013	\$ 45,465,000

Debt service requirements to maturity on revenue bonds payable at September 30, 2013 are as follows:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 1,460,000	\$ 2,008,475	\$ 3,468,475
2015	1,495,000	1,968,375	3,463,375
2016	1,540,000	1,917,825	3,457,825
2017	1,420,000	1,859,825	3,279,825
2018	1,250,000	1,796,825	3,046,825
2019-2023	8,385,000	8,012,987	16,397,987
2024-2028	10,530,000	6,154,650	16,684,650
2029-2033	11,425,000	3,808,688	15,233,688
2034-2038	7,655,000	1,627,000	9,282,000
2039	1,765,000	88,250	1,853,250
Total	\$ 46,925,000	\$ 29,242,900	\$ 76,167,900

The principal balance of the defeased debt outstanding for the Water and Waste water Revenue Bonds, Series 1987A, at September 30, 2013 is \$355,000.

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

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

Revenue Certificates:

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

	Original Amount of Certificate	Balance at September 30, 2012	Net Changes During the Year	Balance at September 30, 2013
Wild Heron	\$ 431,834	\$ 179,019	\$ (12,018)	\$ 167,001
Hills Road	71,550	6,264	-	6,264
Bayside Partners	142,993	122,556	(623)	121,933
Sunnyside Beach & Tennis	203,385	166,404	-	166,404
Tapestry Park North	96,430	88,926	(2,033)	86,893
Magnolia Beach	100,000	83,794	(1,033)	82,761
TW Olson-Magnolia	490,500	411,001	(5,067)	405,934
St. Andrews Land Company	670,414	563,522	(8,694)	554,828
Ocean Park Pavilion	68,494	68,494	-	68,494
Ocean Park Pavilion	239,795	239,569	-	239,569
Karen Arrigo - Shasta Street	18,357	13,515	-	13,515
St. Andrews Land Company	212,496	200,058	1,100	201,158
Antigua Developers	143,950	123,722	(102,260)	21,462
Clark Hinkle - McEachern Street	12,432	-	4,874	4,874
Total	\$ 2,902,630	\$ 2,266,844	\$ (125,754)	\$ 2,141,090

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

Notes payable:

State Revolving Fund #1 – Note payable dated February 9, 2001, payable in 40 semi-annual installments of \$607,131 beginning December 15, 2002 through June 15, 2009. Beginning December 15, 2009, semi-annual payments are reduced to \$550,187 for the remaining term of the loan. The note matures June 15, 2022. Installments include principal and interest at 2.99%.

\$ 8,626,706

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

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

Notes Payable (continued):

State Revolving Fund #2 – Note payable dated March 5, 2002 payable in 40 semi-annual installments of \$242,542 beginning October 15, 2009 through October 15, 2010. Beginning April 15, 2011, semi-annual payments are reduced to \$152,539 for the remaining term of the loan. The payments include principal and interest at a weighted average interest rate of 2.88%. The note matures April 15, 2029.

In addition, the City has been awarded a grant from the State of Florida which will be applied directly to the outstanding debt through April 15, 2019. The total amount of debt expected to be retired from grant funds is \$7,400,442. \$ 7,887,497

Aquatic Center Fund – Note payable dated May 1, 2006, interest payable quarterly at 3.8%, with principal due on demand. 491,000

Total notes payable at September 30, 2013 17,005,203
Less: notes payable – current portion (2,171,041)

Notes payable – long-term at September 30, 2013 \$ 14,834,162

Debt service requirements to maturity on notes payable at September 30, 2013 are as follows:

Year Ending September 30,	Principal	Interest	Total
2014	\$ 2,171,041	\$ 494,129	\$ 2,665,170
2015	1,729,732	425,721	2,155,453
2016	1,780,894	374,559	2,155,453
2017	1,833,571	321,882	2,155,453
2018	1,887,808	267,644	2,155,452
2019-2023	5,936,690	640,643	6,577,333
2024-2028	1,367,050	158,343	1,525,393
2029	298,417	6,660	305,077
Total	\$ 17,005,203	\$ 2,689,581	\$ 19,694,784

NOTE 12 – PLEDGED REVENUES - GOVERNMENTAL ACTIVITIES

The \$54,835,000 Capital Improvement Revenue Bonds, Series 2006, (Front Beach Road Project) were issued to provide funds for the purpose of financing the preparation, planning, design, land acquisition, construction and implementations necessary to carry out the Front Beach Road Community Redevelopment Area Plan. These bonds are payable from a pledge of and first lien upon Front Beach Road CRA Tax Increment Revenue. This pledge remains in effect until extinguishment or maturity of the debt in 2031, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2013 totaled \$70,954,786. Annual principal and interest payments on the bonds in fiscal year 2013 required the use of 65.77% of the tax increment revenue. Principal and interest payments paid for the current year were \$3,761,975 and Front Beach Road CRA tax increment revenue collected was \$5,719,481.

NOTE 13 – PLEDGED REVENUE - BUSINESS-TYPE ACTIVITIES

The \$28,725,000 Utility Revenue Bonds, Series 2009, were issued to provide funds for the purpose of financing the cost of the acquisition and construction of certain capital improvements in connection with the City's water and waste water utility system. 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 remaining principal and interest payments on this debt as of September 30, 2013 totaled \$48,251,487. Annual principal and interest payments on the bond required 9.41% of pledged revenue. Current year principal and interest payments paid from pledged revenue were \$525,000 and \$1,330,650, respectively. For the year ended September 30, 2013, pledged revenues were \$19,711,894.

