



# CITY OF PANAMA CITY BEACH

## ANNUAL FINANCIAL STATEMENTS

**FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2019**



# City of Panama City Beach, Florida

## FINANCIAL STATEMENTS

September 30, 2019



**CRI** CARR  
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**City of Panama City Beach, Florida**  
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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, 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, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the Community Redevelopment Fund.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4–16 and the required supplementary information on pages 85-95, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 31, 2020, on our consideration of the City of Panama City Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Certified Public Accountants  
Panama City Beach, Florida  
July 31, 2020



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

## Management's Discussion and Analysis

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

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

## Financial Highlights

- Total assets of the City exceeded total liabilities by \$314,671,807 (net position). Of this amount, \$22,832,440 is unrestricted net position for governmental activities and \$63,966,186 is unrestricted net position for business-type activities, while \$30,623,211 is restricted net position for governmental activities and \$16,784,688 is restricted net position for business-type activities.
- Total net position increased by \$26,507,550. Of this amount, \$16,680,709 is attributable to governmental activities and \$9,826,841 is attributable to business-type activities. The increase in net position of governmental activities is attributable to tax increment revenue received by the Front Beach Road Community Redevelopment Area (FBRCA), and business taxes, fire assessments, impact fees and grants received by the General Fund. Current year tax increment revenue received by the FBRCA was used to reduce the principal amount of debt outstanding, to continue the construction efforts on Front Beach Road Segment 2, and for engineering and design services on Front Beach Road Segments 3 and 4.1. The City experienced increases in business taxes and impact fees in the current year of approximately \$2,063,000 and \$1,376,000, respectively, over the prior year. A fire assessment was implemented in the current year from which approximately \$3,900,000 was received. Additionally, revenue of approximately \$1,000,000 was recognized from grants related to Hurricane Michael recoveries from the federal and state governments. The increase in net position of business-type activities is the result of several factors, including the collection of \$2,660,614 in impact fees and net income from operations, before amortization and depreciation of \$13,348,934. Both the governmental activities and business-type activities experienced a significant increase in investment earnings in the current year.
- As of September 30, 2019, the general fund's unassigned fund balance was \$9,095,992, or 30 percent of total general fund expenditures. Unassigned fund balance in the general fund decreased by \$647,468. The decrease in unassigned fund balance is largely the result of a substantial increase in the assigned balance over the prior year. General Fund revenues for the fiscal year exceeded expenditures by \$4,567,981. This excess along with a portion of previously unassigned fund balance has been assigned for subsequent year's capital expenditures.

- Governmental activities' revenues increased 29 percent to \$46,737,116 and governmental activities' expenditures increased 14 percent to \$30,156,407. Business-type activities' revenues increased 8 percent to \$41,459,420 and business-type activities' expenditures also increased 8 percent to \$31,532,579.

## **Overview of the Financial Statements**

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

## **Government-wide Financial Statements**

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

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

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

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

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

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

### ***Fund Financial Statements***

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

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

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

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

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

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

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

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

### Financial Analysis of the City

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the City. At the end of fiscal year 2019, the City can report positive balances in all three categories of net position, both for the government as a whole, as well as, for its governmental and business-type activities.

#### Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<i>September 30,</i>						
Current and other assets	\$ 62,418,414	\$ 56,265,053	\$ 93,981,441	\$ 84,016,020	\$ 156,399,855	\$ 140,281,073
Capital assets	127,378,437	119,254,446	124,527,402	125,461,119	251,905,839	244,715,565
<b>Total assets</b>	<b>189,796,851</b>	<b>175,519,499</b>	<b>218,508,843</b>	<b>209,477,139</b>	<b>408,305,694</b>	<b>384,996,638</b>
Deferred outflows of resources	6,061,234	3,730,364	3,186,569	2,979,308	9,247,803	6,709,672
Current liabilities	5,473,459	4,594,713	6,497,247	5,010,585	11,970,706	9,605,298
Long-term liabilities	44,180,564	44,226,072	42,809,593	44,482,541	86,990,157	88,708,613
<b>Total liabilities</b>	<b>49,654,023</b>	<b>48,820,785</b>	<b>49,306,840</b>	<b>49,493,126</b>	<b>98,960,863</b>	<b>98,313,911</b>
Deferred inflows of resources	2,544,739	3,450,464	1,376,088	1,777,678	3,920,827	5,228,142
Net position						
Net investment in						
capital assets	90,203,672	80,143,927	90,261,610	89,977,934	180,465,282	170,121,861
Restricted	30,623,211	29,347,771	16,784,688	13,556,118	47,407,899	42,903,889
Unrestricted	22,832,440	17,486,916	63,966,186	57,651,591	86,798,626	75,138,507
<b>Total net position</b>	<b>\$ 143,659,323</b>	<b>\$ 126,978,614</b>	<b>\$ 171,012,484</b>	<b>\$ 161,185,643</b>	<b>\$ 314,671,807</b>	<b>\$ 288,164,257</b>

Net investment in capital assets (e.g., land, buildings, equipment and infrastructure), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net position (57 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Amounts comprising *restricted net position*, representing 15 percent of the City's net position, are subject to certain restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net position*, \$86,798,626 may be used to help meet the government's ongoing obligations to citizens and creditors.

*Net investment in capital assets* increased \$10,343,421 (or 6%). Net investment in capital assets in the governmental activities increased \$10,059,745 and net investment in capital assets of the business-type activities increased by \$283,676. The governmental activities increase resulted from a combination of factors including ongoing construction of the new City Hall facility, construction of a third fire station, the purchase of a new fire engine, land acquisition and engineering related to the construction of Phase 2 of Bay Parkway, ongoing construction of the Front Beach Road Segment 2 roadway project and engineering and design services for Front Beach Road Segments 3 and 4.1. The City Hall facility and the Front Beach Road Segment 2 roadway project were substantially completed in the current fiscal year. The fire station was completed after September 30, 2019 and was occupied in June of 2020.

Restricted net position increased \$4,504,010 (or 11%). Restricted net position in the governmental activities increased by \$1,275,440 and restricted net position in the business-type activities increased by \$3,228,570. The increase in restricted position in the governmental activities resulted from tax increment funds collected in the CRA which exceeded current year expenses as well as increases in general fund impact fees and discretionary sales tax collections which were not expended in the current year. The increase in business-type activities restricted net position resulted from the collection of impact fees which were not used in the current year for capital projects.

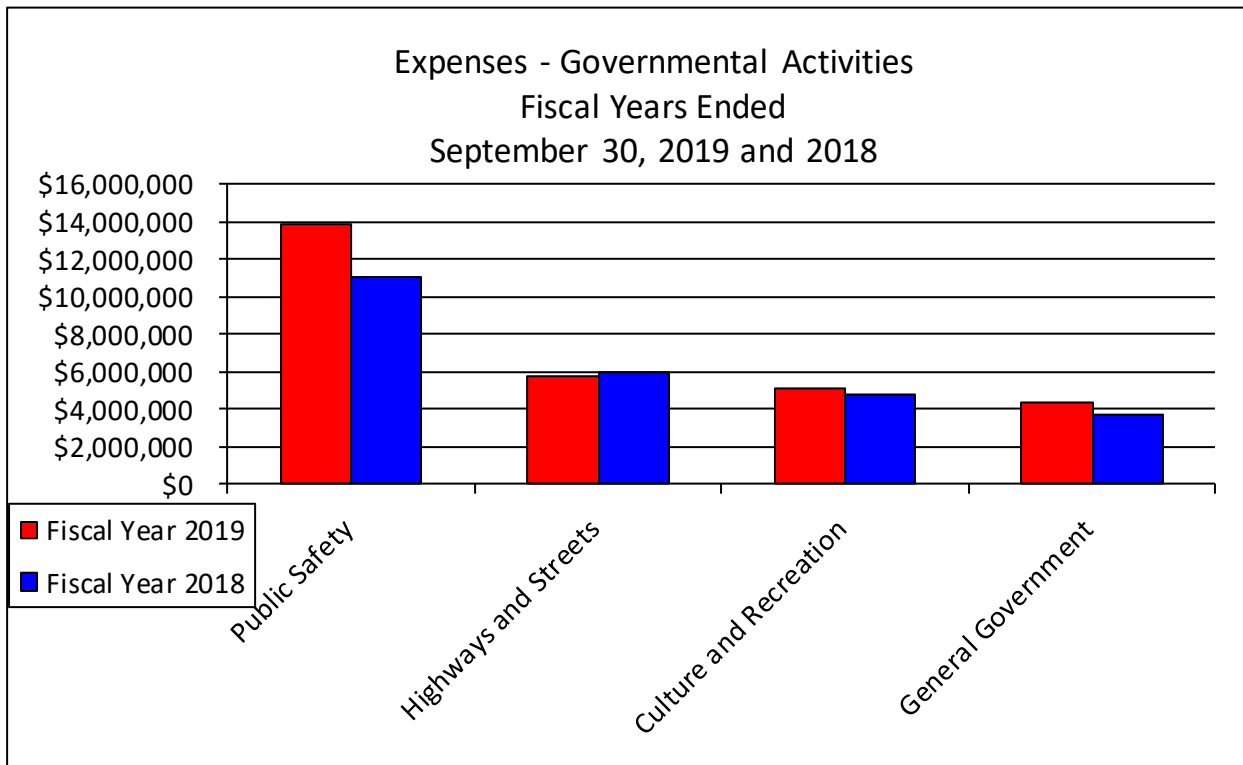
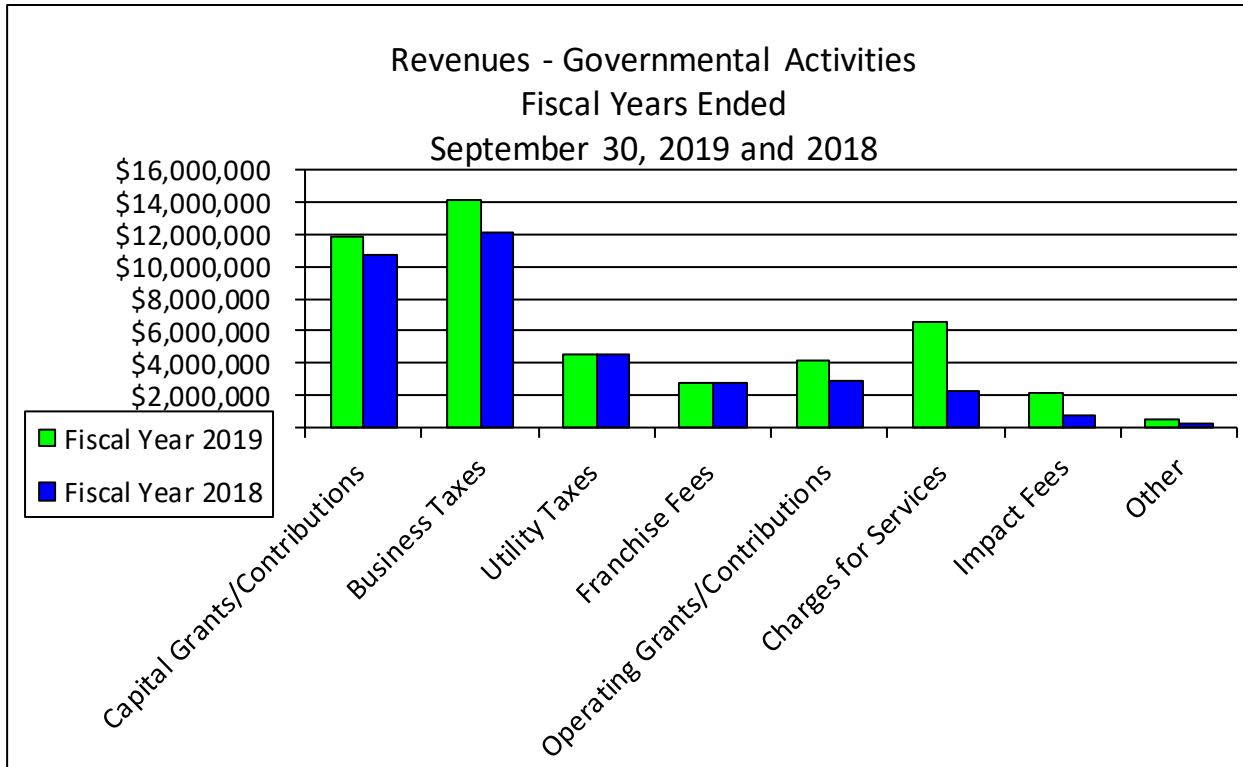
The increase in unrestricted net position was \$11,660,119 (or 16%). The governmental activities' increase was \$5,345,524 and the business-type activities' increase was \$6,314,595. The increase in the governmental activities resulted from strong revenues, particularly business tax receipts, which were not all expended in the current year resulting in an addition to unassigned net position at year end. The increase in the business-type activities' unrestricted net position is attributable strong system performance resulting in net income from operations, before amortization and depreciation, of \$13,348,934.

The following schedule provides a summary of changes in net position for the years ended September 30, 2019 and 2018:

### Changes in Net Position

<i>Year Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Program revenues</b>						
Charges for services	\$ 6,535,720	\$ 2,250,044	\$ 37,296,214	\$ 35,214,682	\$ 43,831,934	\$ 37,464,726
Operating grants/contributions	4,231,943	2,959,457	162,324	152,021	4,394,267	3,111,478
Capital grants/contributions	11,851,904	10,761,630	100,798	518,425	11,952,702	11,280,055
<b>General revenues</b>						
Business taxes	14,110,783	12,047,880	-	-	14,110,783	12,047,880
Utility taxes	4,555,306	4,505,681	-	-	4,555,306	4,505,681
Franchise fees	2,773,220	2,773,797	-	-	2,773,220	2,773,797
Impact fees	2,097,539	721,070	2,660,614	1,845,960	4,758,153	2,567,030
Penalties on delinquent business taxes	83,410	23,752	-	-	83,410	23,752
Investment earnings	497,291	201,807	1,239,470	594,352	1,736,761	796,159
<b>Total revenues</b>	<b>46,737,116</b>	<b>36,245,118</b>	<b>41,459,420</b>	<b>38,325,440</b>	<b>88,196,536</b>	<b>74,570,558</b>
<b>Expenses</b>						
General government	4,349,055	3,717,011	-	-	4,349,055	3,717,011
Public safety	13,819,440	10,998,430	-	-	13,819,440	10,998,430
Highways and streets	5,806,425	5,945,167	-	-	5,806,425	5,945,167
Culture and recreation	5,152,470	4,762,157	-	-	5,152,470	4,762,157
Interest on long- term debt	1,029,017	1,093,718	1,479,547	1,528,262	2,508,564	2,621,980
Utility - water	-	-	14,451,888	13,801,880	14,451,888	13,801,880
Utility - waste water	-	-	12,409,426	10,746,673	12,409,426	10,746,673
Utility - storm water	-	-	897,401	893,383	897,401	893,383
Pier	-	-	1,364,325	1,385,867	1,364,325	1,385,867
Aquatic center	-	-	929,992	916,098	929,992	916,098
<b>Total expenses</b>	<b>30,156,407</b>	<b>26,516,483</b>	<b>31,532,579</b>	<b>29,272,163</b>	<b>61,688,986</b>	<b>55,788,646</b>
Increase in net position before transfers	16,580,709	9,728,635	9,926,841	9,053,277	26,507,550	18,781,912
Transfers	100,000	100,000	(100,000)	(100,000)	-	-
<b>Increase in net position</b>	<b>\$ 16,680,709</b>	<b>\$ 9,828,635</b>	<b>\$ 9,826,841</b>	<b>\$ 8,953,277</b>	<b>\$ 26,507,550</b>	<b>\$ 18,781,912</b>

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





Governmental activities' revenues exceeded expenses by \$16,680,709, while business-type activities' revenues exceeded expenses by \$9,826,841. Total revenues increased \$13,625,978 from the previous year. The change in total revenues from business-type activities was an increase of \$3,133,980 while the change in governmental activities was an increase of \$10,491,998. Charges for services increased \$6,367,208, operating grants and contributions increased \$1,282,789, business taxes increased \$2,062,903, impact fees increased \$2,191,123, and investment earnings increased \$940,602 in the current year. The increase in charges for services was from both governmental activities and business-type activities. Governmental activities charges for services increased by \$4,285,676 primarily from the implementation of a fire assessment that resulted in current year revenues of almost \$4,000,000. The increase of \$2,081,532 in charges for services from business-type activities was primarily attributable to increased water and sewer sales.

Operating grants and contributions increased a total of \$1,282,789, with governmental activities experiencing an increase of \$1,272,486 while business-type activities experienced an increase of \$10,303. The increase in operating grants and contributions in governmental activities was attributable to recoveries from the federal and state governments related to Hurricane Michael.

Impact fees increased \$2,191,123 in total, with \$1,376,469 of the increase attributable to governmental activities and \$814,654 of the increase attributable to business-type activities.

Investment earnings increased \$645,118 in business-type activities and \$295,484 in governmental activities for a total increase of \$940,602. The increase was attributable to a change in investment strategy which was implemented partway through the prior fiscal year.

Total expenses in governmental activities increased \$3,639,924 from the previous year. Business-type activities expenses increased \$2,260,416. Approximately 78% of the increase in the governmental activities' expenses was attributable to public safety. The public safety expenses increased as a result of increased personnel costs in both the police and fire departments. Salary increases resulted from additional staffing in both departments and the corresponding benefit costs associated with these salaries increased as well. The increase in business-type expenses resulted from significant system wide repairs to gravity sewer lines throughout the City.

