

# CITY OF PANAMA CITY BEACH ANNUAL FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED SEPTEMBER 30, 2021





# City of Panama City Beach, Florida

## FINANCIAL STATEMENTS

September 30, 2021



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## **INDEPENDENT AUDITORS' REPORT**

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2021, 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, 2021, 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 91-100, 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 and the budgetary schedule listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of state financial assistance is presented for the purpose of additional analysis as required by Chapter 10.550, *State of Florida Rules of the Auditor General*, and is also not a required part of the financial statements.

The combining and individual nonmajor fund financial statements, the budgetary schedule, and the schedule of expenditures of state financial assistance 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, the budgetary schedule, and the schedule of expenditures of state financial assistance 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 September 26, 2022, 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.

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

Certified Public Accountants  
Panama City Beach, Florida  
September 26, 2022

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



# City of Panama City Beach, Florida 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 \$383,228,980 (net position). Of this amount, \$32,017,833 is unrestricted net position for governmental activities and \$80,440,305 is unrestricted net position for business-type activities, while \$37,867,809 is restricted net position for governmental activities and \$21,386,497 is restricted net position for business-type activities.
- Total net position increased by \$40,351,462. Of this amount, \$25,870,804 is attributable to governmental activities and \$14,480,658 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 contributions 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 finalize the construction efforts on Front Beach Road Segment 2, and to purchase land and continue additional improvements along Front Beach Road. The City received a contribution of \$1,750,000 from Bay County and state grant and appropriation funds of \$2,921,855 which were utilized for roadway construction. The increase in net position of business-type activities is the result of several factors, including the collection of \$4,787,029 in impact fees and net income from operations, before depreciation of \$15,615,896.
- As of September 30, 2021, the general fund's unassigned fund balance was \$23,469,363, or 62 percent of total general fund expenditures. Unassigned fund balance in the general fund increased by \$15,126,830. Restricted fund balance in the general fund increased by \$1,093,103. The City's general fund collected \$1,397,500 in impact fees which drove this increase. Committed and assigned fund balances in the general fund both decreased from prior year levels. The aggregate decrease in the committed and assigned fund balances was \$7,032,503. The decreases resulted primarily from the decrease in contracts payable for the construction of Philip Griffiths Sr. Parkway, which was completed during the year. The General Fund also experienced an increase in business tax revenues of approximately \$5,000,000 due to the impacts on tourism from the COVID-19 pandemic experienced in fiscal year 2020 followed by a strong tourism recovery in fiscal year 2021. General Fund revenues for the fiscal year exceeded expenditures by \$9,864,287.

## City of Panama City Beach, Florida Management's Discussion and Analysis

- Governmental activities' revenues increased 28 percent to \$63,704,804 and governmental activities' expenditures increased 19 percent to \$37,484,000. Business-type activities' revenues increased 8 percent to \$43,622,591 and business-type activities' expenditures decreased 3 percent to \$29,491,933.

### 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, wastewater, 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, culture and recreation and physical environment. Business-type activities expenses, which are financed by user fees and charges and assessments, include water, wastewater, pier and aquatic center services.

## City of Panama City Beach, Florida Management's Discussion and Analysis

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.

## City of Panama City Beach, Florida Management's Discussion and Analysis

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 2021, 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	
	2021	2020	2021	2020	2021	2020
<i>September 30,</i>						
Current and other assets	\$ 123,699,803	\$ 69,672,301	\$ 112,551,794	\$ 101,246,231	\$ 236,251,597	\$ 170,918,532
Capital assets	161,006,200	145,375,591	119,871,873	119,065,020	280,878,073	264,440,611
Total assets	284,706,003	215,047,892	232,423,667	220,311,251	517,129,670	435,359,143
Deferred outflows of resources	8,701,065	5,650,102	3,742,957	2,894,318	12,444,022	8,544,420
Current liabilities	11,924,450	9,210,533	7,156,373	6,204,565	19,080,823	15,415,098
Long-term liabilities	78,419,853	40,202,206	36,305,465	40,343,209	114,725,318	80,545,415
Total liabilities	90,344,303	49,412,739	43,461,838	46,547,774	133,806,141	95,960,513
Deferred inflows of resources	9,509,385	3,602,679	3,029,186	1,462,853	12,538,571	5,065,532
Net position						
Net investment in capital assets	123,667,738	107,342,389	87,848,798	86,909,410	211,516,536	194,251,799
Restricted	37,867,809	35,749,365	21,386,497	15,648,428	59,254,306	51,397,793
Unrestricted	32,017,833	24,590,822	80,440,305	72,637,104	112,458,138	97,227,926
Total net position	\$ 193,553,380	\$ 167,682,576	\$ 189,675,600	\$ 175,194,942	\$ 383,228,980	\$ 342,877,518

## City of Panama City Beach, Florida Management's Discussion and Analysis

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 (55 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*, \$112,458,138 may be used to help meet the government's ongoing obligations to citizens and creditors.

*Net investment in capital assets* increased \$17,264,737 (or 9%). Net investment in capital assets in the governmental activities increased \$16,325,349 and net investment in capital assets of the business-type activities increased by \$939,388. The governmental activities increase resulted from a combination of factors including construction of phase 2 of Philip Griffitts Sr. Parkway, land acquisition, engineering, and ongoing construction of Front Beach Road Segments 3, 4.1, and 4.2. Philip Griffitts Sr. Parkway Phase 2 was completed in the spring of 2021. Significant capital projects were also underway or completed in the business-type activities including improvements and replacements of utility service lines and sewer lift stations.

Restricted net position increased \$7,856,513 (or 15%). Restricted net position in the governmental activities increased by \$2,118,444 and restricted net position in the business-type activities increased by \$5,738,069. The increase in restricted net position in the governmental activities was driven by general fund impact fees which were not expended in the current year. The increase in business-type activities restricted net position also resulted from utility fund impact fees which were not expended in the current year.

The increase in unrestricted net position was \$15,230,212 (or 16%). The governmental activities' increase was \$7,427,011 and the business-type activities' increase was \$7,803,201. Significant governmental activities' capital expenditures were made in the current year with grants and contributions for roadway construction. This, coupled with a 41% increase in business tax receipts, resulted in unrestricted revenues outpacing unrestricted expenses thus increasing unrestricted net position. The increase in the business-type activities' unrestricted net position is attributable to strong system performance resulting in net income from operations, before depreciation, of \$15,615,896. The following schedule provides a summary of changes in net position for the years ended September 30, 2021 and 2020:

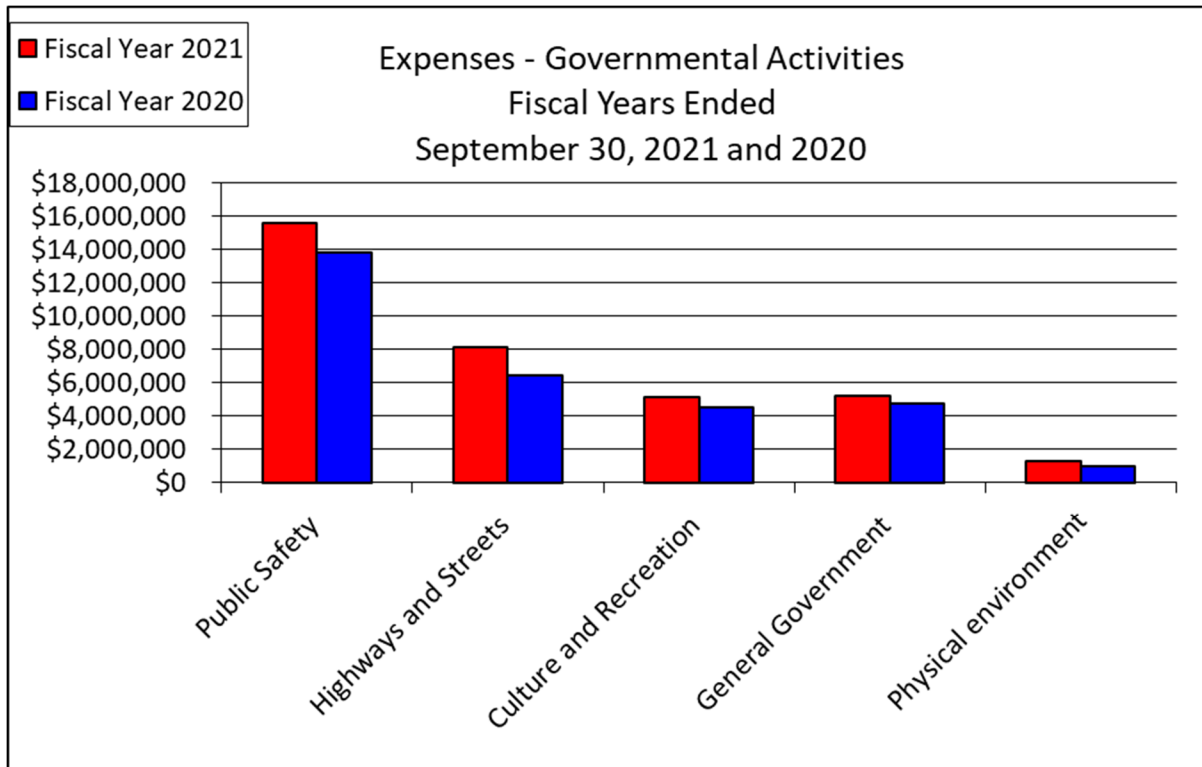
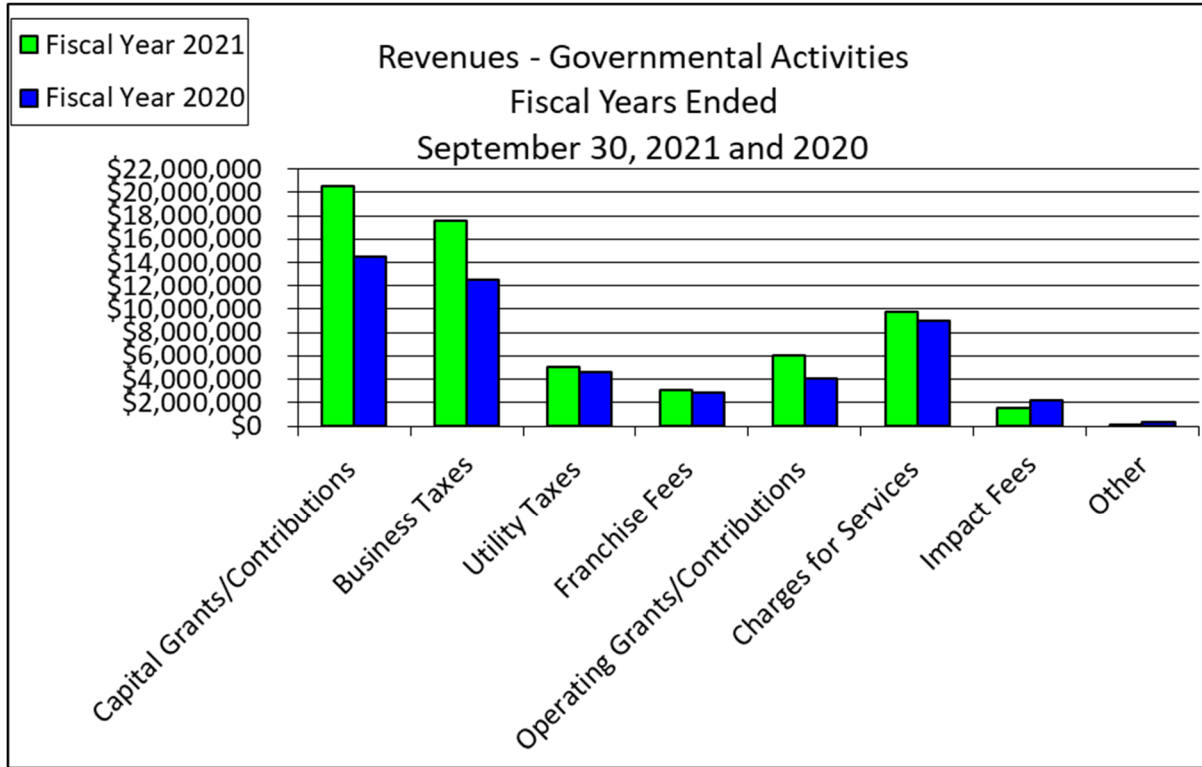
**City of Panama City Beach, Florida**  
**Management's Discussion and Analysis**

**Changes in Net Position**

	Governmental Activities		Business-type Activities		Total	
<i>Year Ended September 30,</i>	2021	2020	2021	2020	2021	2020
<b>Program revenues</b>						
Charges for services	\$ 9,775,349	\$ 8,991,217	\$ 38,714,376	\$ 34,860,181	\$ 48,489,725	\$ 43,851,398
Operating grants/contributions	6,003,548	4,060,311	106,580	138,402	6,110,128	4,198,713
Capital grants/contributions	20,584,507	14,482,273	125	385,560	20,584,632	14,867,833
<b>General revenues</b>						
Business taxes	17,617,806	12,475,943	-	-	17,617,806	12,475,943
Utility taxes	5,011,633	4,591,766	-	-	5,011,633	4,591,766
Franchise fees	3,051,512	2,830,983	-	-	3,051,512	2,830,983
Impact fees	1,498,300	2,179,015	4,787,029	4,278,067	6,285,329	6,457,082
Penalties on delinquent business taxes	53,595	36,700	-	-	53,595	36,700
Investment earnings	108,554	279,805	14,481	691,438	123,035	971,243
<b>Total revenues</b>	<b>63,704,804</b>	<b>49,928,013</b>	<b>43,622,591</b>	<b>40,353,648</b>	<b>107,327,395</b>	<b>90,281,661</b>
<b>Expenses</b>						
General government	5,218,052	4,782,368	-	-	5,218,052	4,782,368
Public safety	15,589,872	13,857,009	-	-	15,589,872	13,857,009
Highways and streets	8,099,751	6,473,940	-	-	8,099,751	6,473,940
Culture and recreation	5,110,780	4,528,152	-	-	5,110,780	4,528,152
Physical environment	1,270,120	976,412	-	-	1,270,120	976,412
Interest on long- term debt	2,195,425	962,427	918,076	1,266,125	3,113,501	2,228,552
Utility - water	-	-	14,369,408	15,159,935	14,369,408	15,159,935
Utility - wastewater	-	-	11,978,703	12,094,548	11,978,703	12,094,548
Pier	-	-	1,253,940	1,177,476	1,253,940	1,177,476
Aquatic center	-	-	971,806	797,558	971,806	797,558
<b>Total expenses</b>	<b>37,484,000</b>	<b>31,580,308</b>	<b>29,491,933</b>	<b>30,495,642</b>	<b>66,975,933</b>	<b>62,075,950</b>
Increase in net position before transfers	26,220,804	18,347,705	14,130,658	9,858,006	40,351,462	28,205,711
Transfers	(350,000)	5,675,548	350,000	(5,675,548)	-	-
<b>Increase in net position</b>	<b>\$ 25,870,804</b>	<b>\$ 24,023,253</b>	<b>\$ 14,480,658</b>	<b>\$ 4,182,458</b>	<b>\$ 40,351,462</b>	<b>\$ 28,205,711</b>

**City of Panama City Beach, Florida  
Management's Discussion and Analysis**

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



## City of Panama City Beach, Florida Management's Discussion and Analysis

Governmental activities' revenues exceeded expenses by \$25,870,804, while business-type activities' revenues exceeded expenses by \$14,480,658. Total revenues increased \$17,045,734 from the previous year. The change in total revenues from business-type activities was an increase of \$3,268,943 while the change in revenues from governmental activities was an increase of \$13,776,791. Total charges for services increased \$4,638,327, capital grants and contributions increased \$5,716,799, business taxes increased \$5,141,863, impact fees decreased \$171,753, and investment earnings decreased \$848,208 in the current year. Governmental activities charges for services increased by \$784,132. This increase resulted from a combination of factors including increases in fire rescue assessment revenues, CRA assessment revenues, fire inspection revenues, and recreational revenues. The increase of \$3,854,195 in charges for services from business-type activities resulted primarily from an increase in water and wastewater sales attributable to a combination of a rate increase as well as growth in the City's customer base. Additionally, pier admission revenues were up 68% over the prior year.

Capital grants and contributions increased a total of \$5,716,799 with governmental activities experiencing an increase of \$6,102,234 while business-type activities experienced a decrease of \$385,435. The increase in governmental activities capital grants and contributions was driven by state grant and appropriation funds of \$2,921,855 towards the construction cost of Philip Griffiths Parkway, and the contribution of 3 roadway segments to the City from FL DOT with a fair market value of \$3,372,096.

Impact fees decreased \$171,753 in total, with \$680,715 of the decrease attributable to governmental activities and an increase of \$508,962 attributable to business-type activities.

Investment earnings decreased \$676,957 in business-type activities and \$171,251 in governmental activities for a total decrease of \$848,208. The decrease is driven by lower interest rates and lower returns on investments.