The \$20,910,000 Utility Revenue Refunding Bonds, Series 2012, were issued to provide funds which were used to refund the City's outstanding \$19,920,000 Utility Revenue Bonds, Series 2002, and \$4,010,000 Utility System Refunding Revenue Bonds, Series 2011. The bonds are payable from and secured by a lien upon and pledge of (a) the net revenues derived from the operation of the City's water and waste water system, (b) certain water system development charges and waste water system development charges, (c) until released public services taxes, and (d) the moneys on deposit in the various funds and accounts related to the creation of the obligation. The Series 2012 Bonds are payable on a parity basis from the pledged revenues with the City's outstanding Utility Revenue Bonds, Series 2009. The remaining principal and interest payments on this debt as of September 30, 2013 totaled \$27,916,413. Annual principal and interest payments on the bond required 8.00% of pledged revenue. Current year principal and interest payments paid from pledged revenue were \$860,000 and \$716,025, respectively. For the year ended September 30, 2013, pledged revenues were \$19,711,894.

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

NOTE 14 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following at September 30, 2013:

	Accrued Emergency Leave		Accrued Sick Leave		Total Accrued Leave
Governmental funds					
General	\$ 434,256	\$	2,047,452	\$	2,481,708
Community Redevelopment	3,912		21,491		25,403
Enterprise funds					
Utility	226,544		844,732		1,071,276
Pier	10,647		9,070		19,717
Aquatic Center	8,080		4,573		12,653
Total	\$ 683,439	\$	2,927,318	\$	3,610,757

NOTE 15 – 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, 2013, the City's cost of water purchased from Bay County was \$7,286,463. The City did not meet its minimum purchase obligation for 2013 and as a result there was an amount due of \$399,783 at September 30, 2013. However, this liability was offset by \$258,421 representing Bay County's impact fees collected by the City in accordance with an inter-local agreement, and \$14,660 in other credits. As such, the net amount of \$126,702 has been recorded as a liability on the City's financial statements and is included in the total cost of water purchased above.

NOTE 15 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Construction Contracts

The City has construction contracts with various construction companies related to ongoing capital and maintenance projects in progress at fiscal year-end.

NOTE 16 – 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 17 – 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, City Clerk, 110 South Arnold Road, Panama City Beach, Florida 32413. A description 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 income is recognized as earned by the pension plans. Investments held by the plans are recorded at market value in the basic financial statements. There are no investments in, loans to, or leases with parties related to the pension plans. Ninety-three percent (93%) of the total assets held in trust for pension benefits are invested in mutual funds, two percent (2%) in real estate investment trusts, and the remaining balance of five percent (5%) is in cash, money market funds, and receivables.

Statements of Plan Assets

The City's statements of plan assets and the changes in assets are disclosed in the combining statements in accordance with GASB Statement No. 25.

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

NOTE 17 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at October 1, 2012, the date of the latest actuarial valuation.

	General Employees	Police Officers	Fire- Fighters
Retirees and beneficiaries receiving benefits	50	19	9
Terminated plan members entitled to but not yet receiving benefits	2	5	2
Active plan members	156	50	29
Total	208	74	40
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.

Contributions – Plan members are required to contribute 8.7% 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.

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.

Contributions – Plan members are required to contribute 11.0% 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 17 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)

Firefighters' Pension Plan

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

Contributions – Plan members are required to contribute 8.1% of their annual covered salary except for those firefighters who elect the "25 and out" tier. These members are required to contribute 11.5% 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.

Three Year Trend Information

The City's annual pension cost, percentage of annual pension cost contributed, and net pension obligation for the pension plans for the three preceding years were as follows:

	For The Fiscal Year	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
General employees	9/30/2011	\$ 939,705	116.30%	\$ (216,790)
	9/30/2012	\$ 941,627	115.20%	\$ (365,526)
	9/30/2013	\$ 1,455,919	60.70%	pending
Police officers	9/30/2011	\$ 549,972	120.30%	\$ (206,937)
	9/30/2012	\$ 450,695	110.30%	\$ (255,052)
	9/30/2013	\$ 776,282	73.04%	pending
Firefighters	9/30/2011	\$ 504,322	118.10%	\$ (387,319)
	9/30/2012	\$ 477,084	124.90%	\$ (510,905)
	9/30/2013	\$ 725,492	66.80%	pending

NOTE 18 – SELF INSURANCE FOR EMPLOYEE MEDICAL BENEFITS

Effective January 1, 2013, the City became self-insured with respect to employee health insurance coverage. The self-insurance 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.

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

NOTE 18 – SELF INSURANCE FOR EMPLOYEE MEDICAL BENEFITS (CONTINUED)

The plan provides coverage up to a maximum of \$100,000 per contract and approximately \$1,440,000 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.

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, 2013, 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, 2013, the change in the fund's claims liability was as follows:

Claims liability, January 1, 2013	\$ -
Total transfers into the claims account	1,105,902
Claims payments made during the year	(544,884)
Administrative charges, bank fees, and interest income, net	645
<hr/>	
Claims liability, September 30, 2013	<u>\$ 561,663</u>

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

NOTE 19 – 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 rental income for the year ended September 30, 2013 was \$36,000.