25% of the revenues for governmental activities were generated by capital grants and contributions, 30% by business taxes, and 16% from utility taxes and franchise fees. Capital grants and contributions as a percentage of total revenues for governmental activities decreased by 4% from the prior year. Business taxes decreased by 3% and utility taxes and franchise fees by 4% relative to the preceding year. As previously noted, the City implemented a fire assessment in the current year which resulted in an increase of almost \$4,000,000 in charges for services. As a result, charges for services increased as a percentage of total revenues for governmental activities by 8%. Most of the governmental resources were expended for public safety (46%), highways and streets (19%), and culture and recreation (17%).

Charges for services provide 90% of the revenues for business-type activities, while 6% are provided from impact fees. Most of the governmental resources are expended to operate the public utility systems (88%).

## **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, 2019, total assets were \$35,656,660 and total liabilities were \$2,346,112. At the end of fiscal year 2019, unassigned fund balance of the general fund was \$9,095,992, while total fund balance equaled \$33,310,548. Total fund balance increased \$4,601,563 (16%). Restricted fund balance increased \$838,941 (18%), committed fund balance increased \$378,189 (11%), assigned fund balance increased \$4,028,260 (37%) and nonspendable fund balance increased \$3,641 (8%). Unassigned fund balance decreased \$647,468 (7%). Fiscal year 2019 revenues in the general fund exceeded expenditures by \$4,567,981.

Restricted fund balance increased for two primary reasons. Impact fees were collected in amounts which exceeded current year expenditures of such funds. Similarly, discretionary half-cent sales tax funds were collected in excess of amounts expended in the current year. Committed fund balance increased due to the construction of a third fire station which started in the spring of 2019. Assigned fund balance increased primarily because the City intends to spend significant portions of its reserves for the construction of Phase 2 of Bay Parkway beginning next fiscal year. Unassigned fund balance decreased primarily as a result of the increase in assigned fund balance noted previously reflecting planned future spending of current resources.

The general fund budget was amended during the year to reflect increases in available revenues as well as increases in current expenditures and decreases in capital outlay expenditures. The increase in total budgeted revenues was \$3,189,875, which represented a change from the original to the amended budget of 10.5%. Approximately 31% of the increase was attributable to an increase in municipal services impact fees and 53% of the increase was attributable to business taxes. Budgeted expenditures for current expenditures increased from the original to the final amounts by \$2,160,918, while the budget for capital outlay expenditures decreased by \$12,426,265. The capital outlay budget was decreased because of delays in starting various capital projects in both highways and streets and recreation. Current expenditures increased in administration by \$759,145 primarily due to a professional services contract which provided for assistance in grant filings for the recovery of disaster funds related to Hurricane Michael. Budgeted police expenditures increased \$859,020 due to the hiring of additional personnel not contemplated in the original budget.

#### **Community Redevelopment Fund**

The other major governmental fund of the City is the community redevelopment fund. As of September 30, 2019, total assets were \$24,847,496 and total liabilities were \$697,348. At the end of fiscal year 2019, the total fund balance equaled \$24,150,148. Total fund balance increased \$1,008,414. Assigned fund balance increased from \$16,524 to a balance of \$62,328 at year end.

### Nonmajor Governmental Funds

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

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

### Proprietary Funds

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

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

Fund	2019 Unrestricted Net Position	2018 Unrestricted Net Position
Utility	\$ 62,751,582	\$ 56,317,647
Pier	968,412	1,040,149
Aquatic Center	246,192	293,795
Total	\$ 63,966,186	\$ 57,651,591

The *utility fund* is used to account for the operations of the City's water, waste water and storm water systems. Operating revenues increased \$2,165,306, or 6%, in 2019 compared to 2018 primarily from slight growth in the City's customer base combined with an increase in demand for services and modest rate increases. The primary reason for the increase in the unrestricted net position of the utility fund was from net operating income of \$7,991,532.

The *pier fund* accounts for the operations and maintenance of the City's Russell-Fields Pier. Operating expenses exceeded operating revenues by \$231,863. Personal services and depreciation expense accounted for a significant portion of operating expenses, 42% and 32%, respectively. Pier fund operations generated positive cash flows in 2019. Combined with cash flows generated in prior years from operations, the City was able to transfer funds in the amount of \$450,000 to the City's aquatic center fund to help subsidize its operating shortfall.

The *aquatic center fund* is being used to account for the operation of an aquatic center located at Frank Brown Park. For 2019, operating expenses exceeded operating revenues by \$503,254. The shortfall in operations was offset by transfers from the City's pier fund.

## Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2019, was \$251,905,839 (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:

- During the year, the City expended approximately \$2,937,000 on various water and waste water capital projects. A manhole replacement project on Thomas Drive was completed in the current year at a total cost of \$479,000. Approximately \$519,000 has been spent through fiscal year end September 30, 2019 on sewer improvements in the Thomas Drive and Beach Drive area with an additional \$465,000 spent on water improvements in that same area. The relocation of water and sewer lines in the Front Beach Road Segment 2 corridor was completed in fiscal year 2019 at a total cost of \$2,142,000. A force main project on Alf Coleman was also completed at a total cost of \$600,000.
- Significant progress was made on a storm water project in the Glades drainage basin area of the City. Total cost as of fiscal year end September 30 was \$657,000 with completion anticipated in fiscal year 2020.
- As of September 30, 2019, approximately \$42.6 million dollars was reflected in construction in progress and land for various road projects within the FBRCRA. Planned improvements include expansion of road widths, additional turn lanes, burying utilities, and aesthetic improvements. Construction on Front Beach Road Segment 2 was substantially complete by year end with approximately \$16 million dollars expended as of September 30, 2019. Engineering and design services commenced for the next phases of the reconstruction project, segments 3 and 4.1, and \$793,000 was spent on these efforts as of fiscal year end.
- Construction of a new City hall facility was ongoing throughout the year and was nearing completion at September 30, 2019. Total costs for the facility as of fiscal year end were \$2.9 million dollars. The construction of a new fire station began in the spring of 2019 and expenditures for the year were \$1.7 million dollars. \$307,000 was expended during the year for engineering services related to the design of phase 2 of Bay Parkway.

**Capital Assets  
(net of depreciation)**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	\$ 49,460,429	\$ 48,261,550	\$ 9,024,209	\$ 8,205,031	\$ 58,484,638	\$ 56,466,581
Construction in progress	11,991,855	18,405,215	2,409,937	2,555,704	14,401,792	20,960,919
Intangible assets	-	-	194,788	194,788	194,788	194,788
Buildings	11,457,640	11,858,888	22,252,240	23,252,575	33,709,880	35,111,463
Improvements	49,622,192	36,758,957	82,515,234	82,127,938	132,137,426	118,886,895
Machinery and equipment	4,846,321	3,969,836	8,130,994	9,125,083	12,977,315	13,094,919
<b>Total</b>	<b>\$ 127,378,437</b>	<b>\$ 119,254,446</b>	<b>\$ 124,527,402</b>	<b>\$ 125,461,119</b>	<b>\$ 251,905,839</b>	<b>\$ 244,715,565</b>

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

**Debt Management**

At the end of the current fiscal year, the City had total bond debt outstanding of \$76,435,049. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

**Outstanding Bond Debt**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenue bonds	\$ 37,495,000	\$ 39,870,000	\$ 38,940,049	\$ 40,655,576	\$ 76,435,049	\$ 80,525,576

Total outstanding bond debt decreased by \$4,090,527 in the current fiscal year. Principal payments totaled \$4,040,000 in the current year and were adjusted by amortization of deferred costs and premiums. The City's Utility System Bonds currently maintain an "AA-" rating from Standard & Poor's and "AA+" rating from Fitch. The City's Capital Improvement Bonds (Front Beach Road) are assigned an A rating by Standard & Poor's.

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

**Other Financial Information**

The City's economy was robust during fiscal year 2019 as evidenced by its increase in building construction and redevelopment activity as well as increasing revenues from tourists and residents in the form of business taxes. Although much of Bay County was severely affected by Hurricane Michael in October 2018, the City fared extremely well. Adequate reserves were available to fund cleanup efforts post-storm and a portion of the funds expended have been recovered from the

federal and state governments and additional recoveries are anticipated. The City's revenue post fiscal year end has been affected by the COVID-19 pandemic which has resulted in a drop-off in tourism and the resulting revenue generated from the same. As a result, some of the planned expenditures in fiscal year 2020 have been deferred until the total impact of the pandemic can be determined.

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, 17007 Panama City Beach Parkway, Panama City Beach, Florida 32413-2199, and attention: Holly J. White, Finance Director.

**City of Panama City Beach, Florida**  
**Statement of Net Position**  
**September 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 12,310,069	\$ 33,574,972	\$ 45,885,041
Accounts receivable, net	417,605	7,010,156	7,427,761
Taxes and fees receivable	668,057	-	668,057
Grants receivable	819,207	16,121	835,328
Due from other governments	323,475	96,831	420,306
Inventory	16,225	601,449	617,674
Investments	13,935,426	26,313,542	40,248,968
Prepays	37,653	37,217	74,870
Net pension asset	360,942	445,984	806,926
<b>Restricted assets</b>			
Cash and cash equivalents	30,607,130	25,734,423	56,341,553
Accounts receivable, net	-	1,824	1,824
Due from other governments	2,803,269	52,358	2,855,627
Prepays	-	513	513
Grants receivable	119,356	96,051	215,407
<b>Capital assets</b>			
Nondepreciable	61,452,284	11,628,934	73,081,218
Depreciable, net	65,926,153	112,898,468	178,824,621
Total assets	189,796,851	218,508,843	408,305,694
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	3,742,349	815,149	4,557,498
Deferred outflows related to OPEB	308,034	155,917	463,951
Deferred loss on refunding	2,010,851	2,215,503	4,226,354
Total deferred outflows of resources	6,061,234	3,186,569	9,247,803

(Continued)

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

**City of Panama City Beach, Florida**  
**Statement of Net Position (Continued)**  
**September 30, 2019**

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Liabilities</b>			
Accounts payable	\$ 1,941,169	\$ 1,520,827	\$ 3,461,996
Accrued expenses and deposits	2,660,811	1,839,736	4,500,547
Accrued interest payable	426,506	399,152	825,658
Due to other governments	271,440	987,496	1,258,936
Internal balances	1,298	(1,298)	-
Unearned revenue	172,235	1,751,334	1,923,569
Long-term liabilities			
Due within one year			
Revenue certificates payable	-	2,173,427	2,173,427
Accrued compensated absences	843,088	491,000	1,334,088
Revenue bonds payable, net	2,445,000	2,060,267	4,505,267
Due in more than one year			
Accrued compensated absences	1,343,084	546,670	1,889,754
Net pension liability	3,198,556	-	3,198,556
Net OPEB obligation	1,300,836	658,447	1,959,283
Revenue bonds payable, net	35,050,000	36,879,782	71,929,782
Total liabilities	49,654,023	49,306,840	98,960,863
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	2,448,433	1,327,341	3,775,774
Deferred inflows related to OPEB	96,306	48,747	145,053
Total deferred inflows of resources	2,544,739	1,376,088	3,920,827
<b>Net position</b>			
Net investment in capital assets	90,203,672	90,261,610	180,465,282
Restricted for			
Law enforcement	37,344	-	37,344
Beach access public parking	794,189	-	794,189
Impact fees	2,927,986	14,084,045	17,012,031
Reforestation	5,381	-	5,381
Highways and streets	2,515,182	-	2,515,182
Debt service	5,709,431	673,333	6,382,764
Community redevelopment	18,633,698	-	18,633,698
Storm water	-	2,027,310	2,027,310
Unrestricted	22,832,440	63,966,186	86,798,626
Total net position	\$ 143,659,323	\$ 171,012,484	\$ 314,671,807

*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, 2019**

Functions / Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
<b>Primary government</b>							
Governmental activities							
General government	\$ 4,349,055	\$ 1,563,780	\$ 2,347,326	\$ -	\$ (437,949)	\$ -	\$ (437,949)
Public safety	13,819,440	3,993,581	730,249	6,000	(9,089,610)	-	(9,089,610)
Highways and streets	5,806,425	415,668	949,048	11,778,751	7,337,042	-	7,337,042
Culture and recreation	5,152,470	562,691	205,320	67,153	(4,317,306)	-	(4,317,306)
Interest on long-term debt	1,029,017	-	-	-	(1,029,017)	-	(1,029,017)
<b>Total governmental activities</b>	<b>30,156,407</b>	<b>6,535,720</b>	<b>4,231,943</b>	<b>11,851,904</b>	<b>(7,536,840)</b>	<b>-</b>	<b>(7,536,840)</b>
Business-type activities							
Utility							
Water	14,451,888	19,445,283	-	-	-	4,993,395	4,993,395
Waste water	12,409,426	14,606,396	-	-	-	2,196,970	2,196,970
Storm water	897,401	1,686,036	-	96,051	-	884,686	884,686
Pier	1,364,325	1,132,462	155,318	4,747	-	(71,798)	(71,798)
Aquatic center	929,992	426,037	7,006	-	-	(496,949)	(496,949)
Interest on long-term debt	1,479,547	-	-	-	-	(1,479,547)	(1,479,547)
<b>Total business-type activities</b>	<b>31,532,579</b>	<b>37,296,214</b>	<b>162,324</b>	<b>100,798</b>	<b>-</b>	<b>6,026,757</b>	<b>6,026,757</b>
<b>Total primary government</b>	<b>\$ 61,688,986</b>	<b>\$ 43,831,934</b>	<b>\$ 4,394,267</b>	<b>\$ 11,952,702</b>	<b>(7,536,840)</b>	<b>6,026,757</b>	<b>(1,510,083)</b>
General revenues							
Business taxes					14,110,783	-	14,110,783
Utility taxes					4,555,306	-	4,555,306
Franchise fees					2,773,220	-	2,773,220
Impact fees					2,097,539	2,660,614	4,758,153
Penalties on delinquent business taxes					83,410	-	83,410
<b>Total general revenues</b>					<b>23,620,258</b>	<b>2,660,614</b>	<b>26,280,872</b>
Investment earnings					497,291	1,239,470	1,736,761
Transfers					100,000	(100,000)	-
<b>Total general revenues, investment earnings and transfers</b>					<b>24,217,549</b>	<b>3,800,084</b>	<b>28,017,633</b>
Change in net position					16,680,709	9,826,841	26,507,550
Net position - beginning					126,978,614	161,185,643	288,164,257
Net position - ending					\$ 143,659,323	\$ 171,012,484	\$ 314,671,807

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

**City of Panama City Beach, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 12,198,243	\$ 58,862	\$ 52,964	\$ 12,310,069
Accounts receivable, net	66,858	250	-	67,108
Taxes and fees receivable	668,057	-	-	668,057
Grants receivable	601,844	10,211	-	612,055
Due from other governments	314,714	-	-	314,714
Due from other funds	82	-	-	82
Inventory	16,225	-	-	16,225
Investments	13,935,426	-	-	13,935,426
Prepays	36,864	789	-	37,653
Cash and cash equivalents - restricted	7,692,491	22,085,291	829,348	30,607,130
Grants receivable - restricted	-	14,358	-	14,358
Due from other governments - restricted	125,856	2,677,413	-	2,803,269
Due from other funds - restricted	-	322	2,185	2,507
<b>Total assets</b>	<b>\$ 35,656,660</b>	<b>\$ 24,847,496</b>	<b>\$ 884,497</b>	<b>61,388,653</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 1,252,704	\$ 684,948	\$ 3,517	1,941,169
Accrued expenses and deposits	648,545	9,701	-	658,246
Due to other governments	270,579	861	-	271,440
Due to other funds	3,869	18	-	3,887
Unearned revenue	170,415	1,820	-	172,235
<b>Total liabilities</b>	<b>2,346,112</b>	<b>697,348</b>	<b>3,517</b>	<b>3,046,977</b>
<b>Fund balances</b>				
Nonspendable	49,095	789	-	49,884
Restricted	5,448,547	24,087,031	831,533	30,367,111
Committed	3,943,689	-	-	3,943,689
Assigned	14,773,225	62,328	49,447	14,885,000
Unassigned	9,095,992	-	-	9,095,992
<b>Total fund balances</b>	<b>33,310,548</b>	<b>24,150,148</b>	<b>880,980</b>	<b>58,341,676</b>
<b>Total liabilities and fund balances</b>	<b>\$ 35,656,660</b>	<b>\$ 24,847,496</b>	<b>\$ 884,497</b>	

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

Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds.	671,408
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	127,378,437
Net pension asset reported in the governmental activities is not a financial resource and, therefore, is not reported in the funds.	360,942
Long-term and claim liabilities, including bonds and self insurance liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(46,609,635)
Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds.	3,516,495
<b>Net position of governmental activities</b>	<b>\$ 143,659,323</b>