Total expenses in governmental activities increased \$5,903,692 from the previous year. Business-type activities expenses decreased \$1,003,709. The increase in governmental activities expenses resulted from a number of factors including a city-wide wage adjustment worth over \$1,000,000, increased efforts to resurface City roads which had been put on hold in the prior year due to the pandemic, additional public safety personnel, and additional interest on long-term debt due to the issuance of the City's 2020 CRA capital improvement bonds.

32% of the revenues for governmental activities were generated by capital grants and contributions, 28% by business taxes, and 15% from charges for services. Capital grants and contributions as a percentage of total revenues for governmental activities increased by 3% from the prior year. Business taxes as a percentage of total revenues for governmental activities increased by 3% and utility taxes and franchise fees decreased by 1% relative to the preceding year. Charges for services decreased as a percentage of total revenues for governmental activities by 3% as a result of the large increases in capital grants and contributions and business taxes. Most of the governmental resources were expended for public safety (42%), highways and streets (22%), and general government (14%).

Charges for services provide 89% of the revenues for business-type activities, while 11% are provided from impact fees. Most of the resources are expended to operate the public utility systems (92%).



## **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, 2021, total assets were \$46,051,635 and total liabilities were \$8,144,238. At the end of fiscal year 2021, unassigned fund balance of the general fund was \$23,469,363, while total fund balance equaled \$37,907,397. Total fund balance increased \$9,346,009 (33%). Restricted fund balance increased \$1,093,103 (30%), committed fund balance decreased \$6,512,860 (97%), assigned fund balance decreased \$519,643 (5%) and nonspendable fund balance increased \$158,579 (280%). Unassigned fund balance increased \$15,126,830 (181%). Fiscal year 2021 revenues in the general fund exceeded expenditures by \$9,864,287.

Restricted fund balance increased because the City collected \$1,397,500 in impact fees and this funding was not expended in the fiscal year. Committed and assigned fund balance decreased primarily due to the completion of the construction of Philip Griffiths Sr. Parkway which was placed in service in the spring of 2021. Unassigned fund balance increased from the excess of revenues over expenditures.

The general fund budget was amended during the year to reflect increases in available revenues as well as increases in current expenditures and increases in capital outlay expenditures. The increase in total budgeted revenues was \$6,323,478 which represented a change from the original to the amended budget of 18%. The primary reason for the increase was an increase in tourism resulting in an increase in budgeted business taxes of \$3,287,000. Budgeted current expenditures increased from the original by \$2,681,196, while the budget for capital outlay expenditures increased by \$1,031,177. Because of the uncertainty surrounding the COVID-19 pandemic, the City included very few new positions and capital outlays in the original budget. As the local economy returned to pre COVID-19 levels, additional new positions and capital outlays were added.

#### **Community Redevelopment Fund**

The other major governmental fund of the City is the community redevelopment fund. As of September 30, 2021, total assets were \$70,043,629 and total liabilities were \$842,269. At the end of fiscal year 2021, the total fund balance equaled \$69,201,360. Total fund balance increased \$39,611,439. Assigned fund balance increased from \$83,818 to a balance of \$197,085 at year end.

## City of Panama City Beach, Florida Management's Discussion and Analysis

### 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.

The *stormwater fund* accounts for the use of stormwater special assessments which must be used for the construction and maintenance of the City's stormwater system. In the past, the stormwater function was a separate department within the Utility Fund. Beginning with fiscal year 2020, the stormwater fund is a standalone nonmajor governmental fund. The stormwater fund is the only nonmajor governmental fund for which a budget is prepared annually.

Because it is not possible to anticipate the activity in the special revenue funds (other than the community redevelopment fund and the stormwater 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	2021 Unrestricted Net Position	2020 Unrestricted Net Position
Utility	\$ 77,623,354	\$ 71,264,532
Pier	2,239,388	1,178,635
Aquatic Center	577,563	193,937
Total	\$ 80,440,305	\$ 72,637,104

The *utility fund* is used to account for the operations of the City's water and wastewater systems. Operating revenues increased \$2,260,997, or 7%, in 2021 compared to 2020 primarily due to an increase in water and wastewater sales attributable to a combination of a rate increase as well as growth in the City's customer base. The primary reason for the increase in the unrestricted net position of the utility fund was from net operating income of \$9,422,117.

The *pier fund* accounts for the operations and maintenance of the City's Russell-Fields Pier. Operating revenues exceeded operating expenditures by \$916,867. Personal services and depreciation expense accounted for a significant portion of operating expenses, 39% and 35%, respectively. Pier fund operations generated positive cash flows in 2021. \$250,000 of this positive cash flow was transferred to the City's aquatic center fund to help subsidize its operating shortfall.

## City of Panama City Beach, Florida Management's Discussion and Analysis

The *aquatic center fund* is being used to account for the operation of an aquatic center located at Frank Brown Park. For fiscal year 2021, operating expenses exceeded operating revenues by \$565,387. The shortfall in operations was offset by transfers from the City's general fund and pier fund.

### Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2021, was \$280,878,073 (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 \$6,226,000 on various water and wastewater capital projects. Approximately \$1,305,000 was spent in the current year on sewer improvements in the Thomas Drive and Beach Drive area with an additional \$1,866,000 spent on water improvements in that same area. \$1,110,000 was expended in the current year for water and sewer relocation projects in conjunction with the construction of Philip Griffiths Sr. Parkway and CRA Front Beach Road Segment 3. \$1,197,000 was expended in the current year for lift station improvement projects.
- One stormwater offshore outfall project began in fiscal year 2021. Approximately \$137,000 was expended in the current year for this project.
- As of September 30, 2021, approximately \$53.8 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 began for segment 3, and engineering and design services continued for the next phases of the reconstruction project, segments 4.1, 4.2, and 4.3. \$5,235,000 was spent on these efforts during the current year. An additional \$4,672,000 was spent on land.
- \$5,970,000 was expended during the year to complete construction of Phase 2 of Philip Griffiths Parkway.

**City of Panama City Beach, Florida  
Management's Discussion and Analysis**

**Capital Assets  
(net of depreciation)**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 54,450,266	\$ 49,778,123	\$ 8,918,900	\$ 8,902,088	\$ 63,369,166	\$ 58,680,211
Construction in progress	13,161,839	17,204,475	5,466,832	2,837,652	18,628,671	20,042,127
Intangible assets	-	-	194,788	194,788	194,788	194,788
Buildings	18,389,743	18,989,138	20,255,998	21,254,119	38,645,741	40,243,257
Improvements	69,265,883	53,308,775	79,820,169	79,495,561	149,086,052	132,804,336
Machinery and equipment	5,738,469	6,095,080	5,215,186	6,380,812	10,953,655	12,475,892
<b>Total</b>	<b>\$ 161,006,200</b>	<b>\$ 145,375,591</b>	<b>\$ 119,871,873</b>	<b>\$ 119,065,020</b>	<b>\$ 280,878,073</b>	<b>\$ 264,440,611</b>

Additional information on the City's capital assets can be found in note 3 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 \$106,977,890. 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	
	2021	2020	2021	2020	2021	2020
Revenue bonds	\$ 74,076,758	\$ 35,050,000	\$ 32,901,132	\$ 36,879,782	\$ 106,977,890	\$ 71,929,782

Total outstanding bond debt increased by \$35,048,108 in the current fiscal year. \$35,110,000 of new debt was issued during fiscal year for Front Beach Road CRA Capital Improvement Revenue Bonds, Series 2020. Principal payments totaled \$4,060,000 in the current year and were adjusted by amortization of premiums. The City's Utility System Bonds currently maintain an "AA-" rating from Standard & Poor's and "AA+" rating from Fitch. The City's 2020 Capital Improvement Bonds (Front Beach Road) are assigned an A rating by Standard & Poor's while the 2015 Capital Improvement Bonds (Front Beach Road) are not rated as they are not a public issue but rather a bank loan.

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 note 3 of the notes to basic financial statements.

## City of Panama City Beach, Florida Management's Discussion and Analysis

### ***Other Financial Information***

The City's economy was impacted in fiscal year 2020 by the COVID-19 pandemic which resulted in a drop-off in tourism and the resulting revenue generated from the same. During fiscal year 2021, the local economy has been very robust exceeding pre COVID-19 levels. In many of the City's funds, revenues have exceeded expenditures, resulting increased reserves which the City will use to fund many upcoming construction projects.

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: Debra Gibson, Finance Director.

**City of Panama City Beach, Florida**  
**Statement of Net Position**  
**September 30, 2021**

<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 15,540,497	\$ 28,009,806	\$ 43,550,303
Accounts receivable, net	726,011	6,924,630	7,650,641
Taxes and fees receivable	690,884	-	690,884
Grants receivable	147,250	3,955	151,205
Due from other governments	495,805	59,711	555,516
Inventory	17,356	654,639	671,995
Investments	59,941,937	46,788,806	106,730,743
Prepays	197,807	37,850	235,657
Net pension asset	3,640,613	2,245,256	5,885,869
Restricted assets			
Cash and cash equivalents	42,087,442	27,827,016	69,914,458
Accrued interest receivable	17	-	17
Due from other governments	183,867	-	183,867
Prepays	1,346	-	1,346
Grants receivable	28,971	125	29,096
Capital assets			
Nondepreciable	67,612,105	14,580,520	82,192,625
Depreciable, net	93,394,095	105,291,353	198,685,448
<b>Total assets</b>	<b>284,706,003</b>	<b>232,423,667</b>	<b>517,129,670</b>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	6,694,707	1,462,879	8,157,586
Deferred outflows related to OPEB	328,293	137,335	465,628
Deferred loss on refunding	1,678,065	2,142,743	3,820,808
<b>Total deferred outflows of resources</b>	<b>8,701,065</b>	<b>3,742,957</b>	<b>12,444,022</b>

(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, 2021**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>
	<b>Activities</b>	<b>Activities</b>	
<b>Liabilities</b>			
Accounts payable	\$ 3,033,409	\$ 1,688,727	\$ 4,722,136
Accrued expenses and deposits	2,754,623	1,711,221	4,465,844
Accrued interest payable	1,017,664	189,105	1,206,769
Due to other governments	316,173	795,266	1,111,439
Due to fiduciary funds	122,048	38,129	160,177
Internal balances	144,983	(144,983)	-
Unearned revenue	4,535,550	2,878,908	7,414,458
Long-term liabilities			
Due within one year			
Revenue certificates payable	-	2,092,874	2,092,874
Accrued compensated absences	543,966	177,379	721,345
Revenue bonds payable, net	2,811,905	2,276,132	5,088,037
Due in more than one year			
Accrued compensated absences	2,129,862	498,516	2,628,378
Net pension liability	149,974	-	149,974
Net OPEB obligation	1,519,293	635,564	2,154,857
Revenue bonds payable, net	71,264,853	30,625,000	101,889,853
<b>Total liabilities</b>	<b>90,344,303</b>	<b>43,461,838</b>	<b>133,806,141</b>
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	9,413,972	2,989,272	12,403,244
Deferred inflows related to OPEB	95,413	39,914	135,327
<b>Total deferred inflows of resources</b>	<b>9,509,385</b>	<b>3,029,186</b>	<b>12,538,571</b>
<b>Net position</b>			
Net investment in capital assets	123,667,738	87,848,798	211,516,536
Restricted for			
Law enforcement	64,397	-	64,397
Beach access public parking	794,283	-	794,283
Impact fees	4,507,273	20,636,497	25,143,770
Reforestation	5,381	-	5,381
Debt service	5,934,597	750,000	6,684,597
Community redevelopment	24,228,257	-	24,228,257
Storm water	2,333,621	-	2,333,621
Unrestricted	32,017,833	80,440,305	112,458,138
<b>Total net position</b>	<b>\$ 193,553,380</b>	<b>\$ 189,675,600</b>	<b>\$ 383,228,980</b>

*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, 2021**

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	\$ 5,218,052	\$ 1,258,545	\$ 2,920,172	\$ -	\$ (1,039,335)	\$ -	\$ (1,039,335)
Public safety	15,589,872	4,495,385	750,063	24,762	(10,319,662)	-	(10,319,662)
Highways and streets	8,099,751	1,453,536	2,205,793	20,559,745	16,119,323	-	16,119,323
Culture and recreation	5,110,780	735,617	127,520	-	(4,247,643)	-	(4,247,643)
Physical environment	1,270,120	1,832,266	-	-	562,146	-	562,146
Interest on long-term debt	2,195,425	-	-	-	(2,195,425)	-	(2,195,425)
<b>Total governmental activities</b>	<b>37,484,000</b>	<b>9,775,349</b>	<b>6,003,548</b>	<b>20,584,507</b>	<b>(1,120,596)</b>	<b>-</b>	<b>(1,120,596)</b>
Business-type activities							
Utility							
Water	14,369,408	20,338,435	104,948	-	-	6,073,975	6,073,975
Waste water	11,978,703	15,826,490	-	125	-	3,847,912	3,847,912
Pier	1,253,940	2,142,588	857	-	-	889,505	889,505
Aquatic center	971,806	406,863	775	-	-	(564,168)	(564,168)
Interest on long-term debt	918,076	-	-	-	-	(918,076)	(918,076)
<b>Total business-type activities</b>	<b>29,491,933</b>	<b>38,714,376</b>	<b>106,580</b>	<b>125</b>	<b>-</b>	<b>9,329,148</b>	<b>9,329,148</b>
<b>Total primary government</b>	<b>\$ 66,975,933</b>	<b>\$ 48,489,725</b>	<b>\$ 6,110,128</b>	<b>\$ 20,584,632</b>	<b>(1,120,596)</b>	<b>9,329,148</b>	<b>8,208,552</b>
General revenues							
Business taxes					17,617,806	-	17,617,806
Utility taxes					5,011,633	-	5,011,633
Franchise fees					3,051,512	-	3,051,512
Impact fees					1,498,300	4,787,029	6,285,329
Penalties on delinquent business taxes					53,595	-	53,595
<b>Total general revenues</b>					<b>27,232,846</b>	<b>4,787,029</b>	<b>32,019,875</b>
Investment earnings					108,554	14,481	123,035
Transfers					(350,000)	350,000	-
<b>Total general revenues, investment earnings and transfers</b>					<b>26,991,400</b>	<b>5,151,510</b>	<b>32,142,910</b>
Change in net position					25,870,804	14,480,658	40,351,462
Net position - beginning					167,682,576	175,194,942	342,877,518
Net position - ending					\$ 193,553,380	\$ 189,675,600	\$ 383,228,980

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



**City of Panama City Beach, Florida**  
**Balance Sheet**  
**Governmental Funds**  
**Year Ended September 30, 2021**

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 15,315,090	\$ 184,920	\$ 40,487	\$ 15,540,497
Accounts receivable, net	310,034	27,349	-	337,383
Taxes and fees receivable	690,884	-	-	690,884
Grants receivable	47,290	-	-	47,290
Due from other governments	537,644	-	-	537,644
Due from other funds	29,836	-	-	29,836
Inventory	17,356	-	-	17,356
Investments	18,858,273	-	-	18,858,273
Prepays	197,807	897	-	198,704
Cash and cash equivalents - restricted	9,906,440	28,704,132	3,476,870	42,087,442
Investments- restricted	-	41,083,664	-	41,083,664
Grants receivable - restricted	-	28,971	-	28,971
Accrued interest receivable - restricted	-	-	17	17
Due from other governments - restricted	140,981	-	683	141,664
Due from other funds - restricted	-	13,696	-	13,696
Prepays - restricted	-	-	449	449
<b>Total assets</b>	<b>\$ 46,051,635</b>	<b>\$ 70,043,629</b>	<b>\$ 3,518,506</b>	<b>119,613,770</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 2,105,530	\$ 705,083	\$ 222,796	3,033,409
Accrued expenses and deposits	1,002,976	14,365	19,211	1,036,552
Due to other governments	314,191	1,850	132	316,173
Due to other funds	153,354	35,157	4	188,515
Due to fiduciary funds	115,559	2,892	3,597	122,048
Unearned revenue	4,452,628	82,922	-	4,535,550
<b>Total liabilities</b>	<b>8,144,238</b>	<b>842,269</b>	<b>245,740</b>	<b>9,232,247</b>
<b>Fund balances</b>				
Nonspendable	215,163	897	449	216,509
Restricted	4,760,944	69,003,378	3,232,159	76,996,481
Committed	212,873	-	-	212,873
Assigned	9,249,054	197,085	40,158	9,486,297
Unassigned	23,469,363	-	-	23,469,363
<b>Total fund balances</b>	<b>37,907,397</b>	<b>69,201,360</b>	<b>3,272,766</b>	<b>110,381,523</b>
<b>Total liabilities and fund balances</b>	<b>\$ 46,051,635</b>	<b>\$ 70,043,629</b>	<b>\$ 3,518,506</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.				488,952
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				161,006,200
Net pension asset reported in the governmental activities is not a financial resource and, therefore, is not reported in the funds.				3,640,613
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.				(81,155,588)
Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds.				(808,320)
<b>Net position of governmental activities</b>			<b>\$</b>	<b>193,553,380</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, 2021**