Frank Brown Park Concession Lease

The City leases five concession stands located within Frank Brown Park. The operating lease includes the use of the concession stand buildings, fixtures, and equipment for the period beginning November 1, 2010 through September 30, 2013. Rent was due on the first of each month in an amount equal to 23% of monthly gross sales made by the lessee in the previous month, plus \$500. The lease was extended on a month to month basis on the same terms through December 31, 2013. A new lease began on January 1, 2014 and continues through December 31, 2015. The lease has an option to renew at the same terms and conditions for one consecutive term of one (1) year. Rent is due on the first of each month in an amount equal to 35.25% of monthly gross sales made by the lessee in the previous month or a minimum payment of \$2,000. Rental income for the year ended September 30, 2013, was \$48,580.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2013:

Year Ending September 30,	Total
2014	\$ 19,500
2015	24,000
2016	6,000
Total	\$ 49,500

Aquatic Center Concession Lease

The City leases one concession stand located at the Aquatic Center at Frank Brown Park. The operating lease includes the use of the concession stand building, fixtures and equipment for the period beginning April 23, 2010 through September 30, 2013. The lease was extended on a month to month basis on the same terms through December 31, 2013. A new lease began on January 1, 2014 and continues through December 31, 2015. The lease has an option to renew at the same terms and conditions for one consecutive term of one (1) year. Rent is due on the first of each month in an amount equal to 35.25% of monthly gross sales made by the lessee in the previous month or a minimum payment of \$500. Rental income for the year ended September 30, 2013, was \$15,240.

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

NOTE 19 – LEASES (CONTINUED)

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2013:

Year Ending September 30,	Total
2014	\$ 5,250
2015	6,000
2016	1,500
Total	\$ 12,750

Pier Beachfront Lease

The City leases a snack bar, tackle, and bait shop and four (4) retail kiosks located at the Russell-Fields Pier. Additionally, the City grants to the tenant an exclusive right and license to operate a beach service on the beachfront property as defined in the lease agreement. The effective date of the lease was June 24, 2010 and extended through September 30, 2017, which includes a five year renewal. The lease has an option to renew for consecutive, additional terms of two (2), three (3), or five (5) years, each upon rent, terms, and conditions as agreed to between the lessee and the City. The total aggregate term, including the initial two (2) year term and all extension terms, shall not exceed ten (10) years (June 30, 2020). Base rent is due to the City on the first day of each month in the amount of \$8,333. In addition to the base rent, the lessee shall pay additional rent to the City on the fifteenth day of each month in an amount equal to 5% of the monthly gross sales up to and including \$700,000 aggregate gross sales per year, and thereafter, 10% of monthly gross sales in excess of \$700,000 aggregate gross sales per year for the remainder of that year. Rental income for the year ended September 30, 2013 was \$210,804.

Pier Beachfront Lease

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2013:

Year Ending September 30,	Total
2014	\$ 100,000
2015	100,000
2016	100,000
2017	100,000
Total	\$ 400,000

NOTE 20 – 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, 2013, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$340,509. These funds were subsequently paid to the CDD by the City.

Additionally, the City has irrevocably pledged the business tax receipts collected within Pier Park to the CDD to be applied (after deduction of certain amounts for public safety services) to certain CDD costs and obligations, including the payment of interest and principal on the debt obligations, in a priority specifically detailed in the PIPA. Business tax receipts and related penalties for late payments collected in the fiscal year ended September 30, 2013 were \$2,030,059.

A portion of the business tax receipts collected within the Pier Park Community Redevelopment Area is retained by the City for the provision of public safety services within the Pier Park Community Redevelopment Area. The amount retained by the City is determined under the terms of the PIPA and is calculated in the fiscal year following collection. The City has recorded a liability as of September 30, 2013 in the amount of \$2,030,059. This represents fiscal year 2013 collections, a portion of which will be retained by the City. The portion to be retained by the City is not determinable until July 2014.

A copy of the agreement is available at City Hall, located at 110 South Arnold Road, Panama City Beach, Florida 32413. The entire PIPA should be read to obtain a complete understanding of this transaction.

NOTE 21 – NET ASSET RESTRICTIONS

The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2013.

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 restrict the use of these funds to education, training and capital purchase purposes.

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

NOTE 21 – NET ASSET RESTRICTIONS (CONTINUED)

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

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

Restriction for 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 tax increment districts. Pursuant to Section 163.337, Florida Statutes, a Redevelopment Trust fund was established for each of the districts.

Summary

Specific restrictions of net assets are summarized below as of September 30, 2013:

Governmental activities	
Law enforcement	\$ 45,849
Beach access public parking	558,399
Community redevelopment area	7,806,333
Impact fees	4,238,340
Debt service	5,594,059
<hr/>	
Total	\$ 18,242,980

Business-type Activities

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

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

Restriction for Construction – This restriction was established in conjunction with the construction of certain capital improvements funded by the Series 2009 Utility Revenue Bonds.

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

NOTE 21 – NET ASSET RESTRICTIONS (CONTINUED)

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, 2013:

Business-type activities		
Impact fees	\$	6,675,610
Debt service		1,286,909
Construction		2,546,802
Storm water		1,266,299
Total	\$	11,775,620

For the fiscal year ending September 30, 2013, the reported net position in governmental activities and business-type activities assets restricted by enabling legislation was \$30,018,600.

NOTE 22 – FUND BALANCE CONSTRAINTS

The constraints on fund balance as listed in the aggregate in the Statement of Revenues, Expenditures, and Changes in Fund Balances are detailed below according to balance classification and fund.