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

**City of Panama City Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended September 30, 2019**

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes				
Business taxes	\$ 14,110,783	\$ -	\$ -	\$ 14,110,783
Utility taxes	4,555,306	-	-	4,555,306
Tax increment funds	-	10,778,965	-	10,778,965
Franchise fees	2,773,220	-	-	2,773,220
Intergovernmental	3,599,089	-	-	3,599,089
Municipal services impact fees	2,014,339	83,200	-	2,097,539
Permits, fees and special assessments	5,019,995	-	27,300	5,047,295
Fines and forfeitures	192,811	13,139	10,102	216,052
Contributions and donations	552,594	-	23,924	576,518
Grants	840,467	93,037	-	933,504
Rents	283,021	38,841	-	321,862
Investment earnings	494,820	1,865	607	497,292
Other fees and miscellaneous	677,618	84,837	-	762,455
<b>Total revenues</b>	<b>35,114,063</b>	<b>11,093,884</b>	<b>61,933</b>	<b>46,269,880</b>
<b>Expenditures</b>				
Current				
General government	3,807,431	570,043	-	4,377,474
Public safety	13,243,576	-	26,189	13,269,765
Highways and streets	2,516,560	648,997	-	3,165,557
Culture and recreation	3,582,096	-	-	3,582,096
Capital outlay				
General government	2,471,890	-	-	2,471,890
Public safety	3,335,764	-	6,835	3,342,599
Highways and streets	1,155,838	5,433,018	-	6,588,856
Culture and recreation	432,927	-	-	432,927
Debt service				
Principal	-	2,375,000	-	2,375,000
Interest	-	1,056,032	-	1,056,032
<b>Total expenditures</b>	<b>30,546,082</b>	<b>10,083,090</b>	<b>33,024</b>	<b>40,662,196</b>
<b>Excess of revenues over expenditures</b>	<b>4,567,981</b>	<b>1,010,794</b>	<b>28,909</b>	<b>5,607,684</b>
Other financing sources (uses)				
Transfers in	159,861	-	11,916	171,777
Transfers out	(11,916)	(2,380)	-	(14,296)
Grants and aid	(155,529)	-	-	(155,529)
Proceeds from disposal of assets	41,166	-	-	41,166
<b>Total other financing sources (uses)</b>	<b>33,582</b>	<b>(2,380)</b>	<b>11,916</b>	<b>43,118</b>
<b>Net change in fund balances</b>	<b>4,601,563</b>	<b>1,008,414</b>	<b>40,825</b>	<b>5,650,802</b>
<b>Fund balances - beginning</b>	<b>28,708,985</b>	<b>23,141,734</b>	<b>840,155</b>	<b>52,690,874</b>
<b>Fund balances - ending</b>	<b>\$ 33,310,548</b>	<b>\$ 24,150,148</b>	<b>\$ 880,980</b>	<b>\$ 58,341,676</b>

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

**City of Panama City Beach, Florida**  
**Reconciliation of the Statement of Revenues, Expenditures, and Changes in**  
**Fund Balances of Governmental Funds to the Statement of Activities**  
**Year Ended September 30, 2019**

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

Net change in fund balances - total governmental funds (page 21)	\$ 5,650,802
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.	8,209,924
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position.	(11,938)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	284,523
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.	338,792
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,208,606
Change in net position of governmental activities (page 19)	\$ 16,680,709

*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, 2019**

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Taxes						
Business taxes	\$ 12,265,647	\$ 13,964,294	\$ 169,498	\$ 14,133,792	\$ (23,009)	\$ 14,110,783
Utility taxes	4,572,000	4,489,000	28,769	4,517,769	37,537	4,555,306
Franchise fees	2,772,000	2,731,000	15,673	2,746,673	26,547	2,773,220
Intergovernmental	3,278,081	3,556,059	7,250	3,563,309	35,780	3,599,089
Municipal services impact fees	316,400	1,313,911	133,728	1,447,639	566,700	2,014,339
Permits, fees and special assessments	4,746,473	4,990,160	32,978	5,023,138	(3,143)	5,019,995
Fines and forfeitures	87,000	169,900	20,837	190,737	2,074	192,811
Contributions and donations	461,000	584,040	(31,446)	552,594	-	552,594
Grants	904,716	453,976	(214,539)	239,437	601,030	840,467
Rents	251,463	297,390	(13,506)	283,884	(863)	283,021
Investment earnings	230,000	485,500	2,033	487,533	7,287	494,820
Other fees and miscellaneous	592,262	631,687	(5,551)	626,136	51,482	677,618
<b>Total revenues</b>	<b>30,477,042</b>	<b>33,666,917</b>	<b>145,724</b>	<b>33,812,641</b>	<b>1,301,422</b>	<b>35,114,063</b>
<b>Expenditures</b>						
Current						
General government						
Legislative	214,800	214,800	11,663	203,137	(1,792)	201,345
Administration	1,066,876	1,826,021	439,193	1,386,828	(2,700)	1,384,128
Legal	550,000	610,000	102,364	507,636	9,940	517,576
Comprehensive planning	342,465	335,587	37,146	298,441	(3,649)	294,792
Protective services	1,350,614	1,377,325	(10,313)	1,387,638	21,952	1,409,590
<b>Total general government</b>	<b>3,524,755</b>	<b>4,363,733</b>	<b>580,053</b>	<b>3,783,680</b>	<b>23,751</b>	<b>3,807,431</b>
Public safety						
Police	8,204,760	9,063,780	309,454	8,754,326	(5,733)	8,748,593
Fire	4,651,199	4,578,613	118,454	4,460,159	34,824	4,494,983
<b>Total public safety</b>	<b>12,855,959</b>	<b>13,642,393</b>	<b>427,908</b>	<b>13,214,485</b>	<b>29,091</b>	<b>13,243,576</b>
Highways and streets	2,565,487	2,983,274	447,987	2,535,287	(18,727)	2,516,560
Culture and recreation						
Library	251,350	247,400	4,986	242,414	514	242,928
Recreation	3,289,942	3,411,611	38,681	3,372,930	(33,762)	3,339,168
<b>Total culture and recreation</b>	<b>3,541,292</b>	<b>3,659,011</b>	<b>43,667</b>	<b>3,615,344</b>	<b>(33,248)</b>	<b>3,582,096</b>
<b>Total current</b>	<b>22,487,493</b>	<b>24,648,411</b>	<b>1,499,615</b>	<b>23,148,796</b>	<b>867</b>	<b>23,149,663</b>

(Continued)

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

**City of Panama City Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – General Fund (Continued)**  
**Year Ended September 30, 2019**

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
<b>Expenditures (continued)</b>						
Capital outlay						
General government						
Administration	\$ 3,565,000	\$ 2,252,000	\$ 210,986	\$ 2,041,014	\$ 430,876	\$ 2,471,890
Total general government	3,565,000	2,252,000	210,986	2,041,014	430,876	2,471,890
Public safety						
Police	810,000	715,000	87,323	627,677	(490)	627,187
Fire	3,960,000	2,950,500	596,702	2,353,798	354,779	2,708,577
Total public safety	4,770,000	3,665,500	684,025	2,981,475	354,289	3,335,764
Highways and streets	8,665,000	801,185	374,513	426,672	729,166	1,155,838
Culture and recreation						
Recreation	2,647,000	502,050	73,642	428,408	4,519	432,927
Total culture and recreation	2,647,000	502,050	73,642	428,408	4,519	432,927
Total capital outlay	19,647,000	7,220,735	1,343,166	5,877,569	1,518,850	7,396,419
Total expenditures	42,134,493	31,869,146	2,842,781	29,026,365	1,519,717	30,546,082
Excess (deficiency) of revenues over (under) expenditures	(11,657,451)	1,797,771	2,988,505	4,786,276	(218,295)	4,567,981
Other financing sources (uses)						
Transfers in	100,000	100,000	-	100,000	(59,861)	159,861
Transfers out	-	(11,916)	-	(11,916)	-	(11,916)
Grants and aid	(156,000)	(156,000)	471	(155,529)	-	(155,529)
Proceeds from disposal of assets	50,000	41,000	166	41,166	-	41,166
Total other financing sources (uses)	(6,000)	(26,916)	637	(26,279)	(59,861)	33,582
Net change in fund balances	(11,663,451)	1,770,855	2,989,142	4,759,997	(158,434)	4,601,563
Fund balances - beginning	25,309,070	26,482,359	2,987,721	29,470,080	(761,095)	28,708,985
Fund balances - ending	\$ 13,645,619	\$ 28,253,214	\$ 5,976,863	\$ 34,230,077	\$ (919,529)	\$ 33,310,548

*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, 2019**

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
<b>Revenues</b>						
Tax increment funds	\$ 11,161,077	\$ 10,647,907	\$ (2,546,355)	\$ 8,101,552	\$ 2,677,413	\$ 10,778,965
Municipal services impact fees	200,000	520,000	(436,800)	83,200	-	83,200
Permits, fees and special assessments	-	715	4	719	(719)	-
Fines and forfeitures	500	12,950	500	13,450	(311)	13,139
Grants	380,000	68,467	1	68,468	24,569	93,037
Rents	4,800	38,939	1,322	40,261	(1,420)	38,841
Investment earnings	-	1,865	-	1,865	-	1,865
Other fees and miscellaneous	100,000	100,025	(16,940)	83,085	1,752	84,837
<b>Total revenues</b>	<b>11,846,377</b>	<b>11,390,868</b>	<b>(2,998,268)</b>	<b>8,392,600</b>	<b>2,701,284</b>	<b>11,093,884</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	820,333	619,276	49,950	569,326	717	570,043
Highways and streets	711,285	829,116	237,364	591,752	57,245	648,997
<b>Total current</b>	<b>1,531,618</b>	<b>1,448,392</b>	<b>287,314</b>	<b>1,161,078</b>	<b>57,962</b>	<b>1,219,040</b>
<b>Capital outlay</b>						
Highways and streets	11,555,000	11,020,000	4,928,489	6,091,511	(658,493)	5,433,018
<b>Total capital outlay</b>	<b>11,555,000</b>	<b>11,020,000</b>	<b>4,928,489</b>	<b>6,091,511</b>	<b>(658,493)</b>	<b>5,433,018</b>
<b>Debt service</b>						
Principal	2,375,000	2,375,000	-	2,375,000	-	2,375,000
Interest	1,056,050	1,056,050	18	1,056,032	-	1,056,032
<b>Total debt service</b>	<b>3,431,050</b>	<b>3,431,050</b>	<b>18</b>	<b>3,431,032</b>	<b>-</b>	<b>3,431,032</b>
<b>Total expenditures</b>	<b>16,517,668</b>	<b>15,899,442</b>	<b>5,215,821</b>	<b>10,683,621</b>	<b>(600,531)</b>	<b>10,083,090</b>
Excess (deficiency) of revenues over (under) expenditures	(4,671,291)	(4,508,574)	2,217,553	(2,291,021)	3,301,815	1,010,794
Other financing sources (uses)						
Transfers out	-	-	-	-	2,380	(2,380)
Proceeds from disposal of assets	-	3,150	708	3,858	3,858	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>3,150</b>	<b>708</b>	<b>3,858</b>	<b>6,238</b>	<b>(2,380)</b>
<b>Net change in fund balances</b>	<b>(4,671,291)</b>	<b>(4,505,424)</b>	<b>2,218,261</b>	<b>(2,287,163)</b>	<b>3,295,577</b>	<b>1,008,414</b>
<b>Fund balances - beginning</b>	<b>21,639,563</b>	<b>24,431,155</b>	<b>51,961</b>	<b>24,483,116</b>	<b>(1,341,382)</b>	<b>23,141,734</b>
<b>Fund balances - ending</b>	<b>\$ 16,968,272</b>	<b>\$ 19,925,731</b>	<b>\$ 2,270,222</b>	<b>\$ 22,195,953</b>	<b>\$ 1,954,195</b>	<b>\$ 24,150,148</b>

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

**City of Panama City Beach, Florida**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2019**

Business-type Activities/Enterprise Funds			
	Utility Fund	Other Proprietary Funds	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 32,716,586	\$ 858,386	\$ 33,574,972
Accounts receivable, net	6,994,612	15,544	7,010,156
Grants receivable	-	16,121	16,121
Due from other funds	790	902	1,692
Due from other governments	61,373	35,458	96,831
Inventory	601,449	-	601,449
Investments	25,797,422	516,120	26,313,542
Prepays	31,539	5,678	37,217
<b>Total current assets</b>	<b>66,203,771</b>	<b>1,448,209</b>	<b>67,651,980</b>
Noncurrent assets			
Net pension asset	394,620	51,364	445,984
Restricted assets			
Cash and cash equivalents	25,734,423	-	25,734,423
Accounts receivable, net	1,824	-	1,824
Due from other funds	15	-	15
Due from other governments	52,358	-	52,358
Prepays	513	-	513
Grants receivable	96,051	-	96,051
Capital assets			
Nondepreciable	11,628,934	-	11,628,934
Depreciable, net	103,057,103	9,841,365	112,898,468
<b>Total noncurrent assets</b>	<b>140,965,841</b>	<b>9,892,729</b>	<b>150,858,570</b>
<b>Total assets</b>	<b>207,169,612</b>	<b>11,340,938</b>	<b>218,510,550</b>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	721,267	93,882	815,149
Deferred outflows related to OPEB	144,424	11,493	155,917
Deferred loss on refunding	2,215,503	-	2,215,503
<b>Total deferred outflows of resources</b>	<b>3,081,194</b>	<b>105,375</b>	<b>3,186,569</b>

(Continued)

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



**City of Panama City Beach, Florida**  
**Statement of Net Position**  
**Proprietary Funds (Continued)**  
**September 30, 2019**

Business-type Activities/Enterprise Funds			
	Utility Fund	Other Proprietary Funds	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 1,494,203	\$ 26,624	\$ 1,520,827
Accrued expenses and deposits	1,807,195	32,541	1,839,736
Accrued interest payable	399,152	-	399,152
Due to other funds	409	-	409
Due to other governments	965,528	21,968	987,496
Unearned revenue	1,718,625	32,709	1,751,334
Revenue certificates payable	2,173,427	-	2,173,427
Accrued compensated absences	462,000	29,000	491,000
Revenue bonds payable, net	2,060,267	-	2,060,267
<b>Total current liabilities</b>	<b>11,080,806</b>	<b>142,842</b>	<b>11,223,648</b>
Noncurrent liabilities			
Accrued compensated absences	504,169	42,501	546,670
Net OPEB obligation	609,909	48,538	658,447
Revenue bonds payable, net	36,879,782	-	36,879,782
<b>Total noncurrent liabilities</b>	<b>37,993,860</b>	<b>91,039</b>	<b>38,084,899</b>
<b>Total liabilities</b>	<b>49,074,666</b>	<b>233,881</b>	<b>49,308,547</b>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	1,174,470	152,871	1,327,341
Deferred inflows related to OPEB	45,154	3,593	48,747
<b>Total deferred inflows of resources</b>	<b>1,219,624</b>	<b>156,464</b>	<b>1,376,088</b>
<b>Net position</b>			
Net investment in capital assets	80,420,246	9,841,364	90,261,610
Restricted for			
Impact fees	14,084,045	-	14,084,045
Debt service	673,333	-	673,333
Storm water	2,027,310	-	2,027,310
Unrestricted	62,751,582	1,214,604	63,966,186
<b>Total net position</b>	<b>\$ 159,956,516</b>	<b>\$ 11,055,968</b>	<b>\$ 171,012,484</b>

*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, 2019**

	Business-type Activities/Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Operating revenues</b>			
Charges for services			
Water and waste water sales	\$ 32,843,328	\$ -	\$ 32,843,328
Storm water assessments	1,664,856	-	1,664,856
Connection and reset fees	485,588	-	485,588
Administrative and review fees	74,220	-	74,220
Admissions and other fees	-	1,255,307	1,255,307
Rent	-	242,687	242,687
Miscellaneous	682,255	60,505	742,760
<b>Total operating revenues</b>	<b>35,750,247</b>	<b>1,558,499</b>	<b>37,308,746</b>
<b>Operating expenses</b>			
Personal services	5,701,793	941,500	6,643,293
Professional services	409,379	13,567	422,946
Office supplies	26,648	2,540	29,188
Contractual services	268,129	78,537	346,666
Insurance	310,072	56,159	366,231
Repairs and maintenance	2,488,404	137,133	2,625,537
Operating supplies	1,753,295	206,324	1,959,619
Communication services	77,551	16,179	93,730
Public utility services	10,989,461	151,162	11,140,623
Transportation	75,273	104	75,377
Rentals	66,770	67,492	134,262
Printing and binding	16,506	5,576	22,082
Miscellaneous	89,890	10,368	100,258
Amortization	6,356	-	6,356
Depreciation	5,479,188	606,975	6,086,163
<b>Total operating expenses</b>	<b>27,758,715</b>	<b>2,293,616</b>	<b>30,052,331</b>
<b>Net operating income (loss)</b>	<b>7,991,532</b>	<b>(735,117)</b>	<b>7,256,415</b>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	1,226,594	12,875	1,239,469
Grants and contributions	96,051	167,071	263,122
Gain (loss) on disposal of assets	(12,531)	(701)	(13,232)
Interest expense	(1,479,547)	-	(1,479,547)
<b>Total nonoperating revenues (expenses)</b>	<b>(169,433)</b>	<b>179,245</b>	<b>9,812</b>
<b>Net income (loss) before impact fees and transfers</b>	<b>7,822,099</b>	<b>(555,872)</b>	<b>7,266,227</b>
Impact fees	2,660,614	-	2,660,614
Transfers in	-	450,000	450,000
Transfers out	(100,000)	(450,000)	(550,000)
<b>Total impact fees and transfers</b>	<b>2,560,614</b>	<b>-</b>	<b>2,560,614</b>
<b>Change in net position</b>	<b>10,382,713</b>	<b>(555,872)</b>	<b>9,826,841</b>
<b>Total net position - beginning</b>	<b>149,573,803</b>	<b>11,611,840</b>	<b>161,185,643</b>
<b>Total net position - ending</b>	<b>\$ 159,956,516</b>	<b>\$ 11,055,968</b>	<b>\$ 171,012,484</b>