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes				
Business taxes	\$ 17,617,806	\$ -	\$ -	\$ 17,617,806
Utility taxes	5,011,633	-	-	5,011,633
Tax increment funds	-	12,832,038	-	12,832,038
Franchise fees	3,051,512	-	-	3,051,512
Intergovernmental	4,774,602	-	-	4,774,602
Municipal services impact fees	1,397,500	100,800	-	1,498,300
Permits, fees and special assessments	5,109,883	934,673	1,814,566	7,859,122
Fines and forfeitures	255,093	35,751	11,638	302,482
Contributions and donations	2,668,347	-	14,933	2,683,280
Grants	3,171,603	257,060	1,944	3,430,607
Rents	218,683	8,587	-	227,270
Investment earnings	23,985	81,713	2,797	108,495
Other fees and miscellaneous	1,016,650	260,865	17,730	1,295,245
<b>Total revenues</b>	<b>44,317,297</b>	<b>14,511,487</b>	<b>1,863,608</b>	<b>60,692,392</b>
<b>Expenditures</b>				
Current				
General government	4,409,214	466,531	-	4,875,745
Public safety	15,401,065	-	36,415	15,437,480
Highways and streets	3,230,167	1,057,947	-	4,288,114
Culture and recreation	3,961,202	-	-	3,961,202
Physical environment	-	-	1,089,818	1,089,818
Capital outlay				
General government	121,570	-	-	121,570
Public safety	234,178	-	-	234,178
Highways and streets	6,726,955	10,709,918	-	17,436,873
Culture and recreation	368,659	-	-	368,659
Physical environment	-	-	262,599	262,599
Debt service				
Principal	-	2,505,000	-	2,505,000
Interest	-	1,809,468	-	1,809,468
Other debt service costs	-	5,521	-	5,521
<b>Total expenditures</b>	<b>34,453,010</b>	<b>16,554,385</b>	<b>1,388,832</b>	<b>52,396,227</b>
<b>Excess of revenues over expenditures</b>	<b>9,864,287</b>	<b>(2,042,898)</b>	<b>474,776</b>	<b>8,296,165</b>
<b>Other financing sources (uses)</b>				
Transfers in	193,169	6,662	12,758	212,589
Transfers out	(644,837)	(43,169)	-	(688,006)
Grants and aid	(213,985)	-	(1,000)	(214,985)
Proceeds from disposal of assets	147,375	17,438	11,580	176,393
Issuance of debt	-	41,764,771	-	41,764,771
Discount of issuance on debt	-	(91,365)	-	(91,365)
<b>Total other financing sources (uses)</b>	<b>(518,278)</b>	<b>41,654,337</b>	<b>23,338</b>	<b>41,159,397</b>
<b>Net change in fund balances</b>	<b>9,346,009</b>	<b>39,611,439</b>	<b>498,114</b>	<b>49,455,562</b>
<b>Fund balances - beginning</b>	<b>28,561,388</b>	<b>29,589,921</b>	<b>2,774,652</b>	<b>60,925,961</b>
<b>Fund balances - ending</b>	<b>\$ 37,907,397</b>	<b>\$ 69,201,360</b>	<b>\$ 3,272,766</b>	<b>\$ 110,381,523</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, 2021**

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

Net change in fund balances - total governmental funds (page 21)	\$	49,455,562
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.		12,347,392
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.		3,271,938
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.		368,170
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.		(379,105)
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.		(39,193,153)
<hr/>		
Change in net position of governmental activities (page 19)	\$	25,870,804
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*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, 2021**

	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	\$ 12,031,000	\$ 15,318,000	\$ 2,363,750	\$ 17,681,750	\$ (63,944)	\$ 17,617,806
Utility taxes	4,410,000	4,610,000	386,394	4,996,394	15,239	5,011,633
Franchise fees	2,590,000	2,698,000	394,906	3,092,906	(41,394)	3,051,512
Intergovernmental	3,164,163	3,966,963	719,782	4,686,745	87,857	4,774,602
Municipal services impact fees	1,177,000	1,340,600	56,900	1,397,500	-	1,397,500
Permits, fees and special assessments	4,987,100	4,946,100	163,192	5,109,292	591	5,109,883
Fines and forfeitures	95,000	175,420	70,264	245,684	9,409	255,093
Contributions and donations	2,353,760	4,337,100	82,357	4,419,457	(1,751,110)	2,668,347
Grants	3,826,827	3,366,235	3,008,675	6,374,910	(3,203,307)	3,171,603
Rents	90,500	168,170	38,102	206,272	12,411	218,683
Investment earnings	154,000	55,000	6,201	61,201	(37,216)	23,985
Other fees and miscellaneous	704,005	925,245	60,094	985,339	31,311	1,016,650
<b>Total revenues</b>	<b>35,583,355</b>	<b>41,906,833</b>	<b>7,350,617</b>	<b>49,257,450</b>	<b>(4,940,153)</b>	<b>44,317,297</b>
<b>Expenditures</b>						
Current						
General government						
Legislative	391,700	361,945	33,569	328,376	18,564	346,940
Administration	1,379,400	2,011,970	374,945	1,637,025	30,060	1,667,085
Legal	595,000	675,000	11,101	663,899	(18,747)	645,152
Comprehensive planning	382,040	400,180	94,408	305,772	(4,854)	300,918
Protective services	1,715,850	1,921,143	454,410	1,466,733	(17,614)	1,449,119
<b>Total general government</b>	<b>4,463,990</b>	<b>5,370,238</b>	<b>968,433</b>	<b>4,401,805</b>	<b>7,409</b>	<b>4,409,214</b>
Public safety						
Police	8,997,700	9,997,553	1,115,420	8,882,133	46,999	8,929,132
Fire	6,676,050	7,194,935	866,669	6,328,266	143,667	6,471,933
<b>Total public safety</b>	<b>15,673,750</b>	<b>17,192,488</b>	<b>1,982,089</b>	<b>15,210,399</b>	<b>190,666</b>	<b>15,401,065</b>
Highways and streets	3,477,580	3,528,770	538,559	2,990,211	239,956	3,230,167
Culture and recreation						
Library	265,500	265,500	10,464	255,036	4,662	259,698
Recreation	3,549,950	3,754,970	112,567	3,642,403	59,101	3,701,504
<b>Total culture and recreation</b>	<b>3,815,450</b>	<b>4,020,470</b>	<b>123,031</b>	<b>3,897,439</b>	<b>63,763</b>	<b>3,961,202</b>
<b>Total current</b>	<b>27,430,770</b>	<b>30,111,966</b>	<b>3,612,112</b>	<b>26,499,854</b>	<b>501,794</b>	<b>27,001,648</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, 2021**

	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	\$ -	\$ 151,600	\$ (2,902)	\$ 154,502	\$ (145,423)	\$ 9,079
Comprehensive planning	-	1,000	1,000	-	998	998
Protective services	-	113,850	113,850	-	111,493	111,493
Total general government	-	266,450	111,948	154,502	(32,932)	121,570
Public safety						
Police	310,000	422,452	278,888	143,564	(39,649)	103,915
Fire	26,000	138,525	13,568	124,957	5,306	130,263
Total public safety	336,000	560,977	292,456	268,521	(34,343)	234,178
Highways and streets	7,486,000	8,824,075	289,880	8,534,195	(1,807,240)	6,726,955
Culture and recreation						
Recreation	1,202,000	403,675	33,101	370,574	(1,915)	368,659
Total culture and recreation	1,202,000	403,675	33,101	370,574	(1,915)	368,659
Total capital outlay	9,024,000	10,055,177	727,385	9,327,792	(1,876,430)	7,451,362
Total expenditures	36,454,770	40,167,143	4,339,497	35,827,646	(1,374,636)	34,453,010
Excess (deficiency) of revenues over (under) expenditures	(871,415)	1,739,690	11,690,114	13,429,804	(3,565,517)	9,864,287
Other financing sources (uses)						
Transfers in	193,169	193,169	-	193,169	-	193,169
Transfers out	(500,000)	(500,000)	-	(500,000)	144,837	(644,837)
Grants and aid	(163,300)	(1,461,470)	1,287,485	(173,985)	40,000	(213,985)
Proceeds from disposal of assets	-	143,000	34,966	177,966	30,591	147,375
Total other financing sources (uses)	(470,131)	(1,625,301)	1,322,451	(302,850)	215,428	(518,278)
Net change in fund balances	(1,341,546)	114,389	13,012,565	13,126,954	(3,780,945)	9,346,009
Fund balances - beginning	24,612,991	27,994,570	2,101,884	30,096,454	(1,535,066)	28,561,388
Fund balances - ending	\$ 23,271,445	\$ 28,108,959	\$ 15,114,449	\$ 43,223,408	\$ (5,316,011)	\$ 37,907,397

*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, 2021**

	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	\$ 12,889,249	\$ 12,831,695	\$ 343	\$ 12,832,038	\$ -	\$ 12,832,038
Municipal services impact fees	250,000	250,000	(149,200)	100,800	-	100,800
Permits, fees and special assessments	929,065	935,000	(327)	934,673	-	934,673
Fines and forfeitures	500	33,540	5,354	38,894	(3,143)	35,751
Grants	447,430	558,380	(248,753)	309,627	(52,567)	257,060
Rents	9,300	9,300	(1,191)	8,109	478	8,587
Investment earnings	75,000	166,141	28,518	194,659	(112,946)	81,713
Other fees and miscellaneous	149,350	169,350	88,886	258,236	2,629	260,865
<b>Total revenues</b>	<b>14,749,894</b>	<b>14,953,406</b>	<b>(276,370)</b>	<b>14,677,036</b>	<b>(165,549)</b>	<b>14,511,487</b>
<b>Expenditures</b>						
<b>Current</b>						
General government	466,459	466,459	696	465,763	768	466,531
Highways and streets	1,600,910	1,478,999	471,075	1,007,924	50,023	1,057,947
<b>Total current</b>	<b>2,067,369</b>	<b>1,945,458</b>	<b>471,771</b>	<b>1,473,687</b>	<b>50,791</b>	<b>1,524,478</b>
<b>Capital outlay</b>						
Highways and streets	33,311,000	15,328,900	4,811,902	10,516,998	192,920	10,709,918
<b>Total capital outlay</b>	<b>33,311,000</b>	<b>15,328,900</b>	<b>4,811,902</b>	<b>10,516,998</b>	<b>192,920</b>	<b>10,709,918</b>
<b>Debt service</b>						
Principal	2,505,000	2,505,000	-	2,505,000	-	2,505,000
Interest	1,194,911	1,809,472	4	1,809,468	-	1,809,468
Other debt service costs	420,130	386,000	23,561	362,439	(356,918)	5,521
<b>Total debt service</b>	<b>4,120,041</b>	<b>4,700,472</b>	<b>23,565</b>	<b>4,676,907</b>	<b>(356,918)</b>	<b>4,319,989</b>
<b>Total expenditures</b>	<b>39,498,410</b>	<b>21,974,830</b>	<b>5,307,238</b>	<b>16,667,592</b>	<b>(113,207)</b>	<b>16,554,385</b>
Excess (deficiency) of revenues over (under) expenditures	(24,748,516)	(7,021,424)	5,030,868	(1,990,556)	(52,342)	(2,042,898)
Other financing sources (uses)						
Transfers in	-	-	-	-	(6,662)	6,662
Transfers out	(43,169)	(43,165)	(4)	(43,169)	-	(43,169)
Issuance of debt	41,577,762	41,419,520	1	41,419,521	(345,250)	41,764,771
Discount of issuance on debt	-	-	-	-	91,365	(91,365)
Proceeds from disposal of assets	-	-	17,437	17,437	(1)	17,438
<b>Total other financing sources (uses)</b>	<b>41,534,593</b>	<b>41,376,355</b>	<b>17,434</b>	<b>41,393,789</b>	<b>(260,548)</b>	<b>41,654,337</b>
Net change in fund balances	16,786,077	34,354,931	5,048,302	39,403,233	208,206	39,611,439
Fund balances - beginning	27,112,472	30,652,412	80,677	30,733,089	(1,143,168)	29,589,921
Fund balances - ending	\$ 43,898,549	\$ 65,007,343	\$ 5,128,979	\$ 70,136,322	\$ (934,962)	\$ 69,201,360

*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, 2021**

<b>Business-type Activities/Enterprise Funds</b>			
	<b>Utility Fund</b>	<b>Other Proprietary Funds</b>	<b>Total</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$ 25,833,804	\$ 2,176,002	\$ 28,009,806
Accounts receivable, net	6,621,519	303,111	6,924,630
Grants receivable	101	3,854	3,955
Due from other funds	150,635	-	150,635
Due from other governments	59,711	-	59,711
Inventory	654,639	-	654,639
Investments	46,265,313	523,493	46,788,806
Prepays	34,523	3,327	37,850
<b>Total current assets</b>	<b>79,620,245</b>	<b>3,009,787</b>	<b>82,630,032</b>
<b>Noncurrent assets</b>			
Net pension asset	1,980,348	264,908	2,245,256
<b>Restricted assets</b>			
Cash and cash equivalents	27,827,016	-	27,827,016
Grants receivable	125	-	125
<b>Capital assets</b>			
Nondepreciable	14,580,520	-	14,580,520
Depreciable, net	96,301,460	8,989,893	105,291,353
<b>Total noncurrent assets</b>	<b>140,689,469</b>	<b>9,254,801</b>	<b>149,944,270</b>
<b>Total assets</b>	<b>220,309,714</b>	<b>12,264,588</b>	<b>232,574,302</b>
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	1,290,280	172,599	1,462,879
Deferred outflows related to OPEB	127,945	9,390	137,335
Deferred loss on refunding	2,142,743	-	2,142,743
<b>Total deferred outflows of resources</b>	<b>3,560,968</b>	<b>181,989</b>	<b>3,742,957</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, 2021**

Business-type Activities/Enterprise Funds			
	Utility Fund	Other Proprietary Funds	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 1,641,893	\$ 46,834	\$ 1,688,727
Accrued expenses and deposits	1,673,848	37,373	1,711,221
Accrued interest payable	189,105	-	189,105
Due to other funds	3,182	2,470	5,652
Due to fiduciary funds	33,649	4,480	38,129
Due to other governments	770,058	25,208	795,266
Unearned revenue	2,842,078	36,830	2,878,908
Revenue certificates payable	2,092,874	-	2,092,874
Accrued compensated absences	149,188	28,191	177,379
Revenue bonds payable, net	2,276,132	-	2,276,132
Total current liabilities	11,672,007	181,386	11,853,393
Noncurrent liabilities			
Accrued compensated absences	439,042	59,474	498,516
Net OPEB obligation	592,111	43,453	635,564
Revenue bonds payable, net	30,625,000	-	30,625,000
Total noncurrent liabilities	31,656,153	102,927	31,759,080
Total liabilities	43,328,160	284,313	43,612,473
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	2,636,581	352,691	2,989,272
Deferred inflows related to OPEB	37,185	2,729	39,914
Total deferred inflows of resources	2,673,766	355,420	3,029,186
<b>Net position</b>			
Net investment in capital assets	78,858,905	8,989,893	87,848,798
Restricted for			
Impact fees	20,636,497	-	20,636,497
Debt service	750,000	-	750,000
Unrestricted	77,623,354	2,816,951	80,440,305
Total net position	\$ 177,868,756	\$ 11,806,844	\$ 189,675,600

*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, 2021**

	Business-type Activities/Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Operating revenues</b>			
Charges for services			
Water and waste water sales	\$ 34,516,128	\$ -	\$ 34,516,128
Connection and reset fees	592,597	-	592,597
Administrative and review fees	90,345	-	90,345
Admissions and other fees	-	1,867,941	1,867,941
Rent	-	638,379	638,379
Miscellaneous	571,156	43,131	614,287
<b>Total operating revenues</b>	<b>35,770,226</b>	<b>2,549,451</b>	<b>38,319,677</b>
<b>Operating expenses</b>			
Personal services	5,611,230	864,565	6,475,795
Professional services	350,586	61,757	412,343
Office supplies	22,956	2,464	25,420
Contractual services	315,454	53,454	368,908
Insurance	306,546	39,558	346,104
Repairs and maintenance	2,118,291	108,650	2,226,941
Operating supplies	1,418,454	178,703	1,597,157
Communication services	103,579	17,940	121,519
Public utility services	10,680,999	159,183	10,840,182
Transportation	83,552	-	83,552
Rentals	59,448	71,209	130,657
Printing and binding	13,619	2,738	16,357
Miscellaneous	52,250	6,596	58,846
Depreciation	5,211,145	631,154	5,842,299
<b>Total operating expenses</b>	<b>26,348,109</b>	<b>2,197,971</b>	<b>28,546,080</b>
<b>Net operating income</b>	<b>9,422,117</b>	<b>351,480</b>	<b>9,773,597</b>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	13,395	1,086	14,481
Grants and contributions	105,073	1,632	106,705
Contributions to other governments	-	(5,000)	(5,000)
Gain (loss) on disposal of assets	394,695	(22,775)	371,920
Interest expense	(918,074)	-	(918,074)
<b>Total nonoperating revenues (expenses)</b>	<b>(404,911)</b>	<b>(25,057)</b>	<b>(429,968)</b>
<b>Net income (loss) before impact fees and transfers</b>	<b>9,017,206</b>	<b>326,423</b>	<b>9,343,629</b>
Impact fees	4,787,029	-	4,787,029
Transfers in	-	750,000	750,000
Transfers out	(150,000)	(250,000)	(400,000)
<b>Total capital contributions, impact fees and transfers</b>	<b>4,637,029</b>	<b>500,000</b>	<b>5,137,029</b>
<b>Change in net position</b>	<b>13,654,235</b>	<b>826,423</b>	<b>14,480,658</b>
<b>Total net position - beginning</b>	<b>164,214,521</b>	<b>10,980,421</b>	<b>175,194,942</b>
<b>Total net position - ending</b>	<b>\$ 177,868,756</b>	<b>\$ 11,806,844</b>	<b>\$ 189,675,600</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, 2021**