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Nonspendable				
Prepays	\$ 27,735	\$ 5,211	-	\$ 32,946
Inventory	14,013	-	-	14,013
Total nonspendable	41,748	5,211	-	46,959

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

NOTE 22 – FUND BALANCE CONSTRAINTS (CONTINUED)

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Restricted				
Highways and streets	\$ 42,336	\$ 1,133,460	-	\$ 1,175,796
Debt service reserve	-	6,504,263	-	6,504,263
Community redevelopment	-	7,076,646	-	7,076,646
General government	2,744	-	-	2,744
Impact fees	4,238,295	-	-	4,238,295
Pier Park CDD	456	-	-	456
Public safety	5,126	-	60,217	65,343
Public parking	-	-	559,033	559,033
Total restricted	4,288,957	14,714,369	619,250	19,622,576
Assigned				
Subsequent years	29,341	-	-	29,341
Community redevelopment	-	287	-	287
Public safety	-	-	23,050	23,050
Sidewalk construction	-	251,697	-	251,697
Total assigned	29,341	251,984	23,050	304,375
Unassigned	9,929,590	-	-	9,929,590
Total fund balances	\$ 14,289,636	\$ 14,971,564	\$ 642,300	\$ 29,903,500

NOTE 23 – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2013, the City became aware of certain impact fees that were recognized as income in previous years but are in fact a component of deferred revenue at fiscal year-end. The effect of this error was an understatement of deferred revenue and an overstatement of retained earnings for the year ended September 30, 2012 in the amount of \$790,625. Deferred revenue and retained earnings in the Utility Fund have been restated to reflect the correct balance in the deferred revenue as of September 30, 2014.

Required Supplementary Information

City of Panama City Beach, Florida
Required Supplementary Information
Schedule of Analysis of Funding Progress
Pension Trust Funds
September 30, 2013

Analysis of Funding Progress (In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees</u>						
10/1/2003	\$ 9,234	\$ 10,801	\$ 1,567	85.5%	\$ 3,634	43.1%
10/1/2004	\$ 10,141	\$ 11,594	\$ 1,453	87.5%	\$ 3,694	39.3%
10/1/2005	\$ 10,986	\$ 12,306	\$ 1,320	89.3%	\$ 3,708	35.6%
10/1/2006	\$ 12,409	\$ 13,615	\$ 1,206	91.1%	\$ 4,510	26.7%
10/1/2007	\$ 14,273	\$ 15,374	\$ 1,101	92.8%	\$ 4,931	22.3%
10/1/2008	\$ 15,608	\$ 16,684	\$ 1,076	93.6%	\$ 5,152	20.9%
10/1/2009	\$ 17,062	\$ 17,999	\$ 937	94.8%	\$ 5,280	17.7%
10/1/2010	\$ 18,563	\$ 19,292	\$ 729	96.2%	\$ 5,426	13.4%
10/1/2011	\$ 19,985	\$ 20,405	\$ 420	97.9%	\$ 5,997	7.0%
10/1/2012	\$ 21,625	\$ 21,821	\$ 196	99.1%	\$ 6,452	3.0%
<u>Police Officers</u>						
10/1/2003	\$ 6,275	\$ 7,106	\$ 831	88.3%	\$ 1,677	49.6%
10/1/2004	\$ 6,771	\$ 7,542	\$ 771	89.8%	\$ 1,746	44.2%
10/1/2005	\$ 7,262	\$ 8,004	\$ 742	90.7%	\$ 1,772	41.9%
10/1/2006	\$ 8,044	\$ 8,698	\$ 654	92.5%	\$ 1,907	34.3%
10/1/2007	\$ 9,021	\$ 9,905	\$ 884	91.1%	\$ 2,031	43.5%
10/1/2008	\$ 9,778	\$ 10,607	\$ 829	92.2%	\$ 2,277	36.4%
10/1/2009	\$ 10,495	\$ 11,234	\$ 739	93.4%	\$ 2,352	31.4%
10/1/2010	\$ 11,295	\$ 11,974	\$ 679	94.3%	\$ 2,266	30.0%
10/1/2011	\$ 11,948	\$ 12,407	\$ 459	96.3%	\$ 2,359	19.5%
10/1/2012	\$ 12,478	\$ 12,814	\$ 336	97.4%	\$ 2,607	12.9%
<u>Firefighters</u>						
10/1/2003	\$ 3,014	\$ 3,505	\$ 491	86.0%	\$ 901	54.5%
10/1/2004	\$ 3,324	\$ 3,816	\$ 492	87.1%	\$ 950	51.8%
10/1/2005	\$ 3,743	\$ 4,233	\$ 490	88.4%	\$ 987	49.6%
10/1/2006	\$ 4,359	\$ 4,832	\$ 473	90.2%	\$ 955	49.5%
10/1/2007	\$ 5,251	\$ 5,685	\$ 434	92.4%	\$ 1,030	42.1%
10/1/2008	\$ 6,116	\$ 7,797	\$ 1,681	78.4%	\$ 1,128	149.0%
10/1/2009	\$ 6,858	\$ 8,419	\$ 1,561	81.5%	\$ 1,364	114.4%
10/1/2010	\$ 7,721	\$ 9,204	\$ 1,483	83.9%	\$ 1,240	119.6%
10/1/2011	\$ 8,498	\$ 9,772	\$ 1,274	87.0%	\$ 1,281	99.5%
10/1/2012	\$ 9,356	\$ 10,405	\$ 1,049	89.9%	\$ 1,352	77.6%

City of Panama City Beach, Florida
Required Supplementary Information
Schedule of Contributions From Employer and Other
Entity's Contributions - Pension Trust Funds
September 30, 2013

Schedules of Employer Contributions [^]