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

**City of Panama City Beach, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**Year Ended September 30, 2019**

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Operating activities</b>			
Receipts from customers and users	\$ 35,151,817	\$ 1,575,674	\$ 36,727,491
Payments to suppliers	(17,246,871)	(946,799)	(18,193,670)
Payments to employees	(4,558,013)	(763,684)	(5,321,697)
<b>Net cash provided (used) by operating activities</b>	<b>13,346,933</b>	<b>(134,809)</b>	<b>13,212,124</b>
<b>Noncapital financing activities</b>			
Grants and contributions	-	163,824	163,824
Loans to other funds	-	(26)	(26)
Repayments of loans to other funds	-	247	247
Transfers (to) from other funds	(100,000)	-	(100,000)
<b>Net cash (used) provided by noncapital financing activities</b>	<b>(100,000)</b>	<b>164,045</b>	<b>64,045</b>
<b>Capital and related financing activities</b>			
Impact fees	3,037,318	-	3,037,318
Grants and contributions	148,629	4,747	153,376
Principal paid on revenue certificates	(29,591)	-	(29,591)
Principal paid on revenue bonds	(1,665,000)	-	(1,665,000)
Interest paid on revenue bonds	(1,257,215)	-	(1,257,215)
Proceeds from sale of assets	250	-	250
Costs associated with sale of assets	(4,482)	-	(4,482)
Purchase of capital assets	(4,846,750)	(171,145)	(5,017,895)
<b>Net cash (used) by capital and related financing activities</b>	<b>(4,616,841)</b>	<b>(166,398)</b>	<b>(4,783,239)</b>
<b>Investing activities</b>			
Purchase of investments	(657,768)	(12,875)	(670,643)
Investment earnings	1,198,504	12,875	1,211,379
<b>Net cash provided by investing activities</b>	<b>540,736</b>	<b>-</b>	<b>540,736</b>
<b>Net change in cash and cash equivalents</b>	<b>9,170,828</b>	<b>(137,162)</b>	<b>9,033,666</b>
<b>Cash and cash equivalents - beginning</b>	<b>49,280,181</b>	<b>995,548</b>	<b>50,275,729</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 58,451,009</b>	<b>\$ 858,386</b>	<b>\$ 59,309,395</b>
<b>Classified as</b>			
Current assets - cash and cash equivalents	\$ 32,716,586	\$ 858,386	\$ 33,574,972
Restricted assets - cash and cash equivalents	25,734,423	-	25,734,423
<b>Total</b>	<b>\$ 58,451,009</b>	<b>\$ 858,386</b>	<b>\$ 59,309,395</b>

(Continued)

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

**City of Panama City Beach, Florida**  
**Statement of Cash Flows (Continued)**  
**Proprietary Funds**  
**Year Ended September 30, 2019**

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>			
Net operating income (loss)	\$ 7,991,532	\$ (735,117)	\$ 7,256,415
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Amortization	6,356	-	6,356
Depreciation	5,479,188	606,975	6,086,163
Bad debts	18,048	-	18,048
Forfeited deposits	(3,995)	-	(3,995)
Professional services	52,480	-	52,480
(Increase) decrease in assets			
Accounts receivable, net	(708,364)	17,503	(690,861)
Due from other funds	(573)	(26)	(599)
Due from other governments	(48,510)	-	(48,510)
Inventory	(28,976)	-	(28,976)
Prepays	(5,639)	(437)	(6,076)
Net pension asset	454,032	65,019	519,051
Accounts receivable, restricted	(1,145)	-	(1,145)
Due from other funds, restricted	(15)	-	(15)
Due from other governments, restricted	(52,358)	-	(52,358)
Prepays, restricted	(513)	-	(513)
(Increase) decrease in deferred outflows related to pensions	(294,936)	(41,641)	(336,577)
(Increase) decrease in deferred outflows related to OPEB	(144,424)	(5,269)	(149,693)
Increase (decrease) in liabilities			
Accounts payable	423,073	461	423,534
Accrued expenses and deposits	213,730	1,639	215,369
Due to other funds	(1,959)	(675)	(2,634)
Due to other governments	306,493	(550)	305,943
Unearned revenue	(20,110)	237	(19,873)
Accrued compensated absences	(114,914)	(3,747)	(118,661)
Net OPEB obligation	174,652	16,189	190,841
Increase (decrease) in deferred inflows related to pensions	(345,170)	(55,529)	(400,699)
Increase (decrease) in deferred inflows related to OPEB	(1,050)	159	(891)
<b>Total adjustments</b>	<b>5,355,401</b>	<b>600,308</b>	<b>5,955,709</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 13,346,933</b>	<b>\$ (134,809)</b>	<b>\$ 13,212,124</b>

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

**City of Panama City Beach, Florida**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2019**

	<b>Pension Trust Funds</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 261,740
Dividends receivable	42,876
Investments, at fair value	
Money market funds	2,506,220
Real estate investment trusts	1,892,932
Mutual funds	74,984,955
<hr/>	
Total assets	79,688,723
<hr/>	
<b>Liabilities</b>	
Accounts payable	22,640
Refunds payable	22,937
<hr/>	
Total liabilities	45,577
<hr/>	
<b>Net position</b>	
Restricted for pension benefits	\$ 79,643,146
<hr/> <hr/>	

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

**City of Panama City Beach, Florida**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended September 30, 2019**

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,926,023
Plan members	1,254,883
Buyback of service	43,531
Insurance premiums	380,282
Total contributions	3,604,719
Investment earnings	
Interest	10,437
Dividends	1,766,624
Net increase in fair value of investments	1,386,139
Total investment earnings	3,163,200
Less investment expenses	(146,225)
Net investment earnings	3,016,975
Total additions	6,621,694
<b>Deductions</b>	
Benefits	3,667,556
Refunds of contributions	315,830
Administrative expenses	59,740
Total deductions	4,043,126
Change in net position	2,578,568
Net position - beginning	77,064,578
Net position - ending	\$ 79,643,146

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

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

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

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

***Reporting Entity***

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

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

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

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

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

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

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

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

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

***Government-wide Financial Statements***

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

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

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

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



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

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

***Fund Financial Statements***

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

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

***Governmental Funds***

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

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

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

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

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

***Proprietary Funds***

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

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

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

***Fiduciary Funds***

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

***Basis of Presentation***

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

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

***Governmental Major Funds***

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

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

***Proprietary Major Funds***

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

***Noncurrent Governmental Assets/Liabilities***

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

***Budgets***

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

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

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

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

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

***Cash and Cash Equivalents***

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

***Investments***

All investments are recorded at fair value as described in Note 4.

***Accounts Receivable, Net***

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

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

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

***Inventory***

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

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

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, water and waste water distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more, or \$15,000 or more for improvements, and an estimated useful life in excess of one year. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend its useful life are expensed as incurred.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended September 30, 2019, there was no capitalized interest recorded.

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

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

***Long-term Obligations***

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

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

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

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

***Unamortized Bond Discounts/Premiums***

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

***Gains and Losses on Refunding***

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

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

***Unearned Revenue***

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

***Accrued Compensated Absences***

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

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

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

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

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

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

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

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

***Restricted Assets***

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

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

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

***Net Position***

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

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

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

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

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

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

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

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

***Fund Balances***

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

Nonspendable – This category includes resources that cannot be spent because they are either not spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2019, is \$49,884.

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, 2019, is \$30,367,111.

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, 2019, is \$3,943,689.

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, 2019, is \$14,885,000.



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

Unassigned – This category includes residual positive fund balance within the general fund which has not been classified with the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if the nonspendable amount exceeds amounts restricted, committed, or assigned for these specific purposes. The unassigned fund balance as of September 30, 2019, is \$9,095,992.

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

***Estimates***

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

***Subsequent Events***

Management has evaluated subsequent events through the date that the financial statements were available to be issued, July 31, 2020. See Note 21 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements

**NOTE 2 – BUDGETS**

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

- Law Enforcement Trust
- Law Enforcement Education
- Department of Justice Equitable Sharing
- Cops and Kids
- Beach Access Public Parking

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

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states, "Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds." The details of this \$671,408 difference are as follows:

Accounts receivable, net	\$	350,497
Grants receivable		312,150
Due from other governments		8,761
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	671,408
<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 \$127,378,437 difference are as follows:

Cost of capital assets	\$	170,420,695
Less: accumulated depreciation		(43,042,258)
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	127,378,437
<hr/>		

Another element of that reconciliation states, "Long-term and claim liabilities, including bonds and self insurance liability, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(46,609,635) difference are as follows:

Revenue bonds payable, net	\$	(37,495,000)
Net OPEB obligation		(1,300,836)
Net pension liability		(3,198,556)
Self insurance liability		(2,002,565)
Accrued compensated absences		(2,186,172)
Accrued interest payable		(426,506)
<hr/>		
Net adjustment to decrease fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	(46,609,635)
<hr/>		

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

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

Another element of that reconciliation explains, "Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds." The details of this \$3,516,495 difference are as follows:

Deferred outflows related to pensions	\$	3,742,349
Deferred inflows related to pensions		(2,448,433)
Deferred outflows related to OPEB		308,034
Deferred inflows related to OPEB		(96,306)
Deferred loss on refunding		2,010,851
<hr/>		
Net adjustment to increase fund balances - total governmental funds to arrive at <i>net position of governmental activities</i>	\$	3,516,495
<hr/>		

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$8,209,924 difference are as follows:

Capital outlay expenditures	\$	12,836,272
Less: depreciation expense		(4,626,348)
<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>	\$	8,209,924
<hr/>		

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position." The details of this \$(11,938) difference are as follows:

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

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

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from sales increase financial resources. Thus, the change in net position differs from the change in fund balances by the basis of the capital assets sold. \$ (80,521)

In the statement of activities, donations of capital assets are recognized at fair market value. However, in the governmental funds, the donations are not recognized. 68,583

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Net adjustment to increase *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ (11,938)

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Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$248,523 difference are as follows:

Compensated absences	\$	278,578
Insurance		(104,653)
Various expenses		(121,925)
Interest		27,015
Interfund transfers		2,380
Pension expense		278,074
OPEB		(74,946)

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Net adjustment to increase *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ 284,523

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Another element of that reconciliation states, "Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds." The details of this \$338,792 difference are as follows:

Rents	\$	(20,462)
Fines and forfeitures		85,535
Interfund transfers		(59,861)
Contributions and donations		36,000
Grants		310,770
Other fees and miscellaneous		(13,190)

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Net adjustment to increase *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ 338,792

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

Another element of that reconciliation states, "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$2,208,606 difference are as follows:

Principal repayment of bonds	\$	2,375,000
Less, amortization of deferred loss on advance refunding		(166,394)
<hr/>		
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	2,208,606
<hr/>		

**NOTE 4 – DEPOSITS AND INVESTMENTS**

***Deposits***

\$102,219,986 of the City's deposits and \$261,740 of the fiduciary funds' deposits are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

***Custodial Risks - Deposits***

At September 30, 2019, the City did not hold any deposits that were considered to be a custodial risk.

***Investments - City***

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

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Florida Statutes, Section 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.

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

- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes, Section 280.02.
- Direct obligations of the United States Treasury.

***Investments – Fiduciary Funds***

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

The following investments are authorized:

- Cash equivalents.
- Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the government of the United States.
- Foreign equities, including: convertible bonds, convertible preferred issues, and preferred stock.
- Equities - including publicly traded REITS, infrastructure, convertibles (convertible bonds, convertible preferred issues, and preferred stock). Convertible bonds, convertible preferred issues and preferred stock will be deemed as equity and shall not be held to the rating standards of fixed-income. Foreign securities convertibles are limited to those that settle in U. S. dollars and traded on one or more of the recognized national exchanges, NASDAQ or the over-the-counter (OTC).
- Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia provided the issues are traded OTC and shall hold a rating of Baa2/Mid BBB or above by Moody's and Standard & Poor's respectively. In the event of a split rating, the lower rating shall prevail. In the event of a downgrade, the Active Fixed Income Manager may hold up to 5% at market value of their total portfolio in bonds rated below Baa2/Mid BBB. The Active Fixed Income Manager shall notify Consultant in writing within ten (10) business days of any such downgrade. Convertible securities do not apply to these limitations, as they are classified as equities. Below investment grade bonds may not exceed 5% of the total Trust Fund(s).
- Commingled stock, bond or money market funds whose investments are restricted to securities meeting the criteria outlined in Section 3 of the investment policy statement.

Limitations:

- Investments in equities shall not exceed 70% of the fund's assets at market value.
- Not more than 5% of the total Fund's assets at market value shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of the company.
- Foreign equity investments are limited to 25% of the total Fund's assets.
- Investments in real estate are limited to real estate investment trusts (REITs).
- Illiquid investments, as described in Chapter 215.47, Florida Statutes, are prohibited.
- All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

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

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

The following investments are prohibited:

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

***Custodial Credit Risks - Investments***

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

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

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

***Credit Risks***

The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listed in Florida Statutes, Section 218.415. The fiduciary funds' investment policy, as listed above, requires investments to meet the established approved requirements and to be monitored by the third party investment manager. The City's investments in the Florida Fixed Income Trust cash pool and 1-3 year fund are rated as AAf/S1+ and AAf/S1, respectively based on S&P Global Ratings.

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

***Interest Rate Risks***

At September 30, 2019, the City did not hold any investments that were considered to be an interest rate risk. The City does not have a policy regarding interest rate risk.

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

At September 30, 2019, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2019, the fiduciary funds' held six investments that were more than 5 percent of the total fiduciary fund investments in any single security concentration other than U.S. Government Treasuries and Agencies. The investments and respective percentage of the total fiduciary fund investments were Cohen & Steers Global Infrastructure Fund (5%), Vanguard Total Bond Market ETF (6%), John Hancock III – Disciplined Value Fund (7%), SPDR Bloomberg Barclays Convertible Securities ETF (10%), T. Rowe Price Institutional Large-Cap Growth Fund (11%), and American Europacific Growth Fund (13%).

At September 30, 2019, the City's and fiduciary funds' deposits consisted of the following:

	<b>Carrying Amount</b>	<b>Market Value</b>
City	\$ 102,219,986	\$ 102,219,986
Fiduciary funds	261,740	261,740
<b>Total deposits</b>	<b>\$ 102,481,726</b>	<b>\$ 102,481,726</b>

At September 30, 2019, the City maintained cash on hand of \$6,609.

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

Net asset value (NAV) - Investments in the Florida Fixed Income Trust are in the Florida Fixed Income Trust Cash Pool and Florida Fixed Income Trust 1-3 Year Pool, with balances of \$27,325,597 and \$12,923,371, respectively, at September 30, 2019. The Florida Fixed Income Trust Cash Pool investment strategy is to provide minimal volatility of net asset value and positive holding period returns for 30 days or greater. The pool consists of up to 90% commercial paper investments and a maximum of 10% other investments deemed suitable for the pool. The Florida Fixed Income Trust



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

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

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

No specific investments are assigned to the City, rather the City's investments are equal to the total fund net asset value times the City's units as a percentage of total units outstanding. Investment earnings are utilized to purchase additional units within the pools. Additionally, the City may withdraw either a portion of or its entire investment at any time. The City's investments in the Florida Fixed Income Trust, at fair value measured at NAV, totaled \$40,248,968 as of September 30, 2019.

The fiduciary funds' have the following fair value measurements as of September 30, 2019:

	Fair Value	Level 1	Level 2	Level 3
Investments, at fair value				
Money market funds	\$ 2,506,220	\$ 2,506,220	\$ -	\$ -
Real estate investment trusts	1,892,932	1,892,932	-	-
Mutual funds	74,984,955	74,984,955	-	-
 Total investments, at fair value	 \$ 79,384,107	 \$ 79,384,107	 \$ -	 \$ -

**NOTE 5 – ACCOUNTS RECEIVABLE, NET**

At September 30, 2019, accounts receivable in the governmental activities is summarized as follows:

Total accounts receivable	\$ 417,605
Less: allowance for doubtful accounts	-
 Accounts receivable, net	 \$ 417,605

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

**NOTE 5 – ACCOUNTS RECEIVABLE, NET (CONTINUED)**

At September 30, 2019, accounts receivable in the business-type activities is summarized as follows:

Billed accounts receivable	\$	2,149,827
Unbilled accounts receivable		5,083,462
Other receivables		40,916
<hr/>		
Total accounts receivable		7,274,205
Less: allowance for doubtful accounts		(264,049)
<hr/>		
Accounts receivable, net	\$	7,010,156
<hr/> <hr/>		

At September 30, 2019, restricted accounts receivable in the business-type activities is summarized as follows:

Total restricted accounts receivable	\$	1,824
Less: allowance for doubtful accounts		-
<hr/>		
Restricted accounts receivable, net	\$	1,824
<hr/> <hr/>		

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

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

The composition of due from/to other funds' balances as of September 30, 2019 is as follows:

Receivable fund	Payable fund		
General fund	Utility fund	\$	64
General fund	CRA fund		18
Nonmajor governmental funds	General fund		2,185
Utility fund	General fund		805
Nonmajor proprietary funds	General fund		850
Nonmajor proprietary funds	Utility fund		52
CRA fund	General fund		29
CRA fund	Utility fund		293

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

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

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

The composition of interfund transfers as of September 30, 2019 is as follows:

<b>Transfers out</b>	<b>Transfers in</b>			<b>Total</b>
	General fund	Nonmajor governmental funds	Nonmajor proprietary funds	
General fund	\$ -	\$ 11,916	\$ -	\$ 11,916
Utility fund	100,000	-	-	100,000
Nonmajor proprietary funds	-	-	450,000	450,000
<b>Total</b>	<b>\$ 100,000</b>	<b>\$ 11,916</b>	<b>\$ 450,000</b>	