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Operating activities</b>			
Receipts from customers and users	\$ 35,721,235	\$ 2,274,898	\$ 37,996,133
Payments to suppliers	(17,190,400)	(891,515)	(18,081,915)
Payments to employees	(4,532,256)	(658,586)	(5,190,842)
<b>Net cash provided by operating activities</b>	<b>13,998,579</b>	<b>724,797</b>	<b>14,723,376</b>
<b>Noncapital financing activities</b>			
Grants and contributions	124,104	6,679	130,783
Contributions to other governments	-	(5,000)	(5,000)
Short-term advances to other funds	(150,481)	-	(150,481)
Transfers (to) from other funds	(150,000)	500,000	350,000
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(176,377)</b>	<b>504,800</b>	<b>328,423</b>
<b>Capital and related financing activities</b>			
Impact fees	5,514,883	-	5,514,883
Grants and contributions	37,560	-	37,560
Proceeds from issuance of revenue bonds	153,687	-	153,687
Principal paid on revenue certificates	(99,394)	-	(99,394)
Principal paid on revenue bonds	(3,861,273)	-	(3,861,273)
Interest paid on revenue bonds	(859,832)	-	(859,832)
Payment to refunding bonds escrow agent	(435,901)	-	(435,901)
Revenue bonds issuance cost	(139,569)	-	(139,569)
Proceeds from sale of assets	403,533	5,350	408,883
Costs associated with sale of assets	(8,688)	-	(8,688)
Purchase of capital assets	(5,879,237)	(41,324)	(5,920,561)
<b>Net cash (used) by capital and related financing activities</b>	<b>(5,174,231)</b>	<b>(35,974)</b>	<b>(5,210,205)</b>
<b>Investing activities</b>			
Purchase of investments	(15,146,653)	(826)	(15,147,479)
Investment earnings	159,879	1,086	160,965
<b>Net cash provided (used) by investing activities</b>	<b>(14,986,774)</b>	<b>260</b>	<b>(14,986,514)</b>
<b>Net change in cash and cash equivalents</b>	<b>(6,338,803)</b>	<b>1,193,883</b>	<b>(5,144,920)</b>
<b>Cash and cash equivalents - beginning</b>	<b>59,999,623</b>	<b>982,119</b>	<b>60,981,742</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 53,660,820</b>	<b>\$ 2,176,002</b>	<b>\$ 55,836,822</b>
<b>Classified as</b>			
Current assets - cash and cash equivalents	\$ 25,833,804	\$ 2,176,002	\$ 28,009,806
Restricted assets - cash and cash equivalents	27,827,016	-	27,827,016
<b>Total</b>	<b>\$ 53,660,820</b>	<b>\$ 2,176,002</b>	<b>\$ 55,836,822</b>

(Continued)

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

**City of Panama City Beach, Florida**  
**Statement of Cash Flows**  
**Proprietary Funds (Continued)**  
**Year Ended September 30, 2021**

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Reconciliation of net operating income to net cash provided by operating activities</b>			
Net operating income	\$ 9,422,117	\$ 351,480	\$ 9,773,597
Adjustments to reconcile net operating income to net cash provided by operating activities			
Depreciation	5,211,145	631,154	5,842,299
Bad debts	85,682	-	85,682
Forfeited deposits	(6,000)	-	(6,000)
(Increase) decrease in assets			
Accounts receivable, net	(109,242)	(276,050)	(385,292)
Due from other funds	2,027	-	2,027
Due from other governments	(37,279)	75	(37,204)
Inventory	(75,736)	-	(75,736)
Prepays	(1,550)	2,689	1,139
Net pension asset	(967,565)	(132,150)	(1,099,715)
Increase in deferred outflows related to pensions	(705,514)	(95,947)	(801,461)
Decrease in deferred outflows related to OPEB	12,048	944	12,992
Increase (decrease) in liabilities			
Accounts payable	(179,171)	6,974	(172,197)
Accrued expenses and deposits	(23,414)	4,915	(18,499)
Due to other funds	28,900	(666)	28,234
Due to fiduciary funds	-	4,481	4,481
Due to other governments	(48,878)	1,471	(47,407)
Unearned revenue	61,662	(204)	61,458
Accrued compensated absences	(60,040)	37,340	(22,700)
Net OPEB obligation	10,801	544	11,345
Increase in deferred inflows related to pensions	1,378,100	187,727	1,565,827
Increase in deferred inflows related to OPEB	486	20	506
<b>Total adjustments</b>	<b>4,576,462</b>	<b>373,317</b>	<b>4,949,779</b>
<b>Net cash provided by operating activities</b>	<b>\$ 13,998,579</b>	<b>\$ 724,797</b>	<b>\$ 14,723,376</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, 2021**

	<b>Pension Trust Funds</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 586,000
Accounts receivable, net	191,852
Dividends receivable	72,943
Due from other funds	160,177
Due from other governments	263,022
Investments, at fair value	
Money market funds	2,339,538
Real estate investment trusts	1,833,138
Mutual funds	97,728,684
<hr/>	
Total assets	103,175,354
<hr/>	
<b>Liabilities</b>	
Accounts payable	74,347
Refunds payable	47,540
<hr/>	
Total liabilities	121,887
<hr/>	
<b>Net position</b>	
Restricted for pension benefits	\$ 103,053,467
<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, 2021**

	Pension Trust Funds
<b>Additions</b>	
Contributions	
Employer	\$ 2,146,136
Plan members	1,406,749
Buyback of service	45,001
Insurance premiums	454,874
Total contributions	4,052,760
Investment earnings	
Interest	240
Dividends	2,170,788
Net increase in fair value of investments	15,822,234
Total investment earnings	17,993,262
Less investment expenses	(165,213)
Net investment earnings	17,828,049
Total additions	21,880,809
<b>Deductions</b>	
Benefits	4,963,354
Refunds of contributions	256,311
Administrative expenses	95,624
Total deductions	5,315,289
Change in net position	16,565,520
Net position - beginning	86,487,947
Net position - ending	\$ 103,053,467

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

## City of Panama City Beach, Florida Notes to 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. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

In evaluating the City as a reporting entity, management has considered all potential component units in accordance with Section 2100: Defining the Financial Reporting Entity of the Governmental Accounting Standards Board (GASB) Codification.

#### ***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.

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.

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. The Agency also issues separate financial statements. These may be obtained from the City at 17007 Panama City Beach Parkway, Panama City Beach, Florida 32413-2199.

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

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***Government-Wide and Fund Financial Statements***

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The 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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers grant related revenues to be available if they are collected within 1 year of the end of the current fiscal period and all other 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 accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

### Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### ***Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)***

Sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 1 year of year end). All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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.

#### ***Government-Wide Financial Statements***

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

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)**

***Fund Financial Statements***

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

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

The City reports the following major enterprise fund:

The *Utility Fund* is used to account for operations and activities related to the water and waste water systems operated by the City.

Additionally, the City reports the following fund types:

*Special revenue funds* are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

The *pension trust funds* account for the activities of the General Employees', Police Officers' and Firefighters' Pension Plans, which accumulate resources for pension benefit payments to qualified employees.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Fund Financial Statements (Continued)***

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

***Budgetary Information***

***Budgetary basis of accounting***

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, special revenue funds, and proprietary funds. Certain special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity***

***Cash and cash equivalents***

The City's cash and cash equivalents are considered to be cash on hand, demand 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 3.

***Receivables and payables***

Unbilled receivables – An amount for unbilled revenue is recorded in the Utility fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. Allowance amount is based on accounts sent to collections and evaluated quarterly.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)***

***Receivables and payables (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.

***Interfund Activities and Transactions***

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” within the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

***Inventories and Prepaid Items***

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.

Payments made to vendors for services that will benefit periods beyond September 30, 2021, are recorded as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting the expenditure/expense in the year in which services are consumed. At the fund reporting level, an equal amount of fund balance is reported as nonspendable, showing this amount is not in spendable form.

***Restricted Assets***

Certain assets of the City are classified as restricted assets on the statement of net position and the governmental funds balance sheet because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (continued)***

***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.

Capital assets are stated at cost, except for contributed assets, which are recorded at acquisition value on the date contributed. Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

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

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

In addition to assets, the statement of financial 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 has three (3) items that qualify for reporting as deferred outflows of resources, the *deferred loss on refunding*, the *deferred outflows related to pensions*, and the *deferred outflows related to OPEB*, all reported in the government-wide and proprietary funds statements of net position. The deferred loss on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred loss on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial 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. The City has two (2) items that qualify for reporting as deferred inflows of resources, the *deferred inflows related to pensions*, and the *deferred inflows related to OPEB*, reported in the government-wide and proprietary funds statements of net position. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Compensated Absences***

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

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

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

One day of sick leave is granted 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.

***Long-Term Obligations***

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Other Post-Employment Benefits (OPEB) Liability***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

***Categories and Classification of Fund Equity***

*Net position flow assumption* – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund balance flow assumptions* – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund balance policies* – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Categories and Classification of Fund Equity (continued)***

The provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, specifies the following classifications:

*Nonspendable fund balance* – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2021, is \$216,509.

*Restricted fund balance* – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. The restricted fund balance as of September 30, 2021, is \$76,996,481.

*Committed fund balance* – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation. The committed fund balance as of September 30, 2021, is \$212,873.

*Assigned fund balance* – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The assigned fund balance as of September 30, 2021, is \$9,486,297.

*Unassigned fund balance* – Unassigned fund balance is the residual classification for the General Fund. 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, 2021, is \$23,469,363.

***Revenues and Expenditures/Expenses***

*Program revenues* – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Revenues and Expenditures/Expenses (continued)***

*Proprietary funds operating and nonoperating revenues and expenses* – Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the Utility Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***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, September 26, 2022. See Note 12 for relevant disclosures. No subsequent events occurring after this date have been evaluated for inclusion in these consolidated financial statements.

***Recently Issued and Implemented Accounting Pronouncements***

In fiscal year 2021, the City implemented GASB Statement No. 90, *Majority Equity Interests – An Amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the 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. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The implementation of this statement did not result in any change in the City’s financial statements.



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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement 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 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 receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021.

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument's variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2022. All other requirements of this Statement are effective for reporting periods beginning after June 15, 2021.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

***Recently Issued and Implemented Accounting Pronouncements (continued)***

In June 2020, the GASB issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021.

In May 2020, the GASB issued GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

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

**Note 2: 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 \$488,952 difference are as follows:

Accounts receivable, net	\$	388,628
Grants receivable		99,960
Due from other governments		364
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	488,952
<hr/> <hr/>		

Another element of that reconciliation states, "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$161,006,200 difference are as follows:

Cost of capital assets	\$	216,081,034
Less: accumulated depreciation		(55,074,834)
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Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	161,006,200
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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 \$(81,155,588) difference are as follows:

Revenue bonds payable, net	\$	(67,655,000)
Unamortized premium costs		(6,421,758)
Net OPEB obligation		(1,519,293)
Net pension liability		(149,974)
Self insurance liability		(1,718,071)
Accrued compensated absences		(2,673,828)
Accrued interest payable		(1,017,664)
<hr/>		
Net adjustment to decrease fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	(81,155,588)
<hr/> <hr/>		

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

**Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

Another element of that reconciliation states, "Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds." The details of this \$(808,320) difference are as follows:

Deferred outflows related to pensions	\$	6,694,707
Deferred inflows related to pensions		(9,413,972)
Deferred outflows related to OPEB		328,293
Deferred inflows related to OPEB		(95,413)
Deferred loss on refunding		1,678,065
<hr/>		
Net adjustment to increase fund balances - total governmental funds to arrive at <i>net position of governmental activities</i>	\$	(808,320)
<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 \$12,347,392 difference are as follows:

Capital outlay expenditures	\$	18,423,879
Less: depreciation expense		(6,076,487)
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Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	12,347,392
<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 decrease net position." The details of this \$3,271,938 difference are as follows:

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.	\$	(100,158)
In the statement of activities, non-cash donations are recognized at fair market value. However, in the governmental funds, the donations are not recognized.		3,372,096
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Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	3,271,938
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**City of Panama City Beach, Florida**  
**Notes to Financial Statements**

**Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)**

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$368,170 difference are as follows:

Compensated absences	\$	(681,533)
Insurance		306,856
Various expenses		(4,302)
Interest		(618,968)
Interfund transfers		144,837
Pension expense		1,289,097
OPEB		(67,817)
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Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>		\$ 368,170
<hr/>		

Another element of that reconciliation states, "Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds." The details of this \$(379,105) difference are as follows:

Intergovernmental	\$	(1,595)
Rents		(4,887)
Special assessments		(147,834)
Fines and forfeitures		38,195
Interfund transfers		(19,420)
Grants		(242,940)
Other fees and miscellaneous		(624)
<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>		\$ (379,105)
<hr/>		

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 \$(39,193,153) difference are as follows:

Bond proceeds	\$	(41,764,771)
Principal repayment of bonds		2,505,000
Plus, amortization of bond premium costs		233,011
Less, amortization of deferred loss on advance refunding		(166,393)
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Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>		\$ (39,193,153)
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**Note 3: DETAILED NOTES ON ALL FUNDS**

***Deposits and Investments***

As of September 30, 2021, \$5,250,000 of the City's bank balances is covered by federal depository insurance (FDIC). Monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

The investment program is established in accordance with the City's investment policy, pertinent bond resolutions and Section 218.45, Florida Statutes, which allows the City to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, direct obligations of the United States Government, obligations of the different agencies of the Federal Government, registered money market funds and accounts of state qualified public depositories.

*Investment Policies (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.
- 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.

*Investment Policies (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).

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Deposits and Investments (continued)***

- 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.

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 risk* – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are certified as “qualified public depositories,” as required under the Florida Security for Public Deposits Act. For an investment, this 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 investments or collateral securities that are in the possession of an outside party. At September 30, 2021, the City did not hold any deposits that were considered to be a custodial risk.

*Interest Rate Risk* – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. At September 30, 2021, 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.

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Deposits and Investments (continued)***

*Credit Risk* - Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. 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, the Florida Fixed Income Trust enhanced cash pool, and the Florida Fixed Income Trust select cash pool are all rated as AAAs/S1 based on Fitch Ratings.

*Concentration Risk* – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City's investment policy does not address concentration risk. The fiduciary funds' policy restrictions are detailed above. At September 30, 2021, the City did not hold any investments that were considered to be a concentration of credit risk.

*Fair Value* – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.



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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Deposits and Investments (continued)***

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of September 30, 2021:

	Fair Value	Maturities (in years) Less than 1	Level
<b>Fiduciary fund</b>			
Money market funds	\$ 2,339,538	2,339,538	L1
Real estate investment trusts	1,833,138	1,833,138	L1
Mutual funds	97,728,684	97,728,684	L1
<b>Total fiduciary fund</b>	<b>101,901,360</b>	<b>101,901,360</b>	
Total investments measured by fair value level	\$ 101,901,360	\$ 101,901,360	
Investments measured at the net asset value (NAV)			
Primary government			
Florida Fixed Income Trust	106,730,743		
<b>Total investments measured at NAV</b>	<b>106,730,743</b>		
<b>Total investments</b>	<b>\$ 208,632,103</b>		

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2021.

*Mutual funds* – Mutual funds classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those investments.