For the Fiscal Year	General Employees		Police Officers		Firefighters	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
9/30/2004	\$ 693,660	105.3%	\$ 329,148	118.2%	\$ 241,386	96.0%
9/30/2005	\$ 681,875	106.7%	\$ 417,364	107.6%	\$ 284,229	98.9%
9/30/2006	\$ 740,332	102.4%	\$ 378,138	124.1%	\$ 279,765	112.2%
9/30/2007	\$ 815,505	100.0%	\$ 412,836	105.7%	\$ 319,200	147.0%
9/30/2008	\$ 885,465	90.5%	\$ 517,687	96.1%	\$ 360,188	163.1%
9/30/2009	\$ 1,034,824	102.2%	\$ 514,614	101.4%	\$ 479,613	106.0%
9/30/2010	\$ 971,066	108.1%	\$ 572,627	95.2%	\$ 533,688	101.2%
9/30/2011	\$ 934,570	117.0%	\$ 542,885	121.8%	\$ 475,162	125.3%
9/30/2012	\$ 925,475	117.2%	\$ 442,500	112.3%	\$ 452,518	131.7%
9/30/2013	\$ 1,428,278	61.9%	\$ 766,614	74.0%	\$ 695,350	69.7%

For the Fiscal Year	General Employees #		Police Officers *		Firefighters *	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
9/30/2004	\$ -	0.0%	\$ 81,950	100.0%	\$ 106,719	100.0%
9/30/2005	\$ -	0.0%	\$ 89,106	100.0%	\$ 115,978	100.0%
9/30/2006	\$ -	0.0%	\$ 93,883	100.0%	\$ 139,917	100.0%
9/30/2007	\$ -	0.0%	\$ 89,106	100.0%	\$ 235,629	100.0%
9/30/2008	\$ -	0.0%	\$ 96,755	100.0%	\$ 326,414	100.0%
9/30/2009	\$ -	0.0%	\$ 92,822	100.0%	\$ 158,923	100.0%
9/30/2010	\$ -	0.0%	\$ 95,224	100.0%	\$ 184,717	100.0%
9/30/2011	\$ -	0.0%	\$ 94,731	100.0%	\$ 179,289	100.0%
9/30/2012	\$ -	0.0%	\$ 98,598	100.0%	\$ 203,765	100.0%
9/30/2013	\$ -	0.0%	\$ 99,510	100.0%	\$ 198,946	100.0%

Insurance premium contributions are not required by Florida Statutes for general employees.

* Contributions from insurance premiums are remitted to the Firefighters' and Police Officers' Pension Plans by the State of Florida Division of Retirement in accordance with F.S. 175.131 and 185.111, respectively.

[^] These amounts include insurance premiums contributed by the State.

City of Panama City Beach, Florida
Required Supplementary Information
Schedule of Actuarial Considerations
Pension Trust Funds
September 30, 2013

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	General Employees	Police Officers	Firefighters
Valuation date	10/1/12	10/1/12	10/1/12
Actuarial cost method	Entry age Normal with Frozen Initial Liability	Entry age Normal with Frozen Initial Liability	Entry age Normal with Frozen Initial Liability
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period	3 years	6 years	9 years
Asset valuation method	5-Year Smoothed Market Value without Phase-in	5-Year Smoothed Market Value without Phase-in	5-Year Smoothed Market Value without Phase-in
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	6%	6%	6%

City of Panama City Beach, Florida
Required Supplementary Information
Schedule of Other Post Employment Benefits (OPEB)
September 30, 2013

Schedule of Funding Progress for Retiree Healthcare Plan (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2011	\$ -	\$ 3,447,858	\$ 3,447,858	0.0%	\$ 10,445,183	33.0%
9/30/2012	\$ -	\$ 2,556,331	\$ 2,556,331	0.0%	\$ 10,204,216	25.1%
9/30/2013	\$ -	\$ 2,586,381	\$ 2,586,381	0.0%	\$ 10,204,216	25.3%

Schedule of Employer Contributions for Retiree Healthcare Plan (OPEB)

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2011	\$ 377,496	\$ 245,127	64.9%	\$ 1,175,331
9/30/2012	\$ 300,164	\$ 54,841	18.3%	\$ 1,420,654
9/30/2013	\$ 282,485	\$ 8,068	2.9%	\$ 1,695,071

Combining Financial Statements

**City of Panama City Beach, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2013**

	Special Revenue Funds					Total
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Safe Kids Fund		
Assets						
Cash and cash equivalents	\$ -	\$ 22,086	\$ -	\$ 25	\$ -	\$ 22,111
Grants receivable	-	-	-	17,062	-	17,062
Cash and cash equivalents - restricted	54,860	-	559,033	-	-	613,893
Due from other funds - restricted	5,382	-	-	-	-	5,382
Total assets	\$ 60,242	\$ 22,086	\$ 559,033	\$ 17,087	\$ -	\$ 658,448
Liabilities and fund balances						
Accounts payable	\$ 25	\$ 25	\$ -	\$ -	\$ -	\$ 50
Due to other funds	-	-	-	16,098	-	16,098
Total liabilities	25	25	-	16,098	-	16,148
Fund balances						
Restricted	60,217	-	559,033	-	-	619,250
Assigned	-	22,061	-	989	-	23,050
Total fund balances	60,217	22,061	559,033	989	-	642,300
Total liabilities and fund balances	\$ 60,242	\$ 22,086	\$ 559,033	\$ 17,087	\$ -	\$ 658,448

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

City of Panama City Beach, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2013