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

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

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

	<b>September 30, 2018</b>	<b>Increases</b>	<b>Decreases</b>	<b>September 30, 2019</b>
Capital assets, not being depreciated				
Land	\$ 48,261,550	\$ 1,198,879	\$ -	\$ 49,460,429
Construction in progress	18,405,215	9,912,355	(16,325,715)	11,991,855
<b>Total capital assets, not being depreciated</b>	<b>66,666,765</b>	<b>11,111,234</b>	<b>(16,325,715)</b>	<b>61,452,284</b>
Capital assets, being depreciated				
Buildings	15,399,333	-	-	15,399,333
Improvements	66,260,190	16,310,363	(54,460)	82,516,093
Machinery and equipment	9,438,203	1,734,978	(120,196)	11,052,985
<b>Total capital assets, being depreciated</b>	<b>91,097,726</b>	<b>18,045,341</b>	<b>(174,656)</b>	<b>108,968,411</b>
Accumulated depreciation				
Buildings	(3,540,445)	(401,248)	-	(3,941,693)
Improvements	(29,501,233)	(3,428,784)	36,116	(32,893,901)
Machinery and equipment	(5,468,367)	(796,316)	58,019	(6,206,664)
<b>Total accumulated depreciation</b>	<b>(38,510,045)</b>	<b>(4,626,348)</b>	<b>94,135</b>	<b>(43,042,258)</b>
<b>Total capital assets, being depreciated, net of accumulated depreciation</b>	<b>52,587,681</b>	<b>13,418,993</b>	<b>(80,521)</b>	<b>65,926,153</b>
<b>Total governmental activities' capital assets – net</b>	<b>\$ 119,254,446</b>	<b>\$ 24,530,227</b>	<b>\$ (16,406,236)</b>	<b>\$ 127,378,437</b>

**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	\$ 93,337
Public safety	698,970
Highways and streets	2,444,548
Culture and recreation	1,389,493
<b>Total depreciation expense – governmental activities</b>	<b>\$ 4,626,348</b>

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

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

	September 30, 2018	Increases	Decreases	September 30, 2019
<b>Capital assets, not being depreciated</b>				
Land	\$ 8,205,031	\$ 819,178	\$ -	\$ 9,024,209
Intangible assets	194,788	-	-	194,788
Construction in progress	2,555,704	3,564,003	(3,709,770)	2,409,937
<b>Total capital assets, not being depreciated</b>	<b>10,955,523</b>	<b>4,383,181</b>	<b>(3,709,770)</b>	<b>11,628,934</b>
<b>Capital assets, being depreciated</b>				
Buildings	37,693,007	-	(169,835)	37,523,172
Improvements	119,867,190	3,800,939	(14,429)	123,653,700
Machinery and equipment	23,941,996	687,099	(176,980)	24,452,115
<b>Total capital assets, being depreciated</b>	<b>181,502,193</b>	<b>4,488,038</b>	<b>(361,244)</b>	<b>185,628,987</b>
<b>Accumulated depreciation</b>				
Buildings	(14,440,432)	(998,121)	167,621	(15,270,932)
Improvements	(37,739,252)	(3,412,944)	13,730	(41,138,466)
Machinery and equipment	(14,816,913)	(1,675,098)	170,890	(16,321,121)
<b>Total accumulated depreciation</b>	<b>(66,996,597)</b>	<b>(6,086,163)</b>	<b>352,241</b>	<b>(72,730,519)</b>
<b>Total capital assets, being depreciated, net of accumulated depreciation</b>	<b>114,505,596</b>	<b>(1,598,125)</b>	<b>(9,003)</b>	<b>112,898,468</b>
<b>Total business-type activities' capital assets – net</b>	<b>\$ 125,461,119</b>	<b>\$ 2,785,056</b>	<b>\$ (3,718,773)</b>	<b>\$ 124,527,402</b>

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

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

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

<u>Business-type activities</u>	
Utility fund	
Water	\$ 1,196,331
Waste water	4,080,048
Storm water	202,809
Other proprietary funds	606,975
<hr/>	
<b>Total depreciation expense – business-type activities</b>	<b>\$ 6,086,163</b>

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2019:

	<b>Utility Fund</b>	<b>Other Proprietary Funds</b>	<b>Total</b>
Land	\$ 9,024,209	\$ -	\$ 9,024,209
Intangible assets	194,788	-	194,788
Buildings	33,369,148	4,154,024	37,523,172
Improvements	112,401,594	11,252,106	123,653,700
Machinery and equipment	23,747,796	704,319	24,452,115
Construction in progress	2,409,937	-	2,409,937
<hr/>			
<b>Total</b>	<b>181,147,472</b>	<b>16,110,449</b>	<b>197,257,921</b>
<hr/>			
Accumulated depreciation			
Buildings	(13,949,317)	(1,321,615)	(15,270,932)
Improvements	(36,626,366)	(4,512,100)	(41,138,466)
Machinery and equipment	(15,885,752)	(435,369)	(16,321,121)
<hr/>			
<b>Total accumulated depreciation</b>	<b>(66,461,435)</b>	<b>(6,269,084)</b>	<b>(72,730,519)</b>
<hr/>			
<b>Total business-type activities'</b>			
<b>capital assets – net</b>	<b>\$ 114,686,037</b>	<b>\$ 9,841,365</b>	<b>\$ 124,527,402</b>

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

***Plan Description***

The Postemployment Health Care Benefits Plan is a single-employer defined benefit plan administered by the City. Pursuant to the provisions of Section 112.0801, Florida Statutes, former employees and eligible dependents who retire from the City may continue to participate in the City's partially self-insured health and fully insured dental plans. Retirees and their eligible dependents shall be offered the same health and hospitalization insurance coverage as is offered to active employees at a premium cost of no more than the premium cost applicable to active employees. The City subsidizes the premium rates paid by retirees by allowing them to participate in the plans at blended group (implicitly subsidized) premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, their current and future claims are expected to result in higher costs to the plan on average than those of active employees.

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

Retirees and beneficiaries currently receiving benefits	18
Active employees	293
Total	311

***Eligibility***

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

***Benefits Provided***

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

***Total OPEB Liability and Changes in the Total OPEB Liability***

The measurement date for the City's total OPEB liability was September 30, 2019. The measurement period for OPEB cost was October 1, 2018 to September 30, 2019. The components of the City's net OPEB liability are as follows:

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

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

Total OPEB liability	\$	1,959,283
OPEB plan fiduciary net position		-
<hr/>		
City's net OPEB liability	\$	1,959,283
OPEB plan fiduciary net position as a percentage of total OPEB liability		0%
The components of the changes in the total OPEB liability are as follows:		
Total OPEB liability		
Service cost	\$	50,983
Interest		60,862
Difference between expected and actual experience		499,640
Implicit rate subsidy		(36,656)
<hr/>		
Net change in total OPEB liability		574,829
Total OPEB liability, beginning		1,384,454
<hr/>		
Total OPEB liability, ending	\$	1,959,283
<hr/>		

**Actuarial Assumptions and OPEB Liability Sensitivity to Healthcare Trend Rate**

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

Discount rate	2.66%	
Salary increases	2.5% per annum	
Mortality rates	2017 PPA mortality table (RP-2014, base year 2006, adjusted to 2017 with mortality improvement scale MP-2016).	
Healthcare trend rate	Year	Trend Rate
	<hr/>	<hr/>
	2018	6.5%
	2019	5.5%
	Future years	4.5%

**Sensitivity of OPEB liability to healthcare cost trend rate**

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower (5.5 percent decreasing to 4.5 percent) or 1 percentage point higher (5.5 percent increasing to 6.5 percent) than the current healthcare cost trend rates:

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

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

	1% Decrease		Trend Rate	1% Increase
Total OPEB liability	\$ 1,625,197	\$	1,959,283	\$ 2,392,653

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

The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.66 percent) or 1 percentage point higher (3.66 percent) than the current rate:

	1% Decrease 1.66%		Current Discount Rate 2.66%	1% Increase 3.66%
Total OPEB liability	\$ 2,345,556	\$	1,959,283	\$ 1,665,341

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

For the year ended September 30, 2019, the City recognized OPEB expense of \$108,969. At September 30, 2019, the City had deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources
Difference between expected and actual experience	\$ 463,951	\$	145,053
<b>Total</b>	<b>\$ 463,951</b>	<b>\$</b>	<b>145,053</b>

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

Fiscal year ending		Net Inflows
2020	\$	23,601
2021		23,601
2022		23,601
2023		23,601
2024		23,601
Thereafter		200,893
<b>Total</b>	<b>\$</b>	<b>318,898</b>



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

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

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

	Balance September 30, 2018	Additions	Deductions	Balance September 30, 2019	Due within One Year
Revenue bonds payable	\$ 39,870,000	\$ -	\$ (2,375,000)	\$ 37,495,000	\$ 2,445,000
Total bonds payable	39,870,000	-	(2,375,000)	37,495,000	2,445,000
Accrued compensated absences	2,464,751	613,624	(892,203)	2,186,172	843,088
Net pension liability (asset)					
General employees	(750,718)	389,776	-	(360,942)	-
Police officers	974,483	574,823	-	1,549,306	-
Firefighters	(202,014)	1,851,264	-	1,649,250	-
Net OPEB obligation	916,838	383,998	-	1,300,836	-
<b>Total</b>	<b>\$ 43,273,340</b>	<b>\$ 3,813,485</b>	<b>\$ (3,267,203)</b>	<b>\$ 43,819,622</b>	<b>\$ 3,288,088</b>

**Revenue Bonds Payable**

On March 26, 2015, the City issued \$42,915,000 Capital Improvement Refunding Revenue Bonds, Series 2015 (Front Beach Road Project). The proceeds of the bonds were used to partially refund the outstanding Capital Improvement Revenue Bonds, Series 2006 (Front Beach Road Project) and to pay the costs of issuing the Series 2015 bonds. The principal amount refunded was \$39,965,000, which represented the amounts maturing on or after November 1, 2017. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,762,584. This difference is reported as a deferred loss on the refunding, which is being amortized over the life of the new debt. As a result of the refunding the City reduced its debt service payments over a period of seventeen years by \$5,428,743, which resulted in an economic gain of \$4,358,725. The bonds are special obligation bonds of the City payable solely from a pledge of and first lien upon Front Beach Road CRA tax increment revenue.

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

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

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

The pledge referenced above remains in effect until extinguishment or maturity of the debt in 2031, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2019, totaled \$44,532,736. Current year principal and interest payments paid on the bond required 33% of the pledged revenues. Principal and interest payments paid for the current year were \$2,375,000 and \$1,056,032, respectively, and the pledged revenues were \$10,316,478.

	\$ 37,495,000
Total revenue bonds at September 30, 2019	37,495,000
Less: revenue bonds – current portion	(2,445,000)
Revenue bonds – long-term at September 30, 2019	\$ 35,050,000

Year Ending September 30,	Principal	Interest	Total
2020	\$ 2,445,000	\$ 990,239	\$ 3,435,239
2021	2,505,000	922,672	3,427,672
2022	2,575,000	853,330	3,428,330
2023	2,650,000	782,009	3,432,009
2024	2,720,000	708,708	3,428,708
2025-2029	14,750,000	2,372,643	17,122,643
2030-2032	9,850,000	408,135	10,258,135
Total	\$ 37,495,000	\$ 7,037,736	\$ 44,532,736

**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, 2018	Additions	Deductions	Balance September 30, 2019	Due within One Year
Revenue bonds payable	\$ 40,095,000	\$ -	\$ (1,665,000)	\$ 38,430,000	\$ 2,020,000
Adjusted for deferred amounts for issuance premium	560,576	-	(50,527)	510,049	40,267
Total bonds payable	40,655,576	-	(1,715,527)	38,940,049	2,060,267
Revenue certificates payable	2,203,018	-	(29,591)	2,173,427	2,173,427
Accrued compensated balances	1,156,331	315,505	(434,166)	1,037,670	491,000
Net pension liability (asset)	(965,035)	519,051	-	(445,984)	-
Net OPEB obligation	467,616	190,831	-	658,447	-
Total	\$ 43,517,506	\$ 1,025,387	\$ (2,179,284)	\$ 42,363,609	\$ 4,724,694

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

**Revenue Bonds Payable**

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

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

The bond is payable from and secured by a lien upon and pledge of (a) net revenues of the systems, (b) sewer system development charges, (c) water system development charges, (d) until released, public service taxes, and (e) the moneys on deposit in the various funds and accounts created pursuant to the loan agreement and the original resolution, with the exception of the rebate fund. The Series 2016 Bond is payable on a parity basis from the pledged revenues with the City's outstanding Utility Refunding Revenue Bonds, Series 2012 and the unrefunded Utility Revenue Bonds, Series 2009. The remaining principal and interest payments on this debt as of September 30, 2019 totaled \$29,414,426. Current year principal and interest payments on the bond required 6% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$360,000 and \$654,690, respectively. For the year ended September 30, 2019, pledged revenues were \$17,947,211.

\$ 23,190,000

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

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

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

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

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

The remaining principal and interest payments on this debt as of September 30, 2019 totaled \$19,289,478 Current year principal and interest payments on the bond required 7% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$620,000 and \$568,276, respectively. For the year ended September 30, 2019, pledged revenues were \$17,947,211.

	\$ 15,240,000
<hr/>	
Total revenue bonds at September 30, 2019	38,430,000
Less: revenue bonds – current portion	(2,020,000)
<hr/>	
Revenue bonds – long-term at September 30, 2019	\$ 36,410,000
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Year Ending September 30,	Principal	Interest	Total
2020	\$ 2,020,000	\$ 1,197,458	\$ 3,217,458
2021	2,085,000	1,125,306	3,210,306
2022	2,165,000	1,045,810	3,210,810
2023	2,250,000	962,978	3,212,978
2024	2,310,000	903,424	3,213,424
2025-2029	12,590,000	3,474,344	16,064,344
2030-2034	11,690,000	1,425,584	13,115,584
2035-2036	3,320,000	139,000	3,459,000
<hr/>			
Total	\$ 38,430,000	\$ 10,273,904	\$ 48,703,904
<hr/>			

The principal balance of the defeased debt outstanding for the Utility Revenue Bonds, Series 2009, at September 30, 2019 is \$23,215,000.

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

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

**Revenue Certificates**

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

	Original Amount of Certificate	Balance at September 30, 2018	Net Changes During the Year	Balance at September 30, 2019
Wild Heron	\$ 431,834	\$ 71,388	\$ (13,109)	\$ 58,279
Hills Road	71,550	6,263	-	6,263
Bayside Partners	142,993	119,698	(2,399)	117,299
Sunnyside Beach & Tennis	203,385	166,404	-	166,404
Tapestry Park North	96,430	83,479	(410)	83,069
Magnolia Beach	100,000	78,020	(636)	77,384
TW Olson-Magnolia	490,500	382,676	(3,117)	379,559
St. Andrews Land Company	670,414	523,036	(4,260)	518,776
Ocean Park Pavilion	68,494	68,494	-	68,494
Ocean Park Pavilion	239,795	234,025	(5,244)	228,781
St. Andrews Land Company	212,496	198,771	(416)	198,355
Antigua Developers	143,950	21,461	-	21,461
Shores of Panama	250,626	249,303	-	249,303
<b>Total</b>	<b>\$ 3,122,467</b>	<b>\$ 2,203,018</b>	<b>\$ (29,591)</b>	<b>\$ 2,173,427</b>

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

**NOTE 12 – COMMITMENTS AND CONTINGENCIES**

***Litigation***

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

***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

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

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, 2019, the City's cost of water purchased from Bay County was \$9,147,803. The City did not meet its minimum purchase obligation for 2019 and as a result there was an amount due of \$89,827 at September 30, 2019. However, this liability was offset by \$385,437 representing Bay County's impact fees collected by the City in accordance with an interlocal agreement. As a result of these credits, there was no liability due to Bay County under the "take or pay" contract at September 30, 2019.

***Construction Commitments***

At September 30, 2019, the City had open construction contract commitments of approximately \$6.2 million dollars.

**NOTE 13 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for various risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

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

The City's pension plans are established by various City ordinances. According to these ordinances, the City maintains three separate single-employer defined benefit pension plans which cover general employees, police officers and firefighters. The City's ordinances governing the firefighters' and police officers' plans were written in compliance with the provisions of Florida Statutes, Chapters 175 and 185, respectively. A stand-alone financial statement report for the plans is not available. An actuarial valuation report for the plans may be obtained by writing to Ms. Holly White, Finance Director, 17007 Panama City Beach Parkway, Panama City Beach, Florida 32413. The Plans are administered by their respective Board of Trustees. Each Board of Trustees oversees the management of their respective plan for the City of Panama City Beach. The board has established procedures to ensure that idle funds are invested as authorized by Florida statute to earn the maximum interest. A description of each of the plans follows.

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

The City of Panama City Beach PERS financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment earnings are recognized as earned by the pension plans. Investments held by the plans are recorded at market value in the basic financial statements. There are no investments in, loans to, or leases with parties related to

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

the pension plans. Ninety-four percent (94%) of the total assets held in trust for pension benefits are invested in equity mutual funds, two percent (2%) in real estate investment trusts, and the remaining balance of four percent (4%) is in cash, money market funds, and receivables.

***Statements of Plan Assets***

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

***Plan Descriptions and Contribution Information***

Membership of each plan consisted of the following at October 1, 2018, the date of the latest actuarial valuation.

	<b>General Employees’</b>	<b>Police Officers’</b>	<b>Fire- Fighters’</b>
Retirees and beneficiaries receiving benefits	81	26	15
Terminated plan members entitled to but not yet receiving benefits	4	4	1
Active plan members	165	60	36
<b>Total</b>	<b>250</b>	<b>90</b>	<b>52</b>
Number of participating employers	1	1	1

***General Employees’ Pension Plan***

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

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

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 2.5% of average final compensation multiplied by years of credited service prior to October 1, 2005, plus 3.0% of average final compensation multiplied by years of credited service after September 30, 2005, but the total not more than 100% of average final compensation (excluding COLA’s).