*Fair Value of Investments in Entities that Use Net Asset Value (NAV)* – Investments in the Florida Fixed Income Trust are in the Florida Fixed Income Trust Cash Pool, Florida Fixed Income Trust Enhanced Cash, and Florida Fixed Income Trust Select Cash Pool, with balances of \$32,728,553, \$53,862,414, and \$20,139,776 respectively, at September 30, 2021. 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 commercial paper, municipal bonds, certificates of deposit, qualified public deposits, FDIC insurance instruments, money market funds, and short-term bond funds. The Florida Fixed Income Trust Enhanced Cash Pool investment strategy is best suited for cash reserves or proceeds that are not allocated for day to day funds. The Enhanced Cash Pool offers next day liquidity, interest income, and seeks to preserve capital. The pool consists of mortgage-backed securities, corporate bonds, federal instrumentalities, US treasury bonds, FDIC insured instruments, municipal bonds, qualified public deposits, certificates of deposit, commercial paper, and money market funds. The Florida Fixed Income Trust Select Cash Pool investment strategy is to provide both current income consistent with low volatility of net asset value and positive holding

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Deposits and Investments (continued)***

*Fair Value of Investments in Entities that Use Net Asset Value (NAV) (continued)*

period returns for time horizons of one to three years or greater. The pool consists of mortgage-backed securities, corporate bonds, federal instrumentalities, US treasury bonds, US treasury futures, FDIC insured instruments, municipal bonds, qualified public deposits, certificates of deposit, commercial paper, and money market funds.

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 \$106,730,743 as of September 30, 2021.

***Accounts Receivable***

At September 30, 2021, accounts receivable in the governmental activities is summarized as follows:

Total accounts receivable	\$	726,011
Less: allowance for doubtful accounts		-
Accounts receivable, net	\$	726,011

At September 30, 2021, accounts receivable in the business-type activities is summarized as follows:

Billed accounts receivable	\$	454,002
Unbilled accounts receivable		6,497,115
Other receivables		323,185
Total accounts receivable	7,274,302	
Less: allowance for doubtful accounts		(349,672)
Accounts receivable, net	\$	6,924,630

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Interfund Receivables, Payables, and Transfers***

The composition of due from/to other funds' balances as of September 30, 2021 is as follows:

<b>Receivable fund</b>	<b>Payable fund</b>	
General	CRA	\$ 27,366
General	Pier	2,470
Utility	General	142,844
Utility	CRA	7,791
CRA	Stormwater	4
CRA	Utility	3,182
CRA	General	10,510
Police Pension	General	89
Fire Pension	General	80,089
General Pension	General	35,381
General Pension	Utility	33,649
General Pension	CRA	2,892
General Pension	Stormwater	3,597
General Pension	Pier	2,494
General Pension	Aquatic	1,986

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

The composition of interfund transfers as of September 30, 2021 is as follows:

<b>Transfers out</b>	<b>Transfers in</b>		
	General fund	Nonmajor proprietary funds	Total
General fund	\$ -	\$ 500,000	\$ 500,000
CRA fund	43,169	-	43,169
Utility fund	150,000	-	150,000
Nonmajor proprietary funds	-	250,000	250,000
<b>Total</b>	<b>\$ 193,169</b>	<b>\$ 750,000</b>	

In the current year, there were transfers between the general fund, the community redevelopment fund, the nonmajor governmental funds, the utility fund, and the nonmajor proprietary funds that only impacted the modified accrual basis level of accounting.

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

**Capital Assets**

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

	September 30, 2020	Increases	Decreases	September 30, 2021
Capital assets, not being depreciated				
Land	\$ 49,778,123	\$ 4,672,143	\$ -	\$ 54,450,266
Construction in progress	17,204,475	11,990,387	(16,033,023)	13,161,839
<b>Total capital assets, not being depreciated</b>	<b>66,982,598</b>	<b>16,662,530</b>	<b>(16,033,023)</b>	<b>67,612,105</b>
Capital assets, being depreciated				
Buildings	23,207,051	2,291	-	23,209,342
Improvements	90,533,841	20,389,724	-	110,923,565
Machinery and equipment	14,075,085	594,332	(333,395)	14,336,022
<b>Total capital assets, being depreciated</b>	<b>127,815,977</b>	<b>20,986,347</b>	<b>(333,395)</b>	<b>148,468,929</b>
Accumulated depreciation				
Buildings	(4,217,913)	(601,686)	-	(4,819,599)
Improvements	(37,225,066)	(4,432,616)	-	(41,657,682)
Machinery and equipment	(7,980,005)	(1,042,185)	424,637	(8,597,553)
<b>Total accumulated depreciation</b>	<b>(49,422,984)</b>	<b>(6,076,487)</b>	<b>424,637</b>	<b>(55,074,834)</b>
<b>Total capital assets, being depreciated, net of accumulated depreciation</b>	<b>78,392,993</b>	<b>14,909,860</b>	<b>91,242</b>	<b>93,394,095</b>
<b>Total governmental activities' capital assets – net</b>	<b>\$ 145,375,591</b>	<b>\$ 31,572,390</b>	<b>\$ (15,941,781)</b>	<b>\$ 161,006,200</b>

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

<u>Governmental activities</u>	
General government	\$ 223,489
Public safety	951,617
Highways and streets	3,628,850
Culture and recreation	1,056,804
Physical Environment	215,727
<b>Total depreciation expense – governmental activities</b>	<b>\$ 6,076,487</b>

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Capital Assets (continued)***

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

	September 30, 2020	Increases	Decreases	September 30, 2021
<b>Capital assets, not being depreciated</b>				
Land	\$ 8,902,088	\$ 16,812	\$ -	\$ 8,918,900
Intangible assets	194,788	-	-	194,788
Construction in progress	2,837,652	6,226,075	(3,596,895)	5,466,832
<b>Total capital assets, not being depreciated</b>	<b>11,934,528</b>	<b>6,242,887</b>	<b>(3,596,895)</b>	<b>14,580,520</b>
<b>Capital assets, being depreciated</b>				
Buildings	37,523,172	-	-	37,523,172
Improvements	123,339,585	129,224	3,588,475	127,057,284
Machinery and equipment	23,310,970	305,167	(290,861)	23,325,276
<b>Total capital assets, being depreciated</b>	<b>184,173,727</b>	<b>434,391</b>	<b>3,297,614</b>	<b>187,905,732</b>
<b>Accumulated depreciation</b>				
Buildings	(16,269,053)	(998,121)	-	(17,267,174)
Improvements	(43,844,024)	(3,401,510)	8,419	(47,237,115)
Machinery and equipment	(16,930,158)	(1,442,668)	262,736	(18,110,090)
<b>Total accumulated depreciation</b>	<b>(77,043,235)</b>	<b>(5,842,299)</b>	<b>271,155</b>	<b>(82,614,379)</b>
<b>Total capital assets, being depreciated, net of accumulated depreciation</b>	<b>107,130,492</b>	<b>(5,407,908)</b>	<b>3,568,769</b>	<b>105,291,353</b>
<b>Total business-type activities' capital assets – net</b>	<b>\$ 119,065,020</b>	<b>\$ 834,979</b>	<b>\$ (28,126)</b>	<b>\$ 119,871,873</b>

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

<b>Business-type activities</b>	
<b>Utility fund</b>	
Water	\$ 1,093,221
Waste water	4,117,924
Other proprietary funds	631,154
<b>Total depreciation expense – business-type activities</b>	<b>\$ 5,842,299</b>

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Capital Assets (continued)***

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2021:

	Utility Fund	Other Proprietary Funds	Total
Land	\$ 8,918,900	\$ -	\$ 8,918,900
Intangible assets	194,788	-	194,788
Buildings	33,369,148	4,154,024	37,523,172
Improvements	115,379,283	11,678,001	127,057,284
Machinery and equipment	22,678,989	646,287	23,325,276
Construction in progress	5,466,832	-	5,466,832
<b>Total</b>	<b>186,007,940</b>	<b>16,478,312</b>	<b>202,486,252</b>
Accumulated depreciation			
Buildings	(15,710,677)	(1,556,497)	(17,267,174)
Improvements	(41,809,436)	(5,427,679)	(47,237,115)
Machinery and equipment	(17,605,847)	(504,243)	(18,110,090)
<b>Total accumulated depreciation</b>	<b>(75,125,960)</b>	<b>(7,488,419)</b>	<b>(82,614,379)</b>
Total business-type activities' capital assets – net	<b>\$ 110,881,980</b>	<b>\$ 8,989,893</b>	<b>\$ 119,871,873</b>

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Long Term Debt – Governmental Activities***

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

	Balance September 30, 2020	Additions	Deductions	Balance September 30, 2021	Due within One Year
Bonds from direct placement					
Revenue bonds	\$ 35,050,000	\$ 35,110,000	\$ (2,505,000)	\$ 67,655,000	\$ 2,575,000
Adjusted for deferred amounts on issuance premium	-	6,654,771	(233,013)	\$ 6,421,758	236,905
Total bonds from direct placement	35,050,000	41,764,771	(2,738,013)	74,076,758	2,811,905
Accrued compensated absences	1,992,295	1,596,963	(915,430)	2,673,828	543,966
Net pension liability (asset)					
General employees	(1,220,629)	-	(1,259,137)	(2,479,766)	-
Police officers	1,151,308	-	(2,312,155)	(1,160,847)	-
Firefighters	526,681	-	(376,707)	149,974	-
Net OPEB obligation	1,481,922	37,371	-	1,519,293	-
<b>Total</b>	<b>\$ 38,981,577</b>	<b>\$ 43,399,105</b>	<b>\$ (7,601,442)</b>	<b>\$ 74,779,240</b>	<b>\$ 3,355,871</b>

Compensated absences, other postemployment benefits and the net pension liability will be liquidated in future periods primarily by the General Fund for governmental activities.

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Long Term Debt – Governmental Activities (continued)***

**Bonds From Direct Placement**

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 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 from a pledge of and first lien upon Front Beach Road CRA tax increment revenue and the CRA assessment.

If an event of default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for that purpose shall apply all Redevelopment Trust Fund Revenues as follows and in the following order (A) to the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, registrar and paying agent hereunder; and (B) to the payment of the interest and principal or redemption price, if applicable, then due on the bonds, as follows: (1) to the payment to the persons entitled thereto of all installments of interest then due (2) to the payment to the persons entitled thereto of the unpaid principal of any of the bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (3) the payment of the redemption price of any bonds called for optional redemption pursuant to the provisions of the resolution.

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

The pledge referenced above remains in effect until extinguishment or maturity of the debt in 2031, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2021, totaled \$37,669,824. Current year principal and interest payments paid on the bond required 26.1% of the pledged revenues. Principal and interest payments paid for the current year were \$2,505,000 and \$922,672, respectively, and the pledged revenues were

\$ 32,545,000



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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Long Term Debt – Governmental Activities (continued)***

**Bonds From Direct Placement (continued)**

On October 6, 2020, the City issued \$35,110,000 Capital Improvement Revenue Bonds, Series 2020 (Front Beach Road Project). The proceeds of the bonds were used to fund the design, acquisition of land, rights, and easements, construction, improvement and streetscaping of: (a) Front Beach Road Segment 3 / Hwy 79, (b) Powell Adams Phase 2, (c) Front Beach Road Segment 4.1, and (d) any other project approved by Resolution No. 20-52. The bonds are special obligation bonds of the City payable from a pledge of and lien upon Front Beach Road CRA tax increment revenue.

If an event of default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for that purpose shall apply all Redevelopment Trust Fund Revenues as follows and in the following order (A) to the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, registrar and paying agent hereunder; and (B) to the payment of the interest and principal or redemption price, if applicable, then due on the bonds, as follows: (1) to the payment to the persons entitled thereto of all installments of interest then due (2) to the payment to the persons entitled thereto of the unpaid principal of any of the bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (3) the payment of the redemption price of any bonds called for optional redemption pursuant to the provisions of the resolution.

The bonds are payable in annual principal installments ranging from \$1,385,000 to \$2,830,000 over the life of the bonds beginning November 1, 2032. Semi-annual interest payments at a rate of 5% are due each May 1 and November 1 beginning May 1, 2021 through May 1, 2041. The interest rate then decreases to 4% through maturity on November 1, 2048.

The pledge referenced above remains in effect until extinguishment or maturity of the debt in 2048, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2021, totaled \$66,398,250. No principal was paid in the current year. Current year interest payments paid on the bond required 6.7% of the pledged revenues. Interest payments paid for the current year were \$886,796 and the pledged revenues were \$13,152,106.

	35,110,000
Total bonds from direct placement at September 30, 2021	67,655,000
Less: bonds from direct placement – current portion	(2,575,000)
Bonds from direct placement – long-term at September 30, 2021	\$ 65,080,000

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Long Term Debt – Governmental Activities (continued)***

Year Ending September 30,	Principal	Interest	Total
2022	2,575,000	2,410,630	4,985,630
2023	2,650,000	2,339,309	4,989,309
2024	2,720,000	2,266,008	4,986,008
2025	2,795,000	2,190,728	4,985,728
2026	2,870,000	2,113,401	4,983,401
2027-2031	15,565,000	9,331,748	24,896,748
2032-2036	9,345,000	7,253,376	16,598,376
2037-2041	9,315,000	5,173,875	14,488,875
2042-2046	11,650,000	2,835,400	14,485,400
2047-2049	8,170,000	498,600	8,668,600
Total	\$ 67,655,000	\$ 36,413,075	\$ 104,068,075

***Long Term Debt – Business-Type Activities***

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

	Balance September 30, 2020	Additions	Deductions	Balance September 30, 2021	Due within One Year
Bonds from direct placement					
Revenue bonds	\$ 36,410,000	\$ 32,440,000	\$ (35,975,000)	\$ 32,875,000	\$ 2,250,000
Adjusted for deferred amounts on issuance premium	469,782	-	(443,650)	26,132	26,132
Total bonds from direct placement	36,879,782	32,440,000	(36,418,650)	32,901,132	2,276,132
Revenue certificates payable	2,140,613	51,655	(99,394)	2,092,874	2,092,874
Accrued compensated absences	698,595	448,300	(471,000)	675,895	177,379
Net pension liability (asset)	(1,145,541)	-	(1,099,715)	(2,245,256)	-
Net OPEB obligation	624,219	11,345		635,564	-
Total	\$ 39,197,668	\$ 32,951,300	\$ (38,088,759)	\$ 34,060,209	\$ 4,546,385

Business-type activities compensated absences, other postemployment benefits, and net pension liability will be liquidated by the respective proprietary funds.

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Long Term Debt – Business-Type Activities (continued)***

**Bonds From Direct Placement**

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 an original final maturity on June 1, 2032. This debt was partially refunded in the current year and the new maturity date is June 1, 2022.

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.

In the event of default of the payment of principal or interest with respect to the Insured Bonds when all or some becomes due, any owner of the Insured Bonds shall have a claim under the Policy for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration.

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, 2020 totaled \$1,071,000. Current year principal and interest payments on the bond required 6.4% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$970,000 and \$292,641, respectively. For the year ended September 30, 2021, pledged revenues were \$19,799,840.

\$ 1,020,000

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Long Term Debt – Business-Type Activities (continued)***

**Bonds From Direct Placement (continued)**

On November 20, 2020, the City issued \$19,875,000 Utility Revenue Refunding Bond, Series 2020A. The proceeds of the bond were used to refund the outstanding principal amounts of the City's Utility Revenue Refunding Bonds, Series 2016, maturing on and after December 1, 2020, and to pay the costs of issuing the Series 2020A bond. The principal amount refunded was \$22,100,000. As a result of the refunding, the City reduced its debt service payments over a period of sixteen years by \$5,159,672, which resulted in an economic gain of \$2,063,720.

Upon the occurrence of an event of default, the interest rate on the bond shall be adjusted to the default rate until such time as the event of default has been cured by the Issuer. Additionally, if an event of default shall occur, the City shall pay all reasonable out of pocket expenses of the Lender in connection with the enforcement of the agreement.

Interest is payable semi-annually on June 1 and December 1 at a fixed rate of 1.55%. Principal is payable annually on June 1 beginning June 1, 2021, with a final maturity on June 1, 2036.

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 remaining principal and interest payments on this debt as of September 30, 2021 totaled \$21,801,628. Current year principal and interest payments on the bond required 3.6% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$555,000 and \$163,444, respectively. For the year ended September 30, 2021, pledged revenues were \$19,799,840.

19,320,000

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Long Term Debt – Business-Type Activities (continued)***

**Bonds From Direct Placement (continued)**

On November 20, 2020, the City issued \$12,565,000 Utility Revenue Refunding Bond, Series 2020B. The proceeds of the bond were used to advance refund the outstanding principal amounts of the City's Utility Revenue Refunding Bonds, Series 2012, maturing on and after December 1, 2022, and to pay the costs of issuing the Series 2020B bond. The principal amount refunded was \$12,320,000. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$190,641. 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 twelve years by \$1,552,726, which resulted in an economic gain of \$793,216.

Upon the occurrence of an event of default, the interest rate on the bond shall be adjusted to the default rate until such time as the event of default has been cured by the Issuer. Additionally, if an event of default shall occur, the City shall pay all reasonable out of pocket expenses of the Lender in connection with the enforcement of the agreement.

Interest is payable semi-annually on June 1 and December 1 at a fixed rate of 1.73%. Principal is payable annually on June 1 beginning June 1, 2021, with a final maturity on June 1, 2032.

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 remaining principal and interest payments on this debt as of September 30, 2021 totaled \$13,968,132. Current year principal and interest payments on the bond required 0.7% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$30,000 and \$115,329, respectively. For the year ended September 30, 2021, pledged revenues were \$19,799,840.