	Special Revenue Funds				Total
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Safe Kids Fund	
Revenues					
Fines and forfeitures	\$ 25,937	\$ -	\$ -	\$ -	\$ 25,937
Contributions and donations	-	15,794	-	660	16,454
Grants	-	-	-	17,062	17,062
Interest	21	27	634	1	683
Total revenues	25,958	15,821	634	17,723	60,136
Expenditures					
Current					
Public safety	5,108	14,971	-	6,884	26,963
Capital outlay					
Public safety	-	-	-	10,658	10,658
Total expenditures	5,108	14,971	-	17,542	37,621
Excess of revenues over expenditures	20,850	850	634	181	22,515
Other financing sources					
Proceeds from sale of assets	3,135	-	-	-	3,135
Net other financing sources	3,135	-	-	-	3,135
Net change in fund balances	23,985	850	634	181	25,650
Fund balances - beginning	36,232	21,211	558,399	808	616,650
Fund balances - ending	\$ 60,217	\$ 22,061	\$ 559,033	\$ 989	\$ 642,300

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

City of Panama City Beach, Florida
Combining Statement of Net Position
Nonmajor Proprietary Funds
Year Ended September 30, 2013

	Business-type Activities / Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,094,673	\$ 197,324	\$ 1,291,997
Accounts receivable, net	23,616	5,809	29,425
Due from other funds	1,629	6,305	7,934
Due from other governments	4,085	-	4,085
Prepaid insurance	5,076	2,715	7,791
Total current assets	1,129,079	212,153	1,341,232
Noncurrent assets			
Capital assets			
Nondepreciable	-	7,500	7,500
Depreciable, net	9,418,059	3,449,166	12,867,225
Total noncurrent assets	9,418,059	3,456,666	12,874,725
Total assets	10,547,138	3,668,819	14,215,957
Liabilities			
Current liabilities			
Accounts payable	3,281	15,010	18,291
Accrued expenses and deposits	12,472	2,680	15,152
Due to other funds	7,157	1,971	9,128
Due to other governments	4,800	1,191	5,991
Deferred revenue	4,946	28,150	33,096
Accrued compensated absences	5,000	4,000	9,000
Note payable	-	491,000	491,000
Total current liabilities	37,656	544,002	581,658
Noncurrent liabilities			
Accrued compensated absences	14,717	8,653	23,370
Net OPEB obligation	24,238	18,623	42,861
Total noncurrent liabilities	38,955	27,276	66,231
Total liabilities	76,611	571,278	647,889
Net position			
Net investment in capital assets	9,418,059	3,456,666	12,874,725
Unrestricted (deficit)	1,052,468	(359,125)	693,343
Total net position	\$ 10,470,527	\$ 3,097,541	\$ 13,568,068

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

City of Panama City Beach, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
Year Ended September 30, 2013

	Business-type Activities / Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Operating revenues			
Charges for services			
Admissions and other fees	\$ 695,430	\$ 247,873	\$ 943,303
Rent	210,804	20,502	231,306
Miscellaneous	136,928	2,691	139,619
Total operating revenues	1,043,162	271,066	1,314,228
Operating expenses			
Personal services	282,156	345,522	627,678
Professional services	11,521	8,505	20,026
Office supplies	665	6,011	6,676
Contractual services	34,385	3,089	37,474
Insurance	15,578	21,925	37,503
Repairs and maintenance	20,063	43,196	63,259
Operating supplies	22,497	91,207	113,704
Communication services	8,364	11,381	19,745
Public utility services	29,661	114,574	144,235
Transportation	9	1,085	1,094
Rentals	37,138	7,829	44,967
Printing and binding	1,263	475	1,738
Miscellaneous	1,323	4,668	5,991
Depreciation	425,775	150,159	575,934
Total operating expenses	890,398	809,626	1,700,024
Net operating income (loss)	152,764	(538,560)	(385,796)
Nonoperating revenues (expenses)			
Interest income	864	356	1,220
Grants and contributions	29,207	389	29,596
Interest expense	-	(19,459)	(19,459)
Total nonoperating revenues (expenses)	30,071	(18,714)	11,357
Net income (loss) before transfers	182,835	(557,274)	(374,439)
Transfers in	5,073	448,500	453,573
Transfers out	(348,500)	-	(348,500)
Total transfers	(343,427)	448,500	105,073
Change in net position	(160,592)	(108,774)	(269,366)
Total net position - beginning	10,631,119	3,206,315	13,837,434
Total net position - ending	\$ 10,470,527	\$ 3,097,541	\$ 13,568,068

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

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended September 30, 2013

	Business-type Activities / Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Operating activities			
Receipts from customers and users	\$ 1,027,161	\$ 275,559	\$ 1,302,720
Payments to suppliers	(244,315)	(379,961)	(624,276)
Payments to employees	(204,675)	(284,117)	(488,792)
Net cash provided (used) by operating activities	578,171	(388,519)	189,652
Noncapital financing activities			
Grants and contributions	29,207	389	29,596
Transfers (to) from other funds	(348,500)	448,500	100,000
Net cash provided (used) by noncapital financing activities	(319,293)	448,889	129,596
Capital and related financing activities			
Transfers from other funds	5,073	-	5,073
Principal paid on note	-	(44,000)	(44,000)
Interest paid on note	-	(19,459)	(19,459)
Proceeds from sale of assets	-	-	-
Purchase of capital assets	(5,073)	(6,644)	(11,717)
Net cash (used) by capital and related financing activities	-	(70,103)	(70,103)
Investing activities			
Interest received	864	356	1,220
Net cash provided by investing activities	864	356	1,220
Net change in cash and cash equivalents	259,742	(9,377)	250,365
Cash and cash equivalents - beginning	834,931	206,701	1,041,632
Cash and cash equivalents - ending	\$ 1,094,673	\$ 197,324	\$ 1,291,997
Classified as			
Current assets - cash and cash equivalents	\$ 1,094,673	\$ 197,324	\$ 1,291,997
Total	\$ 1,094,673	\$ 197,324	\$ 1,291,997