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

- Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service.
  - Early Retirement Date: The first day of the month coincident with or next following the date a participant attains age 48 and has completed at least 10 years of credited service.
  - Early Retirement Benefit: A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 1/15 per year for each of the first 5 years and 1/30 per year for each of the next 2 years by which the benefit commencement date precedes his normal retirement date. For this purpose, normal retirement date is determined based on the participant's actual years of credited service as a general employee at his termination date.
  - Credited Service: Years and fractional parts of years of service as a general employee with the City while making employee contributions. (Credited service with another City plan is recognized for purposes of vesting and retirement eligibility only.)
  - Accrued Benefit: The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
  - Disability Benefit: A Participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
    - Job-Related Disability: Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
    - Non-Job-Related Disability: With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.
- The disability benefit together with worker's compensation benefits may not exceed 100% of pay, as provided in the Plan. Optional forms of benefit may be elected.
- Death Benefit: The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a death benefit equal to 100 times his monthly accrued benefit based on his credited service and average final compensation as of the time of death. This benefit is payable in a lump sum unless the general employee elected that it be paid in an actuarially equivalent annuity or installments. The Plan also provides minimum death benefits based upon the vested, 10-year-certain portion of the normal form of benefit or the refund of accumulated contributions.

Contributions - The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of September 30, 2019, the most recent actuarial study shows a surplus of \$806,926 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent



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

actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 8.7% of compensation. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

***Police Officers' Pension Plan***

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

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

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 3.5% of average final compensation multiplied by years of credited service, but not more than 100% of average final compensation (excluding COLA's).
- Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service or (3) 25 years of credited service, regardless of age.
- Early Retirement Date: The first day of the month coincident with or next following the date a participant attains age 50 and has completed at least 10 years of credited service.
- Early Retirement Benefit: A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 3% per year (.25% per month) for each period by which the benefit commencement date precedes his normal retirement date. For this purpose, normal retirement date is determined based on the participant's actual years of credited service as a police officer at his termination date.
- Credited Service: Years and fractional parts of years of service as a police officer with the City and while making employee contributions.
- Accrued Benefit: The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.

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

- Disability Benefit: A participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
  - Job-Related Disability: Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
  - Non-Job-Related Disability: With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.

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

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

Contributions - The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of September 30, 2019, the most recent actuarial study shows a deficit of \$1,549,306 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 11.0% of their compensation. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

***Firefighters' Pension Plan***

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

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

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

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 3.35% of average final compensation multiplied by years of credited service, but not more than 100% of average final compensation (excluding COLA's).
- Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service, or (3) if he has elected the 25 & out tier, the date he has completed at least 25 years of credited service regardless of age.
- Early Retirement Date: The first day of the month coincident with or next following the date a participant attains age 50 and has completed at least 10 years of credited service.
- Early Retirement Benefit: A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 3% per year (.25% per month) for each period by which the benefit commencement date precedes his normal retirement date. For this purpose, normal retirement date is determined based on the participant's actual years of credited service as a firefighter at his termination date.
- Credited Service: Years and fractional parts of years of service as a firefighter with the City and while making employee contributions.
- Accrued Benefit: The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
- Disability Benefit: A participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
  - Job-Related Disability: Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
  - Non-Job-Related Disability: With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.The disability benefit together with worker's compensation benefits may not exceed 100% of pay, as provided in the plan. Optional forms of benefit may be elected.
- Death Benefit: The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a death benefit equal to 100 times his monthly accrued benefit based on his credited service and average final compensation as of the time of death. This benefit is payable in a lump sum unless the firefighter elected that it be paid in an actuarially equivalent annuity or installments. The plan also provides minimum death benefits based upon the vested, 10-year-certain portion of the normal form of benefit or the refund of accumulated contributions.

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

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

Contributions - The City’s annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of September 30, 2018, the most recent actuarial study shows a deficit of approximately \$1,589,858 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 4.1% of compensation except for those firefighters who elect the “25 & out” tier. These members are required to contribute 7.5% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

***Investment Policy***

The Board’s targeted allocation policy for each pension plan as of September 30, 2019 is summarized below:

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

***Investment Rate of Return***

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on each pension plan’s investments, net of pension plan investment expense, for the year ended September 30, 2019 is summarized below:

Asset class	General Employees'	Police Officers'	Firefighters'
Money-weighted rate of return	4.1%	4.1%	4.2%

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

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

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

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

**Net Pension Liability**

The components of the net pension liability at September 30, 2019, are as follows:

	General Employees'	Police Officers'	Firefighters'	Total
Total pension liability	\$ 38,684,860	\$ 24,547,798	\$ 18,742,728	\$ 81,975,386
Plan fiduciary net position	(39,491,786)	(22,998,492)	(17,152,870)	(79,643,148)
City's net pension liability (asset)	\$ (806,926)	\$ 1,549,306	\$ 1,589,858	\$ 2,332,238

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

102%	94%	92%
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At September 30, 2019, the City reported an asset of \$806,926 for the pension asset for the general employees’ retirement plan. The net pension asset is measured as of September 30, 2019. The net pension asset was allocated to each of the activities benefited by the plan.

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

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

At September 30, 2019, the City reported a liability of \$1,549,306 for the pension liability for the police officers' retirement plan. The net pension liability is measured as of September 30, 2019. The net pension liability was reported in the governmental activities.

At September 30, 2019, the City reported a liability of \$1,589,858 for the pension liability for the firefighters' retirement plan. The net pension liability is measured as of September 30, 2019. The net pension liability was reported in the governmental activities.

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

For the year ended September 30, 2019, the City recognized pension benefit of \$466,109, \$514,165, and \$452,415 for the general employees' pension plan, the police officers' pension plan, and the firefighters' pension plan, respectively.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the general employees' pension plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 102,469	\$ 1,232,175
Net difference between expected and actual earnings on pension plan investments	1,205,355	743,584
Assumption changes	167,039	425,823
<b>Total</b>	<b>\$ 1,474,863</b>	<b>\$ 2,401,582</b>

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the police officers' pension plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 478,490	\$ 57,613
Net difference between expected and actual earnings on pension plan investments	676,102	378,953
Assumption changes	140,262	-
<b>Total</b>	<b>\$ 1,294,854</b>	<b>\$ 436,566</b>

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

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

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension plan from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between actual and expected experience	\$ 1,243,471	\$ 607,881
Net difference between expected and actual earnings on pension plan investments	490,898	300,407
Assumption changes	53,412	29,338
<b>Total</b>	<b>\$ 1,787,781</b>	<b>\$ 937,626</b>

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

Year Ending September 30:	General Employees'	Police Officers'	Firefighters'	Total
2020	\$ (702,273)	\$ 132,958	\$ 35,883	\$ (533,432)
2021	(549,156)	180,454	88,039	(280,663)
2022	56,081	298,542	277,335	631,958
2023	268,629	246,334	337,625	852,588
2024	-	-	111,273	111,273
<b>Total</b>	<b>\$ (926,719)</b>	<b>\$ 858,288</b>	<b>\$ 850,155</b>	<b>\$ 781,724</b>

**Actuarial Assumptions**

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2018 using the following actuarial assumptions applied to all measurement periods:

	General Employees'	Police Officers'	Firefighters'
Inflation rate	2.5%	2.5%	2.5%
Salary increase	4.5%	5%	6%
Investment rate of return	7.9%	7.75%	7.75%

Mortality: For the general employees' plan a RP-2000 fully generational scale BB. Male – 50% annuitant white collar/ 50% annuitant blue collar. Female – 100% annuitant white collar. For the police officers' and firefighters' plan, a RP-2000 fully generational scale BB. Male – 10% annuitant white collar/ 90% annuitant blue collar. Female – 100% annuitant white collar.

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

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

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

Withdrawal: Preretirement withdrawals are assumed to occur in accordance with a standard scale of turnover rates (Frees 2003).

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

Retirement Rate: For general employees, active employees are expected to retire at a rate of 50% at first eligibility. They are then assumed to retire at a rate of 50% for each year thereafter. 100% of eligible participants are assumed to retire at age 65.

For police officers and firefighters, active employees are expected to retire at a rate of 60% at first eligibility. They are then assumed to retire at a rate of 50% for each year thereafter. 100% of eligible participants are assumed to retire at age 60.

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

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

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

Maximum Compensation: Compensation is limited to \$275,000; projected to increase at the rate of 4% per annum.

Maximum Benefits: The \$220,000 maximum for years ending in 2018 and other applicable benefit limitations under Section 415 are projected to increase at the rate of 4% per annum.

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

The long-term expected rate of return on pension plan investments was confirmed appropriate using Aon's e-tool model assuming general inflation of 2.5%, which is a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return



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

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

by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of October 1, 2019 (see the discussion of the pension plan’s investment policy) are summarized in the following table.

Asset Class	General Employees'	Police Officers'	Firefighters'
<b>Equity</b>			
Large cap U.S. equity	4.0%	4.0%	4.2%
Small cap U.S. equity	4.5%	4.7%	4.7%
International (non-U.S.) equity developed	5.0%	5.0%	5.0%
Emerging markets equity	5.8%	5.5%	5.5%
<b>Fixed income</b>			
Long duration bonds - gov't/credit	1.8%	0.9%	0.9%
<b>Alternative investments</b>			
Real estate (broad market)	3.9%	3.5%	3.5%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.9 percent for general employees and 7.75 percent for police officers and firefighters. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following table presents the net pension liability of the City for each pension plan, calculated using the current discount rate of 7.9 percent for general employees and 7.75 percent for police officers and firefighters, as well as what the City’s net pension liability would be if it were calculated using a discount rate 1-percentage point lower (6.9 percent for general employees and 6.75 percent for police officers and firefighters) or 1-percentage point higher (8.9 percent for general employees and 8.75 percent for police officers and firefighters) than the current rate.

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

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

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability (asset) -			
general employees' pension	\$ 3,637,943	\$ (806,926)	\$ (4,519,695)
police officers' pension	4,476,278	1,549,306	(888,479)
firefighters' pension	3,767,790	1,589,858	(382,173)

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

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

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

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

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, 2019, and a provision for incurred but not yet reported claims, as well as a provision for potential future claims in excess of the re-insurance coverage limits.

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

Funding for health insurance premiums is derived from three sources:

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

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

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

For the fiscal year ended September 30, 2019, the change in the claims liability was as follows:

Claims liability, October 1, 2018	\$	2,082,007
Total transfers into the claims account from premiums, rebates, and other		2,366,609
Total transfers out of the claims account for claims, reinsurance fees, and other		(2,145,788)
<hr/>		
Claims liability, September 30, 2019	\$	2,302,828

**NOTE 16 – LEASES**

***Frank Brown Park Concession Lease***

The City leases two concession stands located within Frank Brown Park. The operating lease includes the use of the concession stand buildings, fixtures, and equipment. For the period of January 1, 2017 through December 31, 2018, the annual rent was \$65,700 payable in three installments. The agreement was renewed in December 2018 for a period of ten months beginning February 1, 2019 with an option to renew for one consecutive term of one year beginning February 1, 2020. The annual rent of \$70,100 is payable in eight installments beginning March 1, 2019 through October 1, 2019. The lease was renewed for the period February 1, 2020 through December 1, 2020 and modified on June 2, 2020 noting previous annual rent due was modified to a monthly flat fee of \$250 plus 25% of monthly gross sales made in the previous month beginning July 1, 2020. In addition, annual rental payments for the months of April and May 2020 were waived. Rental income for the year ended September 30, 2019, was \$61,905 for Frank Brown Park.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2019:

<b>Year Ending September 30,</b>	<b>Total</b>	
2020	\$	8,010
2021		750
<hr/>		
Total	\$	8,760

**NOTE 16 – LEASES (Continued)**

***Pier Beachfront Lease***

The City leases a snack bar, tackle and bait shop and four (4) retail kiosks located at the Russell-Fields Pier. Additionally, the City grants to the tenant an exclusive right and license to operate a beach service on the beachfront property as defined in the lease agreement. An amended lease was signed on August 24, 2017 extending the lease through September 30, 2020. Base rent is due to the City on the twentieth day of each month in the amount of \$8,333. In addition to the base rent, the lessee shall pay additional rent to the City on the twentieth day of each month in an amount equal to 5% of the monthly gross sales up to and including \$700,000 aggregate gross sales per the lease year, and thereafter, 10% of monthly gross sales in excess of \$700,000 aggregate gross sales per year for the remainder of that year. Rental income for the year ended September 30, 2019 was \$235,027.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2019:

Pier Beachfront Lease

<b>Year Ending September 30,</b>	<b>Total</b>
2020	\$ 99,996
<b>Total</b>	<b>\$ 99,996</b>

**NOTE 17 – PIER PARK**

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

The CDD was authorized to issue debt to provide funds for public improvements constructed in the Pier Park Redevelopment Area. The City has pledged tax increment revenue collected within Pier Park to the CDD to be applied to the payment of interest and principal on the debt obligations. For the year ended September 30, 2019, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$462,487. These funds were subsequently paid to the CDD by the City.

**NOTE 17 – PIER PARK (Continued)**

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

The total amount of business taxes collected within the Pier Park Redevelopment Area in the fiscal year ended September 30, 2019 were \$2,608,058. Under the terms of the amended PIPA, \$2,142,411 was remitted to the CDD and \$465,647 was retained by the City.

A copy of the agreement is available at City Hall, located at 17007 Panama City Beach Pkwy, Panama City Beach, Florida 32413.

**NOTE 18 – NET POSITION RESTRICTIONS**

The following is a description of reported net position restrictions in governmental activities and business-type activities at September 30, 2019.

***Governmental Activities***

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

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

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

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

Restriction for highway and streets – This restriction was established to restrict funds received for an additional ½ cent sales surtax levied by Bay County beginning in January 2017. By resolution, the City has restricted the use of the discretionary sales surtax to finance, plan or construct projects that will repair local roads, reduce traffic congestion or improve traffic flow, increase neighborhood safety with pedestrian paths, provide sidewalks near schools, or reduce local flooding.

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

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

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

***Summary***

Specific restrictions of net position are summarized below as of September 30, 2019:

Governmental activities		
Public safety	\$	37,344
Beach access public parking		794,189
Impact fees		2,927,986
Reforestation		5,381
Highways and streets		2,515,182
Debt service		5,709,431
Community redevelopment		18,633,698
<hr/>		
Total	\$	30,623,211
<hr/>		

***Business-type Activities***

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

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

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

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

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

**Summary**

Specific restrictions of net position are summarized below as of September 30, 2019:

Business-type activities		
Impact fees	\$	14,084,045
Debt service		673,333
Storm water		2,027,310
<hr/>		
Total	\$	16,784,688
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For the fiscal year ending September 30, 2019, the reported net position in governmental activities and business-type activities assets restricted by enabling legislation was \$42,065,837.

**NOTE 19 – FUND BALANCE CONSTRAINTS**

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

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Nonspendable				
Prepays	\$ 36,864	\$ 789	\$ -	\$ 37,653
Inventory	12,231	-	-	12,231
<hr/>				
Total nonspendable	49,095	789	-	49,884
<hr/>				

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

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

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Restricted</b>				
Highways and streets	\$ 2,515,181	\$ 710,216	\$ -	\$ 3,225,397
Debt service	-	6,135,937	-	6,135,937
Community redevelopment	-	17,240,878	-	17,240,878
Reforestation	5,381	-	-	5,381
Impact fees	2,927,985	-	-	2,927,985
Public safety	-	-	37,344	37,344
Public parking	-	-	794,189	794,189
<b>Total restricted</b>	<b>5,448,547</b>	<b>24,087,031</b>	<b>831,533</b>	<b>30,367,111</b>
<b>Committed</b>				
Construction	3,943,689	-	-	3,943,689
<b>Total committed</b>	<b>3,943,689</b>	<b>-</b>	<b>-</b>	<b>3,943,689</b>
<b>Assigned</b>				
Subsequent years	6,504,060	-	-	6,504,060
Compensated absences	344,350	-	-	344,350
Road maintenance	2,000,000	-	-	2,000,000
Future capital projects	3,875,000	-	-	3,875,000
Self insurance	2,049,815	-	-	2,049,815
Community redevelopment	-	62,328	-	62,328
Public safety	-	-	49,447	49,447
<b>Total assigned</b>	<b>14,773,225</b>	<b>62,328</b>	<b>49,447</b>	<b>14,885,000</b>
<b>Unassigned</b>	<b>9,095,992</b>	<b>-</b>	<b>-</b>	<b>9,095,992</b>
<b>Total fund balances</b>	<b>\$ 33,310,548</b>	<b>\$ 24,150,148</b>	<b>\$ 880,980</b>	<b>\$ 58,341,676</b>



**NOTE 20 - FUTURE ACCOUNTING PRONOUNCEMENTS**

The following standards have been issued that may have an effect on the City but management has not yet determined the effect these statements will have on the City's financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations (ARO)*, establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The requirements of this statement were originally effective for reporting periods beginning after June 15, 2018. However, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, extended the effective date for one year.

GASB Statement No. 84, *Fiduciary Activities*, was issued with the objective of improving guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2018. However, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, extended the effective date for one year.

GASB Statement No. 87, *Leases*, increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019. However, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, extended the effective date for 18 months.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*, was issued with the objective of improving the information that is disclosed in the notes to government financial statements related to debt. The requirements of this statement were originally effective for reporting periods beginning after June 15, 2018. However, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, extended the effective date for one year.

GASB Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*, was issued to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2019. However, GASB

**NOTE 20 – FUTURE ACCOUNTING PRONOUNCEMENTS (CONTINUED)**

Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, extended the effective date for one year.

GASB Statement No. 90, *Majority Equity Interests – an Amendment of GASB Statements No. 14 and No. 61*, was issued to improvement to consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this statement were originally effective for reporting periods beginning after December 15, 2018. However, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, extended the effective date for one year.

**NOTE 21 – SUBSEQUENT EVENTS**

In March 2020, the World Health Organization made the assessment that the outbreak of a novel coronavirus (COVID-19) can be characterized as a pandemic. As a result, uncertainties have arisen that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such an impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) voluntary and precautionary restrictions on travel or meetings, (iv) the effects on the financial markets, and (v) the effects on the economy overall, all of which are uncertain.