	12,535,000
Total bonds from direct placement at September 30, 2021	32,875,000
Less: bonds from direct placement – current portion	(2,250,000)
Bonds from direct placement – long-term at September 30, 2021	\$ 30,625,000

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

**Long Term Debt – Business-Type Activities (continued)**

Year Ending September 30,	Principal	Interest	Total
2022	2,250,000	567,316	2,817,316
2023	2,325,000	497,107	2,822,107
2024	2,365,000	458,999	2,823,999
2025	2,395,000	420,227	2,815,227
2026	2,435,000	380,971	2,815,971
2027-2031	12,825,000	1,291,917	14,116,917
2032-2036	8,280,000	349,225	8,629,225
<b>Total</b>	<b>\$ 32,875,000</b>	<b>\$ 3,965,762</b>	<b>\$ 36,840,762</b>

**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, 2020	Net Changes During the Year	Balance at September 30, 2021
Wild Heron	\$ 431,834	\$ 45,975	\$ (18,011)	\$ 27,964
Hills Road	71,550	6,263	-	6,263
Bayside Partners	142,993	116,014	-	116,014
Sunnyside Beach & Tennis	203,385	166,404	-	166,404
Tapestry Park North	96,430	82,115	(1,998)	80,117
Magnolia Beach	100,000	76,103	(2,019)	74,084
TW Olson-Magnolia	490,500	373,277	(9,905)	363,372
St. Andrews Land Company	670,414	510,188	(13,538)	496,650
Ocean Park Pavilion	68,494	68,494	-	68,494
Ocean Park Pavilion	239,795	225,512	(26,154)	199,358
St. Andrews Land Company	212,496	198,355	(2,407)	195,948
Antigua Developers	143,950	21,461	-	21,461
Shores of Panama	250,626	249,303	(3,723)	245,580
Individual citizens	67,010	1,149	30,016	31,165
<b>Total</b>	<b>\$ 3,189,477</b>	<b>\$ 2,140,613</b>	<b>\$ (47,739)</b>	<b>\$ 2,092,874</b>

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

**Note 3: DETAILED NOTES ON ALL FUNDS (continued)**

***Leases***

***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. Effective October 1, 2020, the lease is a month-to-month lease while the City works through the Beachfront RFP. Rental income for the year ended September 30, 2021 was \$638,039.

**Note 4: OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB)**

***Plan Description***

The City administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the City is required to provide eligible retirees (as defined in the City’s pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees. The City does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the City’s basic financial statements.

***Funding Policy***

The City is funding the post employee benefits on a pay-as-you-go basis. Contribution rates for the Plan are established by City Council annually during the budget process. The City does not pay for health insurance premiums for retirees. Blended premium rates for active and retired employees combined provide an implicit subsidy for retirees because on an actual basis, their current and future claims are expected to result in higher costs to the Plan than those of active employees. The current year contributions are determined as annualized claims incurred based on the retiree age at the beginning of the fiscal year and the claims table used for liability determination offset by the annual premium paid by the retiree for such coverage. City contributions are assumed to be equal to benefits paid.

***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.

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

**Note 4: OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) (continued)**

***Plan Membership:***

As of the measurement date of September 30, 2021, OPEB membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	25
Active employees	277
Total	302

***Actuarial Assumptions and Other Inputs***

The OPEB liability is based on a valuation dated 10/1/19 with a measurement date of September 30, 2021. In the September 30, 2021 measurement data, the actuarial assumptions and other inputs, applied include the following:

Discount rate	2.26%	
Salary increases	2.5% per annum	
Mortality rates	2019 PPA mortality table (RP-2014, base year 2006, adjusted to 2019 with mortality improvement scale MP-2017).	
Healthcare trend rate	Year	Trend Rate
	2020	4.5%
	2021	4.5%
	Ultimate	4.5%

The discount rate was selected based on Bond Buyer's 20-Bond GO index for September 2021 of 2.26%.

The actuarial assumptions used in the October 1, 2019 valuation were not based on the results of an actuarial experience study.



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

**Note 4: OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) (continued)**

***Actuarial Assumptions and Other Inputs (continued)***

At September 30, 2021, the City reported a total OPEB liability of \$2,154,857. The information has been provided as of the September 20, 2021 measurement date.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
	(a)	(b)	(a) - (b)
Balance as of October 1, 2020	\$ 2,106,141	\$ -	\$ 2,106,141
Changes for the year			
Service cost	69,750	-	69,750
Interest	48,087	-	48,087
Change of assumptions	-	-	-
Difference between expected and actual experience	(15,528)	-	(15,528)
Changes in benefit terms	-	-	-
Contributions - employer (Implicit rate subsidy)	(53,593)	53,593	(107,186)
Net investment income	-	-	-
Benefit payments	-	(53,593)	53,593
Administrative expenses	-	-	-
Net changes	48,716	-	48,716
Balance as of September 30, 2021	\$ 2,154,857	\$ -	\$ 2,154,857

The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2019, these calculations are based on the Entry Age Normal cost method required by GASB P52: *Postemployment Benefits Other Than Pensions*.

***Sensitivity of Net OPEB Liability***

The following table represents the City's total and net OPEB liability calculated using the discount rate of 2.26%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.26%) or one percentage point higher (3.26%) than the current rate:

	1% Decrease	Current	1% Increase
	1.26%	Discount Rate 2.26%	3.26%
Total OPEB liability	\$ 2,586,303	\$ 2,154,857	\$ 1,827,134

The following table represents the City's total and net OPEB liability calculated using the health care cost trend rate of 4.5 %, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.5%) or one percentage point higher (5.5%) than the current rate:

	1% Decrease	Trend Rate	1% Increase
	Total OPEB liability	\$ 1,783,149	\$ 2,154,857

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

**Note 4: OTHER POSTEMPLOYMENT BENEFITS PLAN (OPEB) (continued)**

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

For the fiscal year ended September 30, 2021, the City recognized an OPEB expense of \$92,660. In addition the City reported deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 465,628	\$ 135,327
Total	\$ 465,628	\$ 135,327

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

2022	\$	28,414
2023		28,414
2024		28,414
2025		28,414
2026		28,414
Thereafter		188,231
Total	\$	330,301

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

***Description of the Plans***

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. The Plans are administered by their respective Board of Trustees. Each Board of Trustees oversees the management of their respective plan for the City of Panama City Beach. The board has established procedures to ensure that idle funds are invested as authorized by Florida statute to earn the maximum interest. A description of each of the plans follows.

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

### **Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

#### ***Summary of Significant Accounting Policies (All Plans)***

##### *Basis of Accounting*

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.

##### *Method Used to Value Investments*

Investments held by the plans are recorded at market value in the basic financial statements. There are no investments in, loans to, or leases with parties related to the pension plans. Ninety-six percent (96%) 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 two percent (2%) is in cash, money market funds, and receivables.

##### *Presentation of Financial Statements*

The Plans do not issue stand-alone financial reports and are not included in the reports of any other entity. An actuarial valuation report for the plans may be obtained by writing to Debra Gibson, Finance Director, 17007 Panama City Beach Parkway, Panama City Beach, Florida 32413.

#### ***Funding Requirements***

##### *General employees*

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, 2021, the most recent actuarial study shows a surplus of \$4,725,022 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 8.7% of compensation. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically. For the year ending September 30, 2021, employee contributions to the plan totaled \$808,277, while City contributions were \$1,097,316 or 11.81% of covered payroll.

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Funding Requirements (continued)***

*Police Officers*

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, 2021, the most recent actuarial study shows a surplus of \$1,160,847 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. For the year ending September 30, 2021, employee contributions to the plan totaled \$466,762, while City contributions were \$442,591 or 11.60 % of covered payroll.

*Firefighters*

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, 2021, the most recent actuarial study shows a deficit of \$149,974 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. For the year ending September 30, 2021, employee contributions to the plan totaled \$155,931, while City contributions were \$582,057 or 18.61 % of covered payroll.

*Police Officers and Firefighters*

Municipalities that have established pension plans complying with the provisions of Chapters 175 and 185, Florida Statutes, and that have enacted appropriate taxing legislation are eligible to receive revenues generated from excise taxes on gross receipts of certain insurance premiums from policyholders covering property within the City limits. These state premium tax proceeds are the Firefighters' Pension Fund Excise Tax, which is imposed on the gross receipts of property insurance policy premiums, and the Police Officers' Pension Fund Excise Tax, which is imposed on the gross receipts of casualty insurance policy premiums. These revenues, taken as a whole, amounted to \$454,874 for the year ended September 30, 2021.

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

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Plan Membership and Benefits***

Membership of each plan consisted of the following at October 1, 2020, the date of the latest actuarial valuation.

	<b>General Employees'</b>	<b>Police Officers'</b>	<b>Fire- Fighters'</b>
Retirees and beneficiaries receiving benefits	90	28	16
Terminated plan members entitled to but not yet receiving benefits	5	5	2
Active plan members	182	60	54
<b>Total</b>	<b>277</b>	<b>93</b>	<b>72</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).
- 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.)

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Plan Membership and Benefits (continued)***

*General Employees' Pension Plan (continued)*

- **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.

*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.

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Plan Membership and Benefits (continued)***

*Police Officers' Pension Plan (continued)*

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

*Firefighters' Pension Plan*

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

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

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 3.35% of average final compensation multiplied by years of credited service, but not more than 100% of average final compensation (excluding COLA's).

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Plan Membership and Benefits (continued)***

*Firefighters' Pension Plan (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, 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 Financial Statements**

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Plan Membership and Benefits (continued)***

*All Plans*

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.

***Pension Plan Investments***

Each plan’s investment policy was adopted by the respective Pension Board of Trustees, which has the authority for establishing and amending investment policy decisions for each of the plans that they administer. The policy outlines suitable, authorized investments along with asset allocations.

The Board’s targeted allocation policy for each pension plan as of September 30, 2021 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%
<b>Total targeted allocation</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

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

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Pension Plan Investments (continued)***

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, 2021 is summarized below:

	General Employees'	Police Officers'	Firefighters'
Money-weighted rate of return	21.20%	18.80%	20.95%

***Net Pension Liability, Significant Assumptions, and Discount Rate***

The components of the net pension liability at September 30, 2021, are as follows:

	General Employees'	Police Officers'	Firefighters'	Total
Total pension liability	\$ 46,174,005	\$ 28,810,337	\$ 22,333,230	\$ 97,317,572
Plan fiduciary net position	(50,899,027)	(29,971,184)	(22,183,256)	(103,053,467)
City's net pension liability (asset)	\$ (4,725,022)	\$ (1,160,847)	\$ 149,974	\$ (5,735,895)

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

110%	104%	99%
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At September 30, 2021, the City reported an asset of \$4,725,022 for the pension asset for the general employees' retirement plan. The net pension asset is measured as of September 30, 2021. The net pension asset was allocated to each of the activities benefited by the plan.

At September 30, 2021, the City reported an asset of \$1,160,847 for the pension liability for the police officers' retirement plan. The net pension liability is measured as of September 30, 2021. The net pension liability was reported in the governmental activities.

At September 30, 2021, the City reported a liability of \$149,974 for the pension liability for the firefighters' retirement plan. The net pension liability is measured as of September 30, 2021. The net pension liability was reported in the governmental activities.

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2020 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	5.0%	5.0%	5.0%
Investment rate of return	7.0%	7.0%	7.0%

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

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Net Pension Liability, Significant Assumptions, and Discount Rate (continued)***

*General Employees*

Mortality: PUB 2010, adjusted for the below median general classification, set back one year for males, projected using scale MP 2018 (Florida Retirement System Regular Risk mortality).

Retirement Rate: 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.

*Police Officers and Firefighters*

Mortality: PUB 2010, adjusted for the safety classification, set forward one year, projected using scale MP 2018 (Florida Retirement System Special Risk mortality).

Retirement Rate: 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.

*All Plans*

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 nonjob-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.

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 \$285,000; projected to increase at the rate of 4% per annum.

Maximum Benefits: The \$230,000 maximum for years ending in 2020 and other applicable benefit limitations under Section 415 are projected to increase at the rate of 4% per annum.

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

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Net Pension Liability, Significant Assumptions, and Discount Rate (continued)***

*All Plans (Continued)*

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

The long-term expected rate of return on pension plan investments was confirmed appropriate using Aon's e-tool model assuming general inflation of 2.5%, which is a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the plans' target asset allocation as of September 30, 2021, are summarized in the following table:

Asset Class	General Employees'	Police Officers'	Firefighters'
	Long-term Expected Real Rate of Return	Long-term Expected Real Rate of Return	Long-term Expected Real Rate of Return
<b>Equity</b>			
Large cap U.S. equity	3.9%	3.9%	3.9%
Small cap U.S. equity	4.4%	4.4%	4.4%
International (non-U.S.) equity developed	5.0%	5.0%	5.0%
Emerging markets equity	5.3%	5.3%	5.3%
<b>Fixed income</b>			
Long duration bonds - gov't/credit	0.0%	0.0%	0.0%
<b>Alternative investments</b>			
Real estate (broad market)	3.1%	3.1%	3.1%

The discount rate used to measure the total pension liability was 7.0 percent for general employees and 7.0 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.

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

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

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

For the year ended September 30, 2021, the City recognized pension expense of \$376,625 for the general employees' pension plan and pension expense of \$103,084 and \$41,493 for the police officers' pension plan, and the firefighters' pension plan, respectively.

At September 30, 2021, 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	\$ 41,067	\$ 1,518,306
Net difference between expected and actual earnings on pension plan investments	-	4,601,800
Assumption changes	3,037,483	170,657
<b>Total</b>	<b>\$ 3,078,550</b>	<b>\$ 6,290,763</b>

At September 30, 2021, 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	\$ 496,070	\$ 1,382,217
Net difference between expected and actual earnings on pension plan investments	-	2,289,044
Assumption changes	1,895,284	-
<b>Total</b>	<b>\$ 2,391,354</b>	<b>\$ 3,671,261</b>

At September 30, 2021, 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	\$ 1,084,720	\$ 465,703
Net difference between expected and actual earnings on pension plan investments	-	1,973,295
Assumption changes	1,602,962	2,222
<b>Total</b>	<b>\$ 2,687,682</b>	<b>\$ 2,441,220</b>

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

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Pension Benefit (Expense), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)***

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
2022	\$ (837,448)	\$ (131,574)	\$ 19,596	\$ (949,426)
2023	(624,900)	(183,782)	79,883	(728,799)
2024	(778,748)	(523,287)	(96,507)	(1,398,542)
2025	(971,117)	(441,264)	(62,448)	(1,474,829)
2026	-	-	305,938	305,938
Thereafter	-	-	-	-
<b>Total</b>	<b>\$ (3,212,213)</b>	<b>\$ (1,279,907)</b>	<b>\$ 246,462</b>	<b>\$ (4,245,658)</b>

***Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate***

*General Employees*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2020	\$ 40,650,404	\$ 43,016,573	\$ (2,366,169)
Changes for the year			
Service cost	\$ 1,352,512	\$ -	\$ 1,352,512
Interest	3,206,254	-	3,206,254
Differences between expected and actual experiences	(1,046,563)	-	(1,046,563)
Changes of assumptions	3,665,054	-	3,665,054
Changes of benefit terms	174,868	-	174,868
Contributions - employer	-	1,097,316	(1,097,316)
Contributions - member	-	808,227	(808,227)
Net investment income (loss)	-	7,910,521	(7,910,521)
Benefit payments, including refunds of member contributions	(1,828,524)	(1,828,524)	-
Administrative expense	-	(105,086)	105,086
Net changes	5,523,601	7,882,454	(2,358,853)
Balances at September 30, 2021	\$ 46,174,005	\$ 50,899,027	\$ (4,725,022)

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

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate (continued)***

The sensitivity of the net pension liability to changes in the discount rate is shown below.

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
City's net pension (benefit) liability			
General employees' pension	\$ 18,603	\$ (4,725,022)	\$ (9,905,212)

*Police officers*

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2020	\$ 26,314,378	\$ 25,163,071	\$ 1,151,307
Changes for the year			
Service cost	\$ 728,008	\$ -	\$ 728,008
Interest	2,059,834	-	2,059,834
Differences between expected and actual experiences	(1,719,285)		(1,719,285)
Changes of assumptions	2,307,322	-	2,307,322
Changes of benefit terms	65,485	-	65,485
Contributions - employer	-	442,591	(442,591)
Contributions - member	-	466,762	(466,762)
Contributions - state	-	191,852	(191,852)
Net investment income (loss)	-	4,735,706	(4,735,706)
Benefit payments, including refunds of member contributions	(945,403)	(945,403)	-
Administrative expense	-	(83,393)	83,393
Net changes	2,495,961	4,808,115	(2,312,154)
Balances at September 30, 2021	28,810,339	29,971,186	(1,160,847)

The sensitivity of the net pension liability to changes in the discount rate is shown below.