(Continued)

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

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds (Continued)
Year Ended September 30, 2013

	Business-type Activities / Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities			
Net operating income (loss)	\$ 152,764	\$ (538,560)	\$ (385,796)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation	425,775	150,159	575,934
Bad debts	-	960	960
(Increase) decrease in assets			
Accounts receivable	(16,126)	9,888	(6,238)
Due from other funds	(1,419)	(5,041)	(6,460)
Due from other governments	(43)	-	(43)
Prepaid insurance	(545)	(265)	(810)
Increase (decrease) in liabilities			
Accounts payable	(37)	(4,198)	(4,235)
Accrued expenses and deposits	1,060	387	1,447
Due to other funds	7,157	1,971	9,128
Due to other governments	1,463	(2,100)	(637)
Deferred revenue	592	(5,042)	(4,450)
Accrued compensated absences	3,085	(367)	2,718
Net OPEB obligation	4,445	3,689	8,134
Total adjustments	425,407	150,041	575,448
Net cash provided (used) by operating activities	\$ 578,171	\$ (388,519)	\$ 189,652

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

City of Panama City Beach, Florida
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2013

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
Assets				
Cash and cash equivalents	\$ 635,020	\$ 494,002	\$ 306,240	\$ 1,435,262
Accounts receivable, net	-	-	48,217	48,217
Investments, at fair value				
Money market funds	610,200	343,353	271,750	1,225,303
Real estate investment trusts	619,324	348,487	275,813	1,243,624
Mutual funds	24,509,310	13,791,104	10,915,088	49,215,502
Total assets	26,373,854	14,976,946	11,817,108	53,167,908
Liabilities				
Accounts payable	16,549	11,677	15,077	43,303
Refunds payable	15,631	550	-	16,181
Retirement benefits payable	-	-	50,785	50,785
Total liabilities	32,180	12,227	65,862	110,269
Net position				
Held in trust for pension benefits	\$ 26,341,674	\$ 14,964,719	\$ 11,751,246	\$ 53,057,639

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

City of Panama City Beach, Florida
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2013

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 883,814	\$ 467,481	\$ 285,661	\$ 1,636,956
Plan members	575,472	290,361	149,826	1,015,659
Insurance premiums	-	99,510	198,946	298,456
Total contributions	1,459,286	857,352	634,433	2,951,071
Investment earnings				
Interest	383	138	164	685
Dividends	553,846	316,963	245,326	1,116,135
Net increase in fair value of investments	2,713,784	1,501,248	1,215,604	5,430,636
Total investment earnings	3,268,013	1,818,349	1,461,094	6,547,456
Less investment expenses	(44,238)	(31,242)	(27,460)	(102,940)
Net investment earnings	3,223,775	1,787,107	1,433,634	6,444,516
Total additions	4,683,061	2,644,459	2,068,067	9,395,587
Deductions				
Benefits	672,823	600,297	214,219	1,487,339
Refunds of contributions	106,177	7,134	-	113,311
Administrative expenses	25,558	21,286	25,198	72,042
Total deductions	804,558	628,717	239,417	1,672,692
Change in net position	3,878,503	2,015,742	1,828,650	7,722,895
Net position - beginning	22,463,171	12,948,977	9,922,596	45,334,744
Net position - ending	\$ 26,341,674	\$ 14,964,719	\$ 11,751,246	\$ 53,057,639

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

Compliance Section

INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

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, 2013, and have issued our report thereon dated June 26, 2014.

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. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated June 26, 2014, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

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. Findings 12-01 and 11-01, reported in the two preceding audit reports, were not corrected as noted in the schedule of findings and questioned costs. Recommendation 12-02 was not corrected, see Section 10.554(1)(i)3.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City complied with Section 218.415, Florida Statutes.

Section 10.554(1)(i)3., 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 have communicated the following item:

13-02 Accounting Policies (prior years 12-02 and 11-02)

During our review of the policy handbook, we noted that some of the policies had not been updated in several years. Management should consider updating these manuals on a regular basis as necessary due to changing laws and circumstances.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., 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 the management letter, unless disclosed in the notes to the financial statements. The City of Panama City Beach was created on August 12, 1970 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 created on November 30, 2000 by City Resolution 00-23 pursuant to Florida Statute 163.356. The Agency is operated by the City of Panama City Beach.

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions 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.

Section 10.554(1)(i)6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(i)6.c. and 10.556(7), Rules of the Auditor General, we applied financial assessment procedures. It is management's responsibility to monitor the City's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by the same.

Section 10.554(1)(i)6.e., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity complied with State and Federal laws, rules, regulations, contracts, or grant agreements governing the receipt and expenditure of those funds. Funds related to the Deepwater Horizon oil spill may include, but are not limited to, funds received pursuant to Section 288.8017, Florida Statutes, and Public Law 112-141 (33 U.S.C.A. ss. 1321 (t)); State or Local grants; and moneys received directly from British Petroleum.