On March 23, 2020, the City approved Resolution 20-85, approving an interlocal agreement between the City and Bay County. The interlocal agreement outlines provisions for the City to return excess tax increment revenues to Bay County related to the Front Beach Road tax increment contribution.

On March 27, 2020, the City approved Resolution 20-60 approving an agreement with C.W. Roberts Contracting, Inc. for the construction of Bay Parkway Segment 2, in the amount not to exceed \$16,641,381.

## **Required Supplementary Information**

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

Year ended September 30,	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 1,144,923	\$ 1,098,483	\$ 1,081,152	\$ 1,015,477	\$ 1,057,919	\$ 1,040,681
Interest	3,156,029	3,134,812	2,878,833	2,715,866	2,488,143	864,624
Differences between expected and actual experiences	(420,235)	(1,670,609)	(982,721)	(642,786)	157,575	1,874,051
Changes of assumptions	-	-	486,743	-	-	-
Benefit payments, including refunds of member contributions	(2,334,202)	(2,340,677)	(967,953)	(1,067,418)	(1,255,002)	(1,285,877)
DROP adjustment	-	-	-	-	534,139	-
<b>Net change in total pension liability</b>	1,546,515	222,009	2,496,054	2,021,139	2,982,774	2,493,479
<b>Total pension liability - beginning</b>	37,138,346	36,916,337	34,420,283	32,399,144	29,416,370	26,922,891
<b>Total pension liability - ending (a)</b>	38,684,861	37,138,346	36,916,337	34,420,283	32,399,144	29,416,370
<b>Plan fiduciary net position</b>						
Contributions - employer	805,890	745,847	809,369	892,284	995,644	1,095,319
Contributions - member	686,294	631,150	571,937	563,913	538,751	548,921
Contributions - Buy back of service	-	6,433	-	-	-	-
Net investment income (loss)	1,564,559	2,939,347	4,128,258	2,525,763	(550,968)	2,892,762
Benefit payments, including refunds of member contributions	(2,334,202)	(2,340,677)	(967,953)	(1,067,418)	(1,255,002)	(1,285,877)
Administrative expense	(84,853)	(31,038)	(20,903)	(24,884)	(29,135)	(23,565)
DROP adjustment	-	-	-	-	534,139	-
<b>Net change in plan fiduciary net position</b>	637,688	1,951,062	4,520,708	2,889,658	(300,710)	3,227,560
<b>Plan fiduciary net position - beginning</b>	38,854,099	36,903,037	32,382,329	29,492,671	29,259,242	26,031,682
<b>Plan fiduciary net position - ending (b)</b>	39,491,787	38,854,099	36,903,037	32,382,329	28,958,532	29,259,242
<b>Net pension liability (asset) - ending (a) - (b)</b>	\$ (806,926)	\$ (1,715,753)	\$ 13,300	\$ 2,037,954	\$ 3,440,612	\$ 157,128
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	102.09%	104.62%	99.96%	94.08%	89.38%	99.47%
<b>Covered payroll</b>	7,888,434	7,254,593	6,573,994	6,483,319	6,238,976	5,500,368
<b>Net pension liability (asset) as a percentage of covered payroll</b>	-10.23%	-23.65%	0.20%	31.43%	55.15%	2.86%

**Notes to Schedule:**

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

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

*See Independent Auditors' Report.*

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

Year ended September 30,	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 474,884	\$ 657,992	\$ 642,937	\$ 672,608	\$ 869,713	\$ 880,755
Contributions made in relation to the actuarially determined contribution	805,890	745,847	809,369	892,284	995,644	1,095,319
<b>Contribution deficiency (excess)</b>	<b>\$ (331,006)</b>	<b>\$ (87,855)</b>	<b>\$ (166,432)</b>	<b>\$ (219,676)</b>	<b>\$ (125,931)</b>	<b>\$ (214,564)</b>
Covered payroll	\$ 7,888,434	\$ 7,254,593	\$ 6,573,994	\$ 6,483,319	\$ 6,238,976	\$ 5,500,368
Contributions as a percentage of covered payroll	10.22%	10.28%	12.31%	13.76%	15.96%	19.91%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	4.5%
Investment rate of return	7.90%, net of pension plan investment income (loss), including inflation
Normal retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service

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

*See Independent Auditors’ Report.*

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

<u>Year Ended September 30,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Annual money-weighted rate of return, net of investment expense</b>	4.10%	8.30%	12.90%	8.70%	-1.60%	10.60%

**Notes to Schedule:**

Only data for fiscal years after 2014 was available. The City will continue to present information for years available until a full 10-year trend is compiled.

*See Independent Auditors’ Report.*

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

Year Ended September 30,	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 614,104	\$ 621,201	\$ 609,635	\$ 546,733	\$ 520,895	\$ 479,598
Interest	1,827,811	1,760,885	1,650,451	1,528,848	1,525,052	304,873
Differences between expected and actual experiences	295,905	(516,658)	(53,433)	317,692	(181,955)	1,536,515
Changes of assumptions	69,958	-	174,190	-	-	-
Benefit payments, including refunds of member contributions	(987,025)	(1,056,520)	(967,438)	(904,815)	(926,647)	(1,037,205)
<b>Net change in total pension liability</b>	1,820,753	808,908	1,413,405	1,488,458	937,345	1,283,781
<b>Total pension liability - beginning</b>	22,727,044	21,918,136	20,504,731	19,016,273	18,078,928	16,795,147
<b>Total pension liability - ending (a)</b>	24,547,797	22,727,044	21,918,136	20,504,731	19,016,273	18,078,928
<b>Plan fiduciary net position</b>						
Contributions - employer	720,133	577,269	580,095	590,606	589,810	646,023
Contributions - member	502,866	373,527	344,327	338,561	325,235	307,896
Contributions - state	170,055	155,114	142,663	137,097	117,870	111,257
Net investment income (loss)	904,516	1,596,109	2,226,214	1,355,563	(280,772)	1,723,373
Benefit payments, including refunds of member contributions	(987,025)	(1,056,520)	(967,438)	(904,815)	(926,647)	(1,037,205)
Administrative expense	(64,615)	(36,961)	(24,921)	(18,136)	(20,470)	(18,632)
<b>Net change in plan fiduciary net position</b>	1,245,930	1,608,538	2,300,940	1,498,876	(194,974)	1,732,712
<b>Plan fiduciary net position - beginning</b>	21,752,561	20,144,023	17,843,083	16,344,207	16,539,181	14,806,469
<b>Plan fiduciary net position - ending (b)</b>	22,998,491	21,752,561	20,144,023	17,843,083	16,344,207	16,539,181
<b>Net pension liability - ending (a) - (b)</b>	\$ 1,549,306	\$ 974,483	\$ 1,774,113	\$ 2,661,648	\$ 2,672,066	\$ 1,539,747
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	93.69%	95.71%	91.91%	87.02%	85.95%	91.48%
<b>Covered payroll</b>	4,175,768	3,395,701	3,130,244	3,078,788	2,967,537	2,732,684
<b>Net pension liability as a percentage of covered payroll</b>	37.10%	28.70%	56.68%	86.45%	90.04%	56.35%

**Notes to Schedule:**

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

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

*See Independent Auditors' Report.*

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

<b>Year Ended September 30,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution	\$ 529,487	\$ 522,598	\$ 536,211	\$ 626,841	\$ 568,283	\$ 691,416
Contributions made in relation to the actuarially determined contribution	720,133	577,269	580,095	590,606	589,810	757,280
Contribution deficiency (excess)	\$ (190,646)	\$ (54,671)	\$ (43,884)	\$ 36,235	\$ (21,527)	\$ (65,864)
Covered payroll	\$ 4,175,768	\$ 3,395,701	\$ 3,130,244	\$ 3,078,788	\$ 2,967,537	\$ 2,732,684
Contributions as a percentage of covered payroll	17.25%	17.00%	18.53%	19.18%	19.88%	27.71%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	5%
Investment rate of return	7.75%, net of pension plan investment income (loss), including inflation
Normal retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service, (2) the date he attains age 55 and has completed at least 10 years of credited service, or the completion of 25 years of credited service, regardless of age.

Mortality rates were based on the RP-2000 Fully Generational Scale BB. Male - 10% Annuitant White Collar/ 90% Annuitant Blue Collar. Female - 100% Annuitant White Collar.

*See Independent Auditors’ Report.*



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

<u>Year Ended September 30,</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Annual money-weighted rate of return, net of investment expense</b>	4.10%	8.20%	12.70%	8.60%	-1.40%	10.40%

**Notes to Schedule:**

Only data for fiscal years after 2014 was available. The City will continue to present information for years available until a full 10-year trend is compiled.

*See Independent Auditors’ Report.*

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

Year Ended September 30,	2019	2018	2017	2016	2015	2014
<b>Total pension liability</b>						
Service cost	\$ 298,547	\$ 270,658	\$ 262,044	\$ 261,854	\$ 239,906	\$ 264,424
Interest	1,350,842	1,431,146	1,351,472	1,297,175	1,108,633	577,530
Differences between expected and actual experiences	1,499,596	(706,386)	(157,157)	(380,401)	614,707	392,824
Changes of assumptions		-	(70,012)	-	-	-
Benefit payments, including refunds of member contributions	(662,160)	(1,572,119)	(790,069)	(596,757)	(461,583)	(428,064)
DROP adjustment	-	-	-	-	765,571	-
<b>Net change in total pension liability</b>	<b>2,486,825</b>	<b>(576,701)</b>	<b>596,278</b>	<b>581,871</b>	<b>1,501,663</b>	<b>806,714</b>
<b>Total pension liability - beginning</b>	<b>16,255,904</b>	<b>16,832,605</b>	<b>16,236,327</b>	<b>15,654,456</b>	<b>13,387,222</b>	<b>12,580,508</b>
<b>Total pension liability - ending (a)</b>	<b>18,742,729</b>	<b>16,255,904</b>	<b>16,832,605</b>	<b>16,236,327</b>	<b>14,888,885</b>	<b>13,387,222</b>
<b>Plan fiduciary net position</b>						
Contributions - employer	400,000	190,555	266,409	383,158	416,807	501,112
Contributions - member	109,254	96,798	80,110	78,955	86,266	146,638
Contributions - state	210,227	174,833	176,633	193,237	187,733	206,650
Net investment income (loss)	694,128	1,229,872	1,812,924	1,124,888	(212,505)	1,243,226
Benefit payments, including refunds of member contributions	(662,160)	(1,572,119)	(790,069)	(596,757)	(461,583)	(428,064)
Administrative expense	(56,496)	(21,424)	(21,738)	(21,443)	(26,963)	(31,784)
DROP adjustment	-	-	-	-	765,571	-
<b>Net change in plan fiduciary net position</b>	<b>694,953</b>	<b>98,515</b>	<b>1,524,269</b>	<b>1,162,038</b>	<b>755,326</b>	<b>1,637,778</b>
<b>Plan fiduciary net position - beginning</b>	<b>16,457,918</b>	<b>16,359,403</b>	<b>14,835,134</b>	<b>13,673,096</b>	<b>12,917,770</b>	<b>11,279,992</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>17,152,871</b>	<b>16,457,918</b>	<b>16,359,403</b>	<b>14,835,134</b>	<b>13,673,096</b>	<b>12,917,770</b>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 1,589,858</b>	<b>\$ (202,014)</b>	<b>\$ 473,202</b>	<b>\$ 1,401,193</b>	<b>\$ 1,215,789</b>	<b>\$ 469,452</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>91.52%</b>	<b>101.24%</b>	<b>97.19%</b>	<b>91.37%</b>	<b>91.83%</b>	<b>96.49%</b>
<b>Covered payroll</b>	<b>2,221,325</b>	<b>1,905,548</b>	<b>1,584,980</b>	<b>1,524,460</b>	<b>1,460,571</b>	<b>1,285,641</b>
<b>Net pension liability (asset) as a percentage of covered payroll</b>	<b>71.57%</b>	<b>-10.60%</b>	<b>29.86%</b>	<b>91.91%</b>	<b>83.24%</b>	<b>36.52%</b>

**Notes to Schedule:**

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

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

*See Independent Auditors' Report.*

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

Year Ended September 30,	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 359,855	\$ 176,073	\$ 125,213	\$ 223,668	\$ 357,840	\$ 550,138
Contributions made in relation to the actuarially determined contribution	400,000	190,555	266,409	383,158	416,807	707,762
Contribution deficiency (excess)	\$ (40,145)	\$ (14,482)	\$ (141,196)	\$ (159,490)	\$ (58,967)	\$ (157,624)
Covered payroll	\$ 2,221,325	\$ 1,905,548	\$ 1,584,980	\$ 1,524,460	\$ 1,460,571	\$ 1,285,641
Contributions as a percentage of covered payroll	18.01%	10.00%	16.81%	25.13%	28.54%	55.05%

**Notes to Schedule:**

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	6%
Investment rate of return	7.75%, net of pension plan investment income (loss), including inflation
Normal retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service, or (3) if he has elected the 25 & out tier, the date he has completed at least 25 years of credited service regardless of age.

Mortality rates were based on the RP-2000 Fully Generational Scale BB. Male - 10% Annuitant White Collar/ 90% Annuitant Blue Collar. Female - 100% Annuitant White Collar.

*See Independent Auditors’ Report.*

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

<b>Year Ended September 30,</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Annual money-weighted rate of return, net of investment expense</b>	4.22%	8.00%	12.70%	8.50%	-1.20%	10.80%

**Notes to Schedule:**

Only data for fiscal years after 2014 was available. The City will continue to present present information for years available until a full 10-year trend is compiled.

*See Independent Auditors’ Report.*

**City of Panama City Beach, Florida**  
**Schedule of Changes in the City's Total Other**  
**Postemployment Benefits Liability and Related Ratios**

<b>Year Ended September 30,</b>	<b>2019</b>	<b>2018</b>
<b>Total OPEB liability</b>		
Service cost	\$ 50,983	\$ 37,880
Interest	60,862	55,707
Differences between expected and actual experiences	499,640	(169,229)
Implicit rate subsidy	(36,656)	(36,656)
<b>Net change in total OPEB liability</b>	<b>574,829</b>	<b>(112,298)</b>
<b>Total OPEB liability - beginning</b>	<b>1,384,454</b>	<b>1,496,752</b>
<b>Total OPEB liability - ending</b>	<b>1,959,283</b>	<b>1,384,454</b>
<b>Covered-employee payroll</b>	<b>\$ 16,234,970</b>	<b>\$ 15,838,042</b>
<b>Net OPEB liability as a percentage of     covered-employee payroll</b>	<b>12.07%</b>	<b>8.74%</b>

**Notes to Schedule:**

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

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

*See Independent Auditors' Report.*

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

<u>Year Ended September 30,</u>	<u>2019</u>		<u>2018</u>	
Contractually required contribution	\$	-	\$	-
Contributions in relation to the contractually required contribution		-		-
<u>Contribution deficiency/(excess)</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>
City's covered-employee payroll	\$	16,234,970	\$	15,838,042
Contributions as a percentage of covered-employee payroll		0%		0%

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

*See Independent Auditors' Report.*

## **Combining Financial Statements**

**City of Panama City Beach, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2019**

Special Revenue Funds						
	Law Enforcement Trust Fund	Law Enforcement Education Fund	Department of Justice Equitable Sharing Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Total
<b>Assets</b>						
Cash and cash equivalents	\$ -	\$ -	\$ -	52,964	\$ -	52,964
Cash and cash equivalents - restricted	21,431	6,061	7,667	-	794,189	829,348
Due from other funds - restricted	2,185	-	-	-	-	2,185
<b>Total assets</b>	<b>\$ 23,616</b>	<b>\$ 6,061</b>	<b>\$ 7,667</b>	<b>\$ 52,964</b>	<b>\$ 794,189</b>	<b>\$ 884,497</b>
<b>Liabilities and fund balances</b>						
Accounts payable	\$ -	\$ -	\$ -	3,517	\$ -	3,517
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,517</b>	<b>-</b>	<b>3,517</b>
<b>Fund balances</b>						
Restricted	23,616	6,061	7,667	-	794,189	831,533
Assigned	-	-	-	49,447	-	49,447
<b>Total fund balances</b>	<b>23,616</b>	<b>6,061</b>	<b>7,667</b>	<b>49,447</b>	<b>794,189</b>	<b>880,980</b>
<b>Total liabilities and fund balances</b>	<b>\$ 23,616</b>	<b>\$ 6,061</b>	<b>\$ 7,667</b>	<b>\$ 52,964</b>	<b>\$ 794,189</b>	<b>\$ 884,497</b>

See Independent Auditors' Report.