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
City's net pension liability			
police officers' pension	2,136,777	(1,160,847)	(4,538,672)

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

**Note 5: PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (continued)**

***Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate (continued)***

*Firefighters*

	Increases (Decreases)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at September 30, 2020	\$ 18,834,984	\$ 18,308,303	\$ 526,681
Changes for the year			
Service cost	\$ 494,293	\$ -	\$ 494,293
Interest	1,464,011	-	1,464,011
Differences between expected and actual experiences	510,002		510,002
Changes of assumptions	1,907,051	-	1,907,051
Changes of benefit terms	17,190	-	17,190
Contributions - employer	-	582,057	(582,057)
Contributions - member	-	155,931	(155,931)
Contributions - state	-	263,022	(263,022)
Net investment income (loss)	-	3,840,600	(3,840,600)
Benefit payments, including refunds of member contributions	(894,301)	(894,301)	-
Administrative expense	-	(72,356)	72,356
Net changes	3,498,246	3,874,953	(376,707)
Balances at September 30, 2021	22,333,230	22,183,256	149,974

The sensitivity of the net pension liability to changes in the discount rate is shown below.

	1% Decrease (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
City's net pension (benefit) liability			
firefighters' pension	3,057,324	149,974	(2,463,757)

***Pension Plan Financial Statements***

The City does not issue separate financial statements for the General Employees, Police Officers or the Firefighters pension plans. The basic financial statements of the City include a statement of net position and a statement of changes in fiduciary net position that presents a single column for each fund type for all pension trust funds. Combining fund information is included in the combining financial statement section of the report.



**Note 6: COMMITMENTS AND CONTINGENCIES**

***Litigation***

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

***Contract***

On November 30, 1999, the City entered into a contract to purchase water from Bay County. The terms of the contract require that the City must purchase a minimum of five billion, three hundred ninety-five million (5,395,000,000) gallons of water each fiscal year. During 2002, the minimum purchase amount was amended to five billion, eighty-two million, one hundred thousand (5,082,100,000) gallons. In the event of a shortfall, the City is required to pay Bay County an amount equal to the number of gallons short, at an agreed upon amount (\$.335 per thousand gallons). During the year ended September 30, 2021, the City's cost of water purchased from Bay County was \$8,858,226. The City did not meet its minimum purchase obligation for 2021 and as a result there was an amount due of \$137,048 at September 30, 2021. However, this liability was offset by \$604,355 representing credits given in accordance with the interlocal agreement with Bay County. As a result of these credits, there was no liability due to Bay County under the "take or pay" contract at September 30, 2021.

***Construction Commitments***

At September 30, 2021, the City had open construction contract commitments of approximately \$213,000.

**Note 7: 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 separate commercial insurance coverage for workers' compensation, liability, and property damage. Coverage for workers' compensation and automobile claims are limited to the maximum liability exposure the City faces under Florida statutes. Coverage for general liability claims is a maximum of \$1,000,000 per occurrence.

The commercial insurance carried is a claims incurred policy for which the City is covered for claims originating against the City during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The City has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended September 30, 2021.

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

**Note 8: 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, 2021, and a provision for incurred but not yet reported claims, as well as a provision for potential future claims in excess of the re-insurance coverage limits.

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

Funding for health insurance premiums is derived from three sources:

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

For the fiscal year ended September 30, 2021, the change in the claims liability was as follows:

Claims liability, October 1, 2020	\$	2,300,953
Total transfers to the claims account from premiums, rebates, and other		3,397,449
Total transfers out of the claims account for claims, reinsurance fees, and other		(3,733,568)
Claims liability, September 30, 2021	\$	1,964,834

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

### **Note 9: 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, 2021, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$466,459. These funds were subsequently paid to the CDD by the City.

In May 2014, the City passed resolution 14-65 which amended the PIPA including the method of computing and paying the annual reinvestment amount. Under the amendment, the City is required to pay to the CDD, by the 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, 2021 were \$2,494,678. Under the terms of the amended PIPA, \$1,961,558 was remitted to the CDD and \$533,119 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 10: NET POSITION RESTRICTIONS**

The following is a description of reported net position restrictions in governmental activities and business-type activities at September 30, 2021.

#### ***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.

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

**Note 10: NET POSITION RESTRICTIONS (continued)**

***Governmental Activities (continued)***

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

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

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

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

***Summary***

Specific restrictions of net position are summarized below as of September 30, 2021:

Governmental activities	
Law enforcement	\$ 64,397
Beach access public parking	794,283
Impact fees	4,507,273
Reforestation	5,381
Debt service	5,934,597
Community redevelopment	24,228,257
Storm water	2,333,621
<hr/>	
Total	\$ 37,867,809
<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.

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

**Note 10: NET POSITION RESTRICTIONS (continued)**

***Business-type Activities (continued)***

***Summary***

Specific restrictions of net position are summarized below as of September 30, 2021:

Business-type activities		
Impact fees	\$	20,636,497
Debt service		750,000
<hr/>		
Total	\$	21,386,497
<hr/>		

For the fiscal year ending September 30, 2021, the reported net position in governmental activities and business-type activities assets restricted by enabling legislation was \$56,121,021.

**Note 11: 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
<hr/>				
Nonspendable				
Prepays	\$ 197,807	\$ 897	\$ 449	\$ 199,153
Inventory	17,356	-	-	17,356
<hr/>				
Total nonspendable	215,163	897	449	216,509
<hr/>				

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

**Note 11: FUND BALANCE CONSTRAINTS (continued)**

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Restricted</b>				
Highways and streets	\$ 30,400	\$ -	\$ -	\$ 30,400
Public safety	-	-	64,397	64,397
Debt service	-	8,331,921	-	8,331,921
Community redevelopment	-	23,602,396	-	23,602,396
Reforestation	5,381	-	-	5,381
Impact fees	4,472,270	563,498	-	5,035,768
Building permits	252,893	-	-	252,893
Public parking	-	-	794,283	794,283
Storm water	-	-	2,373,479	2,373,479
Construction	-	36,505,563	-	36,505,563
<b>Total restricted</b>	<b>4,760,944</b>	<b>69,003,378</b>	<b>3,232,159</b>	<b>76,996,481</b>
<b>Committed</b>				
Construction	212,873	-	-	212,873
<b>Total committed</b>	<b>212,873</b>	<b>-</b>	<b>-</b>	<b>212,873</b>
<b>Assigned</b>				
Subsequent years	1,692,250	-	-	1,692,250
Compensated absences	500,000	-	-	500,000
Road maintenance	1,000,000	-	-	1,000,000
Building renewal and replacement	1,000,000	-	-	1,000,000
Future capital projects	3,468,000	-	-	3,468,000
Self-insurance	1,588,804	-	-	1,588,804
Community redevelopment	-	197,085	-	197,085
Public safety	-	-	40,158	40,158
<b>Total assigned</b>	<b>9,249,054</b>	<b>197,085</b>	<b>40,158</b>	<b>9,486,297</b>
<b>Unassigned</b>	<b>23,469,363</b>	<b>-</b>	<b>-</b>	<b>23,469,363</b>
<b>Total fund balances</b>	<b>\$ 37,907,397</b>	<b>\$ 69,201,360</b>	<b>\$ 3,272,766</b>	<b>\$ 110,381,523</b>

**Note 12: SUBSEQUENT EVENTS**

On March 3, 2022, the City finalized the issuance of \$12,535,000 Utility Revenue Refunding Bond, Series 2022 to finance the cost of refunding the City's Outstanding Utility System Revenue Bond, Series 2020B. The refunding will provide the City approximately \$220,000 in present value savings on future debt service. The principal and interest on the Series 2022 Bonds will be payable solely from and secured by a pledge of the Pledged Revenues, which include (i) Net Revenues of the System, and (ii) certain water system development charges, sewer system development charges and public service taxes, pursuant to the Resolution, and on parity with any Additional Bonds issued pursuant to the Resolution.

## **Required Supplementary Information**



**City of Panama City Beach, Florida**  
**Required Pension Supplementary Information**

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Eight Fiscal Years**  
**General Employees**

<i>As of and for the year ended September 30,</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>								
Service cost	\$ 1,352,512	\$ 1,294,270	\$ 1,144,923	\$ 1,098,483	\$ 1,081,152	\$ 1,015,477	\$ 1,057,919	\$ 1,040,681
Interest	3,206,254	3,272,081	3,156,029	3,134,812	2,878,833	2,715,866	2,488,143	864,624
Changes of benefit terms	174,867	-	-	-	-	-	-	-
Differences between expected and actual experiences	(1,046,563)	(1,187,680)	(420,235)	(1,670,609)	(982,721)	(642,786)	157,575	1,874,051
Changes of assumptions	3,665,054	430,656	-	-	486,743	-	-	-
Benefit payments, including refunds of member contributions	(1,828,524)	(1,843,785)	(2,334,202)	(2,340,677)	(967,953)	(1,067,418)	(1,255,002)	(1,285,877)
DROP adjustment	-	-	-	-	-	-	534,139	-
Net change in total pension liability	5,523,600	1,965,542	1,546,515	222,009	2,496,054	2,021,139	2,448,635	2,493,479
Total pension liability - beginning	40,650,404	38,684,860	37,138,346	36,916,337	34,420,283	32,399,144	29,416,370	26,922,891
Total pension liability - ending (a)	46,174,004	40,650,402	38,684,861	37,138,346	36,916,337	34,420,283	31,865,005	29,416,370
<b>Plan fiduciary net position</b>								
Contributions - employer	1,097,316	659,426	805,890	745,847	809,369	892,284	995,644	1,095,319
Contributions - member	808,227	717,126	686,294	631,150	571,937	563,913	538,751	548,921
Contributions - Buy back of service	-	-	-	6,433	-	-	-	-
Net investment income (loss)	7,910,521	4,098,315	1,564,559	2,939,347	4,128,258	2,525,763	(550,968)	2,892,762
Benefit payments, including refunds of member contributions	(1,828,524)	(1,843,785)	(2,334,202)	(2,340,677)	(967,953)	(1,067,418)	(1,255,002)	(1,285,877)
Administrative expense	(105,086)	(106,296)	(84,853)	(31,038)	(20,903)	(24,884)	(29,135)	(23,565)
DROP adjustment	-	-	-	-	-	-	534,139	-
Net change in plan fiduciary net position	7,882,454	3,524,786	637,688	1,951,062	4,520,708	2,889,658	(300,710)	3,227,560
Plan fiduciary net position - beginning	43,016,572	39,491,786	38,854,099	36,903,037	32,382,329	29,492,671	29,259,242	26,031,682
Plan fiduciary net position - ending (b)	50,899,026	43,016,572	39,491,787	38,854,099	36,903,037	32,382,329	28,958,532	29,259,242
Net pension liability (asset) - ending (a) - (b)	\$ (4,725,022)	\$ (2,366,170)	\$ (806,926)	\$ (1,715,753)	\$ 13,300	\$ 2,037,954	\$ 2,906,473	\$ 157,128
Plan fiduciary net position as a percentage of the total pension liability	110.23%	105.82%	102.09%	104.62%	99.96%	94.08%	90.88%	99.47%
Covered payroll	\$ 9,289,961	\$ 8,392,421	\$ 7,888,434	\$ 7,254,593	\$ 6,573,994	\$ 6,483,319	\$ 6,238,976	\$ 5,500,368
Net pension liability (asset) as a percentage of covered payroll	-50.86%	-28.19%	-10.23%	-23.65%	0.20%	31.43%	46.59%	2.86%

**Notes 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available**

*See Independent Auditors' Report.*

## City of Panama City Beach, Florida Required Pension Supplementary Information

**Schedule of Contributions  
Last Eight Fiscal Years  
General Employees**

Year ended September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 1,092,499	\$ 224,917	\$ 474,884	\$ 657,992	\$ 642,937	\$ 672,608	\$ 869,713	\$ 880,755
Contributions made in relation to the actuarially determined contribution	1,097,316	659,426	805,890	745,847	809,369	892,284	995,644	1,095,319
<b>Contribution deficiency (excess)</b>	<b>\$ (4,817)</b>	<b>\$ (434,509)</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	\$ 9,289,961	\$ 8,392,421	\$ 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	11.81%	7.86%	10.22%	10.28%	12.31%	13.76%	15.96%	19.91%

**Notes to Schedule:**

**Valuation Date: 10/1/20**

**Note 1: 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.**

**Notes 2: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available**

*See Independent Auditors' Report.*

**City of Panama City Beach, Florida**  
**Required Pension Supplementary Information**

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Eight Fiscal Years**  
**Police Employees**

<i>As of and for the year ended September 30,</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>								
Service cost	\$ 728,008	\$ 557,073	\$ 614,104	\$ 621,201	\$ 609,635	\$ 546,733	\$ 520,895	\$ 479,598
Interest	2,059,834	1,895,622	1,827,811	1,760,885	1,650,451	1,528,848	1,525,052	304,873
Changes of benefit terms	65,485	-	-	-	-	-	-	-
Differences between expected and actual experiences	(1,719,285)	604,375	295,905	(516,658)	(53,433)	317,692	(181,955)	1,536,515
Changes of assumptions	2,307,322	-	69,958	-	174,190	-	-	-
Benefit payments, including refunds of member contributions	(945,403)	(1,290,489)	(987,025)	(1,056,520)	(967,438)	(904,815)	(926,647)	(1,037,205)
<b>Net change in total pension liability</b>	<b>2,495,961</b>	<b>1,766,581</b>	<b>1,820,753</b>	<b>808,908</b>	<b>1,413,405</b>	<b>1,488,458</b>	<b>937,345</b>	<b>1,283,781</b>
<b>Total pension liability - beginning</b>	<b>26,314,379</b>	<b>24,547,798</b>	<b>22,727,044</b>	<b>21,918,136</b>	<b>20,504,731</b>	<b>19,016,273</b>	<b>18,078,928</b>	<b>16,795,147</b>
<b>Total pension liability - ending (a)</b>	<b>28,810,340</b>	<b>26,314,379</b>	<b>24,547,797</b>	<b>22,727,044</b>	<b>21,918,136</b>	<b>20,504,731</b>	<b>19,016,273</b>	<b>18,078,928</b>
<b>Plan fiduciary net position</b>								
Contributions - employer	442,591	514,218	720,133	577,269	580,095	590,606	589,810	646,023
Contributions - member	466,762	422,039	502,866	373,527	344,327	338,561	325,235	307,896
Contributions - state	191,852	185,075	170,055	155,114	142,663	137,097	117,870	111,257
Net investment income (loss)	4,735,706	2,420,688	904,516	1,596,109	2,226,214	1,355,563	(280,772)	1,723,373
Benefit payments, including refunds of member contributions	(945,403)	(1,290,489)	(987,025)	(1,056,520)	(967,438)	(904,815)	(926,647)	(1,037,205)
Administrative expense	(83,393)	(86,951)	(64,615)	(36,961)	(24,921)	(18,136)	(20,470)	(18,632)
<b>Net change in plan fiduciary net position</b>	<b>4,808,115</b>	<b>2,164,580</b>	<b>1,245,930</b>	<b>1,608,538</b>	<b>2,300,940</b>	<b>1,498,876</b>	<b>(194,974)</b>	<b>1,732,712</b>
<b>Plan fiduciary net position - beginning</b>	<b>25,163,072</b>	<b>22,998,492</b>	<b>21,752,561</b>	<b>20,144,023</b>	<b>17,843,083</b>	<b>16,344,207</b>	<b>16,539,181</b>	<b>14,806,469</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>29,971,187</b>	<b>25,163,072</b>	<b>22,998,491</b>	<b>21,752,561</b>	<b>20,144,023</b>	<b>17,843,083</b>	<b>16,344,207</b>	<b>16,539,181</b>
<b>Net pension liability - ending (a) - (b)</b>	<b>\$ (1,160,847)</b>	<b>\$ 1,151,307</b>	<b>\$ 1,549,306</b>	<b>\$ 974,483</b>	<b>\$ 1,774,113</b>	<b>\$ 2,661,648</b>	<b>\$ 2,672,066</b>	<b>\$ 1,539,747</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>104.03%</b>	<b>95.62%</b>	<b>93.69%</b>	<b>95.71%</b>	<b>91.91%</b>	<b>87.02%</b>	<b>85.95%</b>	<b>91.48%</b>
<b>Covered payroll</b>	<b>\$ 4,023,558</b>	<b>\$ 3,895,753</b>	<b>\$ 4,175,768</b>	<b>\$ 3,395,701</b>	<b>\$ 3,130,244</b>	<b>\$ 3,078,788</b>	<b>\$ 2,967,537</b>	<b>\$ 2,732,684</b>
<b>Net pension liability as a percentage of covered payroll</b>	<b>-28.85%</b>	<b>29.55%</b>	<b>37.10%</b>	<b>28.70%</b>	<b>56.68%</b>	<b>86.45%</b>	<b>90.04%</b>	<b>56.35%</b>