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, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City Beach, Florida

Certified Public Accountants

June 26, 2014

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

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 the 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 City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2013, 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 26, 2014.

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness.

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

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

Compliance and Other Matters

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

City of Panama City Beach, Florida's Response to Findings

We have included management's response to the finding identified in our audit in the Management Response to Auditor's Finding. We did not audit the response and accordingly, we express no opinion on it.

Purpose of this Report

This 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.

Panama City, Florida
Certified Public Accountants
June 26, 2014

The following is the response provided by City of Panama City Beach management to the auditors' recommendations.

Auditor's Finding

13-01 Segregation of Duties (Prior Year 12-01 and 11-01)(initially reported in 2010)

This condition is the result of limited accounting staff and the responsibility of the finance director. 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.

Management's Response

13-01 Segregation of Duties

The City is aware of the importance of internal controls 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 more likely than not that this situation will never be fully resolved.

Although the City's Finance Director currently has the ability to both approve and issue cash disbursements as well as reconcile 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 assess the cash disbursements 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 is also considering adding an additional accounting position in the next year's budget process. The addition of another person will not totally eliminate the issue of the lack of segregation of duties; however, the City believes a much greater segregation of duties could be achieved with one additional employee and greater compensating controls could be put into place to overcome the lack of segregation of duties.

One of the first tasks assigned to this employee, if approved in the budget process, would be to update the City's existing Accounting Policies Handbook to reflect current laws and circumstances. Although the City recognizes the importance of doing so, current staff levels do not allow for the allocation of time for this task.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

Report on Compliance for Each Major State Project

We have audited the City of Panama City Beach, Florida's (the City) compliance with the types of compliance requirements in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2013. The City's state projects are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of City of Panama City Beach, Florida's major state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, State of Florida Rules of the Auditor General. Those standards, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2013.

Report on Internal Control Over Compliance

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

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

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

This purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

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

Panama City Beach, Florida
Certified Public Accountants
June 26, 2014

City of Panama City Beach, Florida
Schedule of Expenditures of State Financial Assistance
Year Ended September 30, 2013

<u>State Agency / State Project</u>	<u>CSFA No.</u>	<u>Contract / Grant No.</u>	<u>Expenditures</u>
Florida Department of Transportation			
Transportation Regional Incentive Program Agreement	55.026	21791123801 / AP 864	\$ 50,665
Roadside Beautification Assistance Joint Participation Agreement	55.023	416533-7-58-03	115,372
Total Florida Department of Transportation			166,037
Florida Department of Environmental Protection			
Collection and Reclaimed Water Reuse Facility	37.039	WWG120694050	750,000
Total Expenditures of State Financial Assistance			\$ 916,037

Note:

The City follows the accrual basis of accounting in preparing this schedule.
This method is consistent with the City's financial statements.

**City of Panama City Beach, Florida
 Schedule of Findings and Questioned Costs
 State Financial Assistance
 Year Ended September 30, 2013**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued	Unmodified	
Internal control over financial reporting		
Material weaknesses identified?	<u> X </u> yes	___ no
Significant deficiency identified not considered to be material weaknesses?	___ yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	___ yes	<u> X </u> no

State Financial Assistance

Internal control over major programs		
Material weaknesses identified?	___ yes	<u> X </u> no
Significant deficiency identified not considered to be material weaknesses?	___ yes	<u> X </u> none reported
Type of auditors' report issued on compliance for major state projects:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Section 10.557, Rules of the Auditor General?	___ yes	<u> X </u> no

Identification of major state projects:

<u>CSFA</u>	<u>Name of State Program</u>
37.039	Collection and Reclaimed Water Reuse Facility

Dollar threshold used to distinguish between Type A and Type B programs:	<u>Federal</u>	<u>State</u>
	\$300,000	\$300,000

(continued)

City of Panama City Beach, Florida
Schedule of Findings and Questioned Costs (Continued)
State Financial Assistance
Year Ended September 30, 2013

Section II - Financial Statement Findings

13-01 Segregation of Duties (Prior Year 12-01 and 11-01)(initially reported in 2010)

This condition is the result of limited accounting staff and the responsibility of the finance director. 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.

Management's Response

The City is aware of the importance of internal controls 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 more likely than not that this situation will never be fully resolved.

Although the City's Finance Director currently has the ability to both approve and issue cash disbursements as well as reconcile cash accounts, every attempt is made to have another responsible staff, City Manager, Department Head, etc., approve invoices for payment. Additionally, very few checks are processed manually and although 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 is also considering adding an additional accounting position in the next year's budget process. The addition of another person will not totally eliminate the issue of the lack of segregation of duties; however, the City believes a much greater segregation of duties could be achieved with one additional employee and greater compensating controls could be put into place to overcome the lack of segregation of duties.

One of the first tasks assigned to this employee, if approved in the budget process, would be to update the City's existing Accounting Policies Handbook to reflect current laws and circumstances. Although the City recognizes the importance of doing so, current staff levels do not allow for the allocation of time for this task.

Section III - State Financial Assistance Findings

There were no findings.

City of Panama City Beach, Florida
Schedule of Receipts and Expenditures of Funds
Related to the Deepwater Horizon Oil Spill
September 30, 2013

Source	Amount Received in the 2012-13 Fiscal Year	Amount Expended in the 2012-13 Fiscal Year
British Petroleum:		
Agreement No: Settlement	\$ 9,800,000	\$ 9,800,000

Note: This does not include funds related to the Deepwater Horizon oil spill that are considered federal awards or state financial assistance. No such funds were received in the 2012-13 year.