**City of Panama City Beach, Florida**  
**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended September 30, 2019**

	Special Revenue Funds					Total
	Law Enforcement Trust Fund	Law Enforcement Education Fund	Department of Justice Equitable Sharing Fund	Cops and Kids Fund	Beach Access Public Parking Fund	
<b>Revenues</b>						
Permits, fees and special assessments	\$ -	\$ -	\$ -	\$ -	\$ 27,300	\$ 27,300
Fines and forfeitures	3,514	6,588	-	-	-	10,102
Contributions and donations	-	-	-	23,924	-	23,924
Investment earnings	390	51	166	-	-	607
<b>Total revenues</b>	<b>3,904</b>	<b>6,639</b>	<b>166</b>	<b>23,924</b>	<b>27,300</b>	<b>61,933</b>
<b>Expenditures</b>						
Current						
Public safety	5,368	2,758	2,235	15,828	-	26,189
Capital outlay						
Public safety	6,835	-	-	-	-	6,835
<b>Total expenditures</b>	<b>12,203</b>	<b>2,758</b>	<b>2,235</b>	<b>15,828</b>	<b>-</b>	<b>33,024</b>
Excess (deficiency) of revenues over (under) expenditures	(8,299)	3,881	(2,069)	8,096	27,300	28,909
<b>Other financing sources</b>						
Transfers in	-	2,180	9,736	-	-	11,916
<b>Total other financing sources</b>	<b>-</b>	<b>2,180</b>	<b>9,736</b>	<b>-</b>	<b>-</b>	<b>11,916</b>
Net change in fund balances	(8,299)	6,061	7,667	8,096	27,300	40,825
Fund balances - beginning	31,915	-	-	41,351	766,889	840,155
<b>Fund balances - ending</b>	<b>\$ 23,616</b>	<b>\$ 6,061</b>	<b>\$ 7,667</b>	<b>\$ 49,447</b>	<b>\$ 794,189</b>	<b>\$ 880,980</b>

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**September 30, 2019**

	<b>Business-type Activities/Enterprise Funds</b>		
	<b>Pier Fund</b>	<b>Aquatic Center Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 523,047	\$ 335,339	\$ 858,386
Accounts receivable, net	7,616	7,928	15,544
Grants receivable	9,215	6,906	16,121
Due from other funds	876	26	902
Due from other governments	35,458	-	35,458
Investments	516,120	-	516,120
Prepays	4,576	1,102	5,678
Total current assets	1,096,908	351,301	1,448,209
Noncurrent assets			
Net pension asset	34,247	17,117	51,364
Capital assets			
Depreciable, net	6,999,093	2,842,272	9,841,365
Total noncurrent assets	7,033,340	2,859,389	9,892,729
Total assets	8,130,248	3,210,690	11,340,938
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	62,596	31,286	93,882
Deferred outflows related to OPEB	5,269	6,224	11,493
Total deferred outflows of resources	67,865	37,510	105,375
<b>Liabilities</b>			
Current liabilities			
Accounts payable	9,273	17,351	26,624
Accrued expenses and deposits	25,114	7,427	32,541
Due to other governments	20,828	1,140	21,968
Unearned revenue	7,007	25,702	32,709
Accrued compensated absences	17,000	12,000	29,000
Total current liabilities	79,222	63,620	142,842
Noncurrent liabilities			
Accrued compensated absences	25,559	16,942	42,501
Net OPEB obligation	22,253	26,285	48,538
Total noncurrent liabilities	47,812	43,227	91,039
Total liabilities	127,034	106,847	233,881
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	101,927	50,944	152,871
Deferred inflows related to OPEB	1,647	1,946	3,593
Total deferred inflows of resources	103,574	52,890	156,464
<b>Net position</b>			
Net investment in capital assets	6,999,093	2,842,271	9,841,364
Unrestricted	968,412	246,192	1,214,604
Total net position	\$ 7,967,505	\$ 3,088,463	\$ 11,055,968

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Revenues, Expenses, and Changes in Net Position**  
**Nonmajor Proprietary Funds**  
**Year Ended September 30, 2019**

<b>Business-type Activities/Enterprise Funds</b>			
	<b>Pier Fund</b>	<b>Aquatic Center Fund</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services			
Admissions and other fees	\$ 894,642	\$ 360,665	\$ 1,255,307
Rent	236,238	6,449	242,687
Miscellaneous	1,582	58,923	60,505
<b>Total operating revenues</b>	<b>1,132,462</b>	<b>426,037</b>	<b>1,558,499</b>
<b>Operating expenses</b>			
Personal services	569,094	372,406	941,500
Professional services	7,637	5,930	13,567
Office supplies	1,245	1,295	2,540
Contractual services	49,507	29,030	78,537
Insurance	35,233	20,926	56,159
Repairs and maintenance	92,958	44,175	137,133
Operating supplies	59,406	146,918	206,324
Communication services	9,223	6,956	16,179
Public utility services	34,466	116,696	151,162
Transportation	63	41	104
Rentals	57,552	9,940	67,492
Printing and binding	1,004	4,572	5,576
Miscellaneous	4,477	5,891	10,368
Depreciation	442,460	164,515	606,975
<b>Total operating expenses</b>	<b>1,364,325</b>	<b>929,291</b>	<b>2,293,616</b>
<b>Net operating (loss)</b>	<b>(231,863)</b>	<b>(503,254)</b>	<b>(735,117)</b>
<b>Nonoperating revenues</b>			
Investment earnings	12,875	-	12,875
Grants and contributions	160,065	7,006	167,071
Gain on disposal of assets	-	(701)	(701)
<b>Total nonoperating revenues</b>	<b>172,940</b>	<b>6,305</b>	<b>179,245</b>
<b>Net (loss) before transfers</b>	<b>(58,923)</b>	<b>(496,949)</b>	<b>(555,872)</b>
Transfers in	-	450,000	450,000
Transfers out	(450,000)	-	(450,000)
<b>Total transfers</b>	<b>(450,000)</b>	<b>450,000</b>	<b>-</b>
<b>Change in net position</b>	<b>(508,923)</b>	<b>(46,949)</b>	<b>(555,872)</b>
<b>Total net position - beginning</b>	<b>8,476,428</b>	<b>3,135,412</b>	<b>11,611,840</b>
<b>Total net position - ending</b>	<b>\$ 7,967,505</b>	<b>\$ 3,088,463</b>	<b>\$ 11,055,968</b>

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Year Ended September 30, 2019**

Business-type Activities/Enterprise Funds			
	Pier Fund	Aquatic Center Fund	Total
<b>Operating activities</b>			
Receipts from customers and users	\$ 1,140,057	\$ 435,617	\$ 1,575,674
Payments to suppliers	(483,723)	(463,076)	(946,799)
Payments to employees	(458,899)	(304,785)	(763,684)
Net cash provided (used) by operating activities	197,435	(332,244)	(134,809)
<b>Noncapital financing activities</b>			
Grants and contributions	163,724	100	163,824
Loans to other funds	-	(26)	(26)
Repayments of loans to other funds	-	247	247
Transfers (to) from other funds	(450,000)	450,000	-
Net cash (used) provided by noncapital financing activities	(286,276)	450,321	164,045
<b>Capital and related financing activities</b>			
Grants and contributions	4,747	-	4,747
Purchase of capital assets	(5,274)	(165,871)	(171,145)
Net cash (used) provided by capital and related financing activities	(527)	(165,871)	(166,398)
<b>Investing activities</b>			
Purchase of investments	(12,875)	-	(12,875)
Interest and dividends on investments	12,875	-	12,875
Net cash (used) by investing activities	-	-	-
Net change in cash and cash equivalents	(89,368)	(47,794)	(137,162)
Cash and cash equivalents - beginning	612,415	383,133	995,548
Cash and cash equivalents - ending	\$ 523,047	\$ 335,339	\$ 858,386
Classified as			
Current assets - cash and cash equivalents	\$ 523,047	\$ 335,339	\$ 858,386
Total	\$ 523,047	\$ 335,339	\$ 858,386

(Continued)

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds (Continued)**  
**Year Ended September 30, 2019**

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
<b>Reconciliation of net operating (loss) to net cash provided (used) by operating activities</b>			
Net operating (loss)	\$ (231,863)	\$ (503,254)	\$ (735,117)
Adjustments to reconcile net operating (loss) to net cash provided (used) by operating activities			
Depreciation	442,460	164,515	606,975
(Increase) decrease in assets			
Accounts receivable, net	8,283	9,220	17,503
Due from other funds	(26)	-	(26)
Prepays	(334)	(103)	(437)
Net pension asset	42,870	22,149	65,019
(Increase) decrease in deferred outflows related to pensions	(23,856)	(17,785)	(41,641)
(Increase) decrease in deferred outflows related to OPEB	(5,269)	-	(5,269)
Increase (decrease) in liabilities			
Accounts payable	1,801	(1,340)	461
Accrued expenses and deposits	2,196	(557)	1,639
Due to other funds	(392)	(283)	(675)
Due to other governments	(726)	176	(550)
Unearned revenue	39	198	237
Accrued compensated absences	(7,273)	3,526	(3,747)
Net OPEB obligation	5,788	10,401	16,189
Increase (decrease) in deferred inflows related to pensions	(36,162)	(19,367)	(55,529)
Increase (decrease) in deferred inflows related to OPEB	(101)	260	159
<b>Total adjustments</b>	<b>429,298</b>	<b>171,010</b>	<b>600,308</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 197,435</b>	<b>\$ (332,244)</b>	<b>\$ (134,809)</b>

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2019**

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 98,298	\$ 73,559	\$ 89,883	\$ 261,740
Dividends receivable	21,720	12,404	8,752	42,876
Investments, at fair value				
Money market funds	859,238	890,498	756,484	2,506,220
Real estate investment trusts	949,815	515,049	428,068	1,892,932
Mutual funds	37,596,748	21,513,766	15,874,441	74,984,955
<b>Total assets</b>	<b>39,525,819</b>	<b>23,005,276</b>	<b>17,157,628</b>	<b>79,688,723</b>
<b>Liabilities</b>				
Accounts payable	11,096	6,785	4,759	22,640
Refunds payable	22,937	-	-	22,937
<b>Total liabilities</b>	<b>34,033</b>	<b>6,785</b>	<b>4,759</b>	<b>45,577</b>
<b>Net position</b>				
Restricted for pension benefits	\$ 39,491,786	\$ 22,998,491	\$ 17,152,869	\$ 79,643,146

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended September 30, 2019**

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
<b>Additions</b>				
Contributions				
Employer	\$ 805,890	\$ 720,133	\$ 400,000	\$ 1,926,023
Plan members	686,294	459,335	109,254	1,254,883
Buyback of service	-	43,531	-	43,531
Insurance premiums	-	170,055	210,227	380,282
<b>Total contributions</b>	<b>1,492,184</b>	<b>1,393,054</b>	<b>719,481</b>	<b>3,604,719</b>
Investment earnings				
Interest	4,534	4,097	1,806	10,437
Dividends	885,786	499,157	381,681	1,766,624
Net increase in fair value of investments	674,238	401,263	310,638	1,386,139
<b>Total investment earnings</b>	<b>1,564,558</b>	<b>904,517</b>	<b>694,125</b>	<b>3,163,200</b>
Less investment expenses	(63,208)	(45,349)	(37,668)	(146,225)
<b>Net investment earnings</b>	<b>1,501,350</b>	<b>859,168</b>	<b>656,457</b>	<b>3,016,975</b>
<b>Total additions</b>	<b>2,993,534</b>	<b>2,252,222</b>	<b>1,375,938</b>	<b>6,621,694</b>
<b>Deductions</b>				
Benefits	2,128,990	882,237	656,329	3,667,556
Refunds of contributions	205,212	104,788	5,830	315,830
Administrative expenses	21,645	19,267	18,828	59,740
<b>Total deductions</b>	<b>2,355,847</b>	<b>1,006,292</b>	<b>680,987</b>	<b>4,043,126</b>
<b>Change in net position</b>	<b>637,687</b>	<b>1,245,930</b>	<b>694,951</b>	<b>2,578,568</b>
<b>Net position - beginning</b>	<b>38,854,099</b>	<b>21,752,561</b>	<b>16,457,918</b>	<b>77,064,578</b>
<b>Net position - ending</b>	<b>\$ 39,491,786</b>	<b>\$ 22,998,491</b>	<b>\$ 17,152,869</b>	<b>\$ 79,643,146</b>

See Independent Auditors' Report.

## **Compliance Section**



**INDEPENDENT AUDITORS’ MANAGEMENT LETTER**

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

**Report on the Financial Statements**

We have audited the financial statements of the City of Panama City Beach, Florida, (the City), as of and for the fiscal year ended September 30, 2019, and have issued our report thereon dated July 31, 2020.

**Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

**Other Reporting Requirements**

We have issued our Independent Auditors’ Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor’s Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants’ Report on examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated July 31, 2020, should be considered in conjunction with this management letter.

**Prior Audit Findings**

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

Tabulation of Uncorrected Audit Findings		
Current Year Finding #	2017-2018 FY Finding #	2016-2017 FY Finding #
2019-001	2018-001	2017-001

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

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

### **Financial Condition and Management**

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

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

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

### **Special District Component Units**

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

### **Additional Matters**

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

### **Purpose of This Letter**

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

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

Certified Public Accountants

Panama City Beach, Florida

July 31, 2020

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated July 31, 2020.

**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.

*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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001 that we consider to be material weaknesses.

## **Compliance and Other Matters**

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

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

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

## **Purpose of this Report**

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

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

Certified Public Accountants  
Panama City Beach, Florida  
July 31, 2020

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

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

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Panama City Beach, Florida's (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 federal program 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

## Opinion on Each Major Federal Program

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 federal programs for the year ended September 30, 2019.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the 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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a 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 federal program 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.

The 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Certified Public Accountants  
Panama City Beach, Florida  
July 31, 2020

## INDEPENDENT ACCOUNTANTS' REPORT

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

We have examined the City of Panama City Beach, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2019. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

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

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

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2019.

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

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

Certified Public Accountants  
Panama City Beach, Florida  
July 31, 2020



**City of Panama City Beach, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Awards**  
**Year Ended September 30, 2019**

***Section I - Summary of Auditors' Results***

*Financial Statements*

Type of auditors' report issued Unmodified

Internal control over financial reporting:

Material weaknesses identified?  Yes  No

Significant deficiencies identified?  Yes  None noted

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs

Material weaknesses identified?  Yes  No

Significant deficiencies identified?  Yes  None reported

Type of auditors' report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR Part 200.516(a)?  Yes  None reported

Identification of major federal programs:

<u>CFDA Number</u>	<u>Major Federal Program or Cluster</u>
97.036	Disaster Grants – Public Assistance

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as a low-risk auditee for federal purposes?  Yes  No

(Continued)

**City of Panama City Beach, Florida**  
**Schedule of Findings and Questioned Costs**  
**Federal Awards**  
**Year Ended September 30, 2019**

***Section II - Financial Statement Findings***

2019-001 Segregation of Duties (Prior Years 2018-001 and 2017-001)(initially reported in 2010)

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

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

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


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

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

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

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

Although the City's finance director currently has the ability to approve and issue cash disbursements, every attempt is made to have another responsible staff member, City Manager, department head, etc., approve invoices for payment. Additionally, very few checks are processed manually and although the finance director can access the cash disbursement portion of the City's accounting system, the finance director has not been trained on that portion of the system and currently is unable to issue checks due to this lack of training. The City added an additional accounting position in the fiscal year 2017 budget and filled this position in January of 2017. The addition of another person has not eliminated the issue of the lack of segregation of duties; however, the City believes a much greater segregation of duties has been achieved with this



**City of Panama City Beach, Florida  
Schedule of Findings and Questioned Costs  
Federal Awards  
Year Ended September 30, 2019**

additional employee and greater compensating controls will continue to be put into place to overcome the lack of segregation of duties.

***Section III – Findings and Questioned Costs – Major Federal Award Programs***

There were no findings



**City of Panama City Beach, Florida  
Summary Schedule of Prior Year Audit Findings  
Year Ended September 30, 2019**

**There were no prior year audit findings related to federal awards**

**City of Panama City Beach, Florida**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended September 30, 2019**

Federal Agency Pass-through Entity Federal Program	CFDA Number	Contract/ Grant Number	Passed Through to Subrecipients	Total Expenditures
<b>Highway Safety Cluster-Cluster</b>				
Passed through the Florida Department of Transportation				
Department of Transportation				
State and Community Highway Safety	20.600	SC-19-13-20	\$ -	\$ 12,077
Total Passed through Florida Department of Transportation			-	12,077
Total Department of Transportation			-	12,077
Total Highway Safety Cluster-Cluster			-	12,077
<b>Other Programs</b>				
Department of Homeland Security				
Passed through State of Florida Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)				
Disaster Grant	97.036	DR4399 - 74071 A	-	703,366
Disaster Grant	97.036	DR4399 - 74075 A	-	398,776
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			-	1,102,142
Total Passed through State of Florida Division of Emergency Management			-	1,102,142
Total Department of Homeland Security			-	1,102,142
<b>U.S. Department of Justice</b>				
Passed through Florida Department of Law Enforcement				
Edward Byrne Memorial Justice Assistance Grant Program				
Memorial Justice Assistance Grant	16.738	2019-JAGC-BAY-1-N2-011	-	31,363
Memorial Justice Assistance Grant	16.738	2019-JAGD-BAY-1-N3-011	-	8,344
Total Edward Byrne Memorial Justice Assistance Grant Program			-	39,707
Total Passed through Florida Department of Law Enforcement			-	39,707
Total U.S. Department of Justice			-	39,707
Total Other Programs			-	1,141,849
Total Federal Awards			\$ -	\$ 1,153,926

**Notes to Schedule**

1. The City follows the modified accrual basis of accounting in preparing this schedule. This method is consistent with the preparation of the City's financial statements.
2. The City has not elected to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.
2. State shared matching costs for federal award programs totaled \$22,155 for the year ending September 30, 2019.



City of  
**Panama City Beach**

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**July 31, 2020**

**City of Panama City Beach, Florida  
Management's Corrective Action Plan  
For the Fiscal Year Ended September 30, 2019**

**Finding Number: 2019-001**

**Planned Corrective Action:**

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

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

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

**Anticipated Completion Date:** Ongoing

**Responsible Contact Person:** Holly White

A handwritten signature in blue ink that reads "Holly White". The signature is written in a cursive style and is positioned above a horizontal line.

Holly White

Finance Officer

**Mayor**  
Mark Sheldon

**Vice Mayor**  
Geoff McConnell

**Ward 1**  
Paul Cato

- 117 -

**Ward 2**  
Phil Chester

**Ward 4**  
Michael Jarman

**City Manager**  
Tony O'Rourke