**Notes 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available**

*See Independent Auditors' Report.*

## City of Panama City Beach, Florida Required Pension Supplementary Information

**Schedule of Contributions  
Last Eight Fiscal Years  
Police Employees**

Year Ended September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 256,703	\$ 405,548	\$ 529,487	\$ 522,598	\$ 536,211	\$ 626,841	\$ 568,283	\$ 691,416
Contributions made in relation to the actuarially determined contribution	466,762	514,218	720,133	577,269	580,095	590,606	589,810	757,280
Contribution deficiency (excess)	\$ (210,059)	\$ (108,670)	\$ (190,646)	\$ (54,671)	\$ (43,884)	\$ 36,235	\$ (21,527)	\$ (65,864)
Covered payroll	\$ 4,023,558	\$ 3,895,753	\$ 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	11.60%	13.20%	17.25%	17.00%	18.53%	19.18%	19.88%	27.71%

**Notes to Schedule:**

Valuation Date: 10/1/20

**Note 1: 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.

**Notes 2:** GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available

*See Independent Auditors' Report.*

**City of Panama City Beach, Florida**  
**Required Pension Supplementary Information**

**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Last Eight Fiscal Years**  
**Firefighter Employees**

<i>As of and for the year ended September 30,</i>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Total pension liability</b>								
Service cost	\$ 494,293	\$ 365,093	\$ 298,547	\$ 270,658	\$ 262,044	\$ 261,854	\$ 239,906	\$ 264,424
Interest	1,464,010	1,532,827	1,350,842	1,431,146	1,351,472	1,297,175	1,108,633	577,530
Changes of benefit terms	17,190	-	-	-	-	-	-	-
Differences between expected and actual experiences	510,002	(464,518)	1,499,596	(706,386)	(157,157)	(380,401)	614,707	392,824
Changes of assumptions	1,907,051	-	-	-	(70,012)	-	-	-
Benefit payments, including refunds of member contributions	(894,301)	(1,341,145)	(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>3,498,245</b>	<b>92,257</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>18,834,985</b>	<b>18,742,728</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>22,333,230</b>	<b>18,834,985</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	582,057	460,777	400,000	190,555	266,409	383,158	416,807	501,112
Contributions - member	155,931	127,721	109,254	96,798	80,110	78,955	86,266	146,638
Contributions - state	263,022	226,180	210,227	174,833	176,633	193,237	187,733	206,650
Net investment income (loss)	3,840,600	1,759,510	694,128	1,229,872	1,812,924	1,124,888	(212,505)	1,243,226
Benefit payments, including refunds of member contributions	(894,301)	(1,341,145)	(662,160)	(1,572,119)	(790,069)	(596,757)	(461,583)	(428,064)
Administrative expense	(72,356)	(77,610)	(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>3,874,953</b>	<b>1,155,433</b>	<b>694,953</b>	<b>98,515</b>	<b>1,524,269</b>	<b>1,162,038</b>	<b>(10,245)</b>	<b>1,637,778</b>
<b>Plan fiduciary net position - beginning</b>	<b>18,308,303</b>	<b>17,152,870</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>22,183,256</b>	<b>18,308,303</b>	<b>17,152,871</b>	<b>16,457,918</b>	<b>16,359,403</b>	<b>14,835,134</b>	<b>12,907,525</b>	<b>12,917,770</b>
<b>Net pension liability (asset) - ending (a) - (b)</b>	<b>\$ 149,974</b>	<b>\$ 526,682</b>	<b>\$ 1,589,858</b>	<b>\$ (202,014)</b>	<b>\$ 473,202</b>	<b>\$ 1,401,193</b>	<b>\$ 1,981,360</b>	<b>\$ 469,452</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>99.33%</b>	<b>97.20%</b>	<b>91.52%</b>	<b>101.24%</b>	<b>97.19%</b>	<b>91.37%</b>	<b>86.69%</b>	<b>96.49%</b>
<b>Covered payroll</b>	<b>\$ 3,127,063</b>	<b>\$ 2,595,638</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>4.80%</b>	<b>20.29%</b>	<b>71.57%</b>	<b>-10.60%</b>	<b>29.86%</b>	<b>91.91%</b>	<b>135.66%</b>	<b>36.52%</b>

Notes 1: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available

*See Independent Auditors' Report.*

## City of Panama City Beach, Florida Required Pension Supplementary Information

**Schedule of Contributions  
Last Eight Fiscal Years  
Firefighter Employees**

Year Ended September 30,	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 576,630	\$ 421,532	\$ 359,855	\$ 176,073	\$ 125,213	\$ 223,668	\$ 357,840	\$ 550,138
Contributions made in relation to the actuarially determined contribution	582,057	460,777	400,000	190,555	266,409	383,158	416,807	707,762
Contribution deficiency (excess)	\$ (5,427)	\$ (39,245)	\$ (40,145)	\$ (14,482)	\$ (141,196)	\$ (159,490)	\$ (58,967)	\$ (157,624)
Covered payroll	\$ 3,127,063	\$ 2,595,638	\$ 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	18.61%	17.75%	18.01%	10.00%	16.81%	25.13%	28.54%	55.05%

**Notes to Schedule:**

**Valuation Date: 10/1/20**

**Note 1: 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.**

**Notes 2: GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available**

*See Independent Auditors' Report.*

**City of Panama City Beach, Florida  
Required Pension Supplementary Information**

**NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION:**

**Note 1: PLAN CHANGES IN BENEFIT TERMS**

There have been no changes in benefits since the prior valuation of all three pension plans.

**Note 2: CHANGES OF ASSUMPTIONS**

For the General Employees' Plan, the actuarial cost method was updated from the Frozen Initial Liability method to the Entry Age Normal method. The investment yield assumption was reduced from 7.8% to 7.00%.

For the Police Officers and Firefighters' Plan, the actuarial cost method was updated from the Frozen Initial Liability method to the Entry Age Normal method. The investment yield assumption was reduced from 7.75% to 7.00%.

*See Independent Auditors' Report.*

**City of Panama City Beach, Florida**  
**Required Pension Supplementary Information**

**NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION: (CONTINUED)**

**Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES**

	General Employees	Police Employees	Fire Employees
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Amortized as a % of payroll over 20 years	Amortized as a % of payroll over 20 years	Amortized as a % of payroll over 20 years
Remaining amortization period	4 Years (as of 10/1/2020)	4 Years (as of 10/1/2020)	6 Years (as of 10/1/2020)
Asset valuation method	5 Year smoothed market	5 Year smoothed market	5 Year smoothed market
Inflation	2.5%	2.5%	2.5%
Payroll increases	5% per year	5% per year	5% per year
Salary increases	5% per year	5% per year	5% per year
*Interest rate	7.00%	7.00%	7.00%
Retirement age	Age 55 and 10 years of service or age 50 and 20 years of service.	Age 55 and 10 years of service, age 50 and 20 years of service or 25 years of service regardless of age.	Age 55 and 10 years of service, age 50 and 20 years of service or if elected 25 and out 25 years of service regardless of age.
Early retirement	Age 48 and 10 years of service	Age 50 and 10 years of service	Age 50 and 10 years of service
Mortality	PUB 2010 using scale MP 2018 (FRS regular risk mortality)	PUB 2010 using scale MP 2018 (FRS special risk mortality)	PUB 2010 using scale MP 2018 (FRS special risk mortality)

\*Interest rate is net of investment-related expenses, including inflation.

*See Independent Auditors' Report.*



**City of Panama City Beach, Florida**  
**Required Pension Supplementary Information**

**NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION: (CONTINUED)**

**Note 4: MONEY-WEIGHTED RATE OF RETURN**

This schedule is intended to provide information about the actual performance of the pension plan's investment portfolio because it takes into account the effects of transactions that increase the amount of pension plan investments (such as contributions from employers, non-employer contributing entities, and plan members) and those that decrease the amount of pension plan investments (such as benefit payments).

<b>General Employees</b>							
2021	2020	2019	2018	2017	2016	2015	2014
21.2%	10.5%	4.1%	8.3%	12.9%	8.7%	-1.6%	10.6%
<b>Police Employees</b>							
2021	2020	2019	2018	2017	2016	2015	2014
18.8%	10.6%	4.1%	8.2%	12.7%	8.6%	-1.4%	10.4%
<b>Fire Employees</b>							
2021	2020	2019	2018	2017	2016	2015	2014
21.0%	10.4%	4.2%	8.0%	12.7%	8.5%	-1.2%	10.8%

**Note 1:** GASB Codification P20 requires information for 10 years. However, until a full 10-year trend is compiled, the City is presenting information for only the years for which information is available.

*See Independent Auditors' Report.*

**City of Panama City Beach, Florida**  
**Required Other Postemployment Benefits Supplementary Information**  
**Schedule of Changes in OPEB Liability and Related Ratios**  
**Last Four Fiscal Years**

<i>As of and for the year ended September 30,</i>	<b>2021</b>	2020	2019	2018
<b>Total OPEB Liability</b>				
Service cost	\$ 69,750	\$ 63,930	\$ 50,983	\$ 37,880
Interest	48,087	51,684	60,862	55,707
Changes of benefit term	-	-	-	-
Difference between expected and actual experience	(15,528)	84,837	499,640	(169,229)
Changes of assumptions or other inputs	-	-	-	-
Benefit payments	(53,593)	(53,593)	(36,656)	(36,656)
Net change in total OPEB liability	48,716	146,858	574,829	(112,298)
Total OPEB liability - beginning	2,106,141	1,959,283	1,384,454	1,496,752
Total OPEB liability - ending	2,154,857	2,106,141	1,959,283	1,384,454
<b>Plan Fiduciary Net Position</b>				
Contributions - employer (implicit rate subsidy)	53,593	53,593	36,656	36,656
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments	(53,593)	(53,593)	(36,656)	(36,656)
Administrative expense	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-
Total OPEB liability	\$ 2,154,857	\$ 2,106,141	\$ 1,959,283	\$ 1,384,454
<b>Plan fiduciary net position as a percentage of total OPEB liability</b>				
	0.00%	0.00%	0.00%	0.00%
<b>Covered payroll</b>	\$ 19,002,213	\$ 17,396,290	\$ 16,234,970	\$ 15,838,042
<b>Total OPEB liability as a percentage of covered payroll</b>	11.34%	12.11%	12.07%	8.74%

\* GASB Codification P52 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

\* The following discount rate was used in each period:

9/30/2018 - 4.24%  
9/30/2019 - 2.66%  
9/30/2020 - 2.21%  
9/30/2021 - 2.26%

*See Independent Auditors' Report.*

**Combining and Individual Fund  
Statements and Schedules**

**City of Panama City Beach, Florida**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**September 30, 2021**

Special Revenue Funds							
	Stormwater Fund	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	\$ -	\$ -	\$ -	\$ -	40,487	\$ -	40,487
Cash and cash equivalents - restricted	2,618,873	30,976	16,517	16,221	-	794,283	3,476,870
Accrued interest receivable - restricted	17	-	-	-	-	-	17
Due from other governments - restricted	-	-	683	-	-	-	683
Prepays - restricted	449	-	-	-	-	-	449
<b>Total assets</b>	<b>\$ 2,619,339</b>	<b>\$ 30,976</b>	<b>\$ 17,200</b>	<b>\$ 16,221</b>	<b>\$ 40,487</b>	<b>\$ 794,283</b>	<b>\$ 3,518,506</b>
<b>Liabilities and fund balances</b>							
Accounts payable	\$ 222,467	\$ -	\$ -	\$ -	329	\$ -	222,796
Accrued expenses	19,211	-	-	-	-	-	19,211
Due to other funds	4	-	-	-	-	-	4
Due to fiduciary funds	3,597	-	-	-	-	-	3,597
Due to other governments	132	-	-	-	-	-	132
<b>Total liabilities</b>	<b>245,411</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>329</b>	<b>-</b>	<b>245,740</b>
<b>Fund balances</b>							
Nonspendable	449	-	-	-	-	-	449
Restricted	2,373,479	30,976	17,200	16,221	-	794,283	3,232,159
Assigned	-	-	-	-	40,158	-	40,158
<b>Total fund balances</b>	<b>2,373,928</b>	<b>30,976</b>	<b>17,200</b>	<b>16,221</b>	<b>40,158</b>	<b>794,283</b>	<b>3,272,766</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,619,339</b>	<b>\$ 30,976</b>	<b>\$ 17,200</b>	<b>\$ 16,221</b>	<b>\$ 40,487</b>	<b>\$ 794,283</b>	<b>\$ 3,518,506</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, 2021**

Special Revenue Funds							
	Stormwater Fund	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>Revenues</b>							
Permits, fees and special assessments	\$ 1,814,566	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,814,566
Fines and forfeitures	-	3,384	7,087	1,167	-	-	11,638
Contributions and donations	-	-	-	-	14,933	-	14,933
Grants	1,944	-	-	-	-	-	1,944
Investment earnings	2,684	7	3	4	5	94	2,797
Other fees and miscellaneous	17,730	-	-	-	-	-	17,730
<b>Total revenues</b>	<b>1,836,924</b>	<b>3,391</b>	<b>7,090</b>	<b>1,171</b>	<b>14,938</b>	<b>94</b>	<b>1,863,608</b>
<b>Expenditures</b>							
Current							
Public safety	-	-	-	6,660	29,755	-	36,415
Physical environment	1,089,818	-	-	-	-	-	1,089,818
Capital outlay							
Physical environment	262,599	-	-	-	-	-	262,599
<b>Total expenditures</b>	<b>1,352,417</b>	<b>-</b>	<b>-</b>	<b>6,660</b>	<b>29,755</b>	<b>-</b>	<b>1,388,832</b>
Excess (deficiency) of revenues over (under) expenditures	484,507	3,391	7,090	(5,489)	(14,817)	94	474,776
<b>Other financing sources (uses)</b>							
Transfers in	12,758	-	-	-	-	-	12,758
Proceeds from disposal of assets	11,580	-	-	-	-	-	11,580
Grants and aid	-	(1,000)	-	-	-	-	(1,000)
<b>Total other financing sources (uses)</b>	<b>24,338</b>	<b>(1,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,338</b>
Net change in fund balances	508,845	2,391	7,090	(5,489)	(14,817)	94	498,114
Fund balances - beginning	1,865,083	28,585	10,110	21,710	54,975	794,189	2,774,652
Fund balances - ending	\$ 2,373,928	\$ 30,976	\$ 17,200	\$ 16,221	\$ 40,158	\$ 794,283	\$ 3,272,766

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget and Actual – Stormwater Fund**  
**Year Ended September 30, 2021**

	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>						
Permits, fees and special assessments	\$ 1,702,700	\$ 1,774,000	\$ 42,418	\$ 1,816,418	\$ (1,852)	\$ 1,814,566
Grants	-	1,940	145	2,085	(141)	1,944
Investment earnings	4,000	1,500	1,321	2,821	(137)	2,684
Other fees and miscellaneous	17,200	20,760	(3,030)	17,730	-	17,730
<b>Total revenues</b>	<b>1,723,900</b>	<b>1,798,200</b>	<b>40,854</b>	<b>1,839,054</b>	<b>(2,130)</b>	<b>1,836,924</b>
<b>Expenditures</b>						
Current						
Physical Environment	1,184,860	1,195,845	288,003	907,842	181,976	1,089,818
<b>Total current</b>	<b>1,184,860</b>	<b>1,195,845</b>	<b>288,003</b>	<b>907,842</b>	<b>181,976</b>	<b>1,089,818</b>
Capital outlay						
Physical Environment	1,831,000	1,744,830	1,429,174	315,656	(53,057)	262,599
<b>Total capital outlay</b>	<b>1,831,000</b>	<b>1,744,830</b>	<b>1,429,174</b>	<b>315,656</b>	<b>(53,057)</b>	<b>262,599</b>
<b>Total expenditures</b>	<b>3,015,860</b>	<b>2,940,675</b>	<b>1,717,177</b>	<b>1,223,498</b>	<b>128,919</b>	<b>1,352,417</b>
Excess (deficiency) of revenues over (under) expenditures	(1,291,960)	(1,142,475)	1,758,031	615,556	(131,049)	484,507
Other financing sources (uses)						
Transfers in	-	-	-	-	12,758	12,758
Grants and aids	-	(22,430)	22,430	-	-	-
Proceeds from disposal of assets	-	11,600	(20)	11,580	-	11,580
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>(10,830)</b>	<b>22,410</b>	<b>11,580</b>	<b>12,758</b>	<b>24,338</b>
Net change in fund balances	(1,291,960)	(1,153,305)	1,780,441	627,136	(118,291)	508,845
Fund balances - beginning	1,573,997	1,983,059	771	1,983,830	(118,747)	1,865,083
Fund balances - ending	\$ 282,037	\$ 829,754	\$ 1,781,212	\$ 2,610,966	\$ (237,038)	\$ 2,373,928

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Net Position**  
**Nonmajor Proprietary Funds**  
**September 30, 2021**

<b>Business-type Activities/Enterprise Funds</b>			
	<b>Pier Fund</b>	<b>Aquatic Center Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,513,530	\$ 662,472	\$ 2,176,002
Accounts receivable, net	298,968	4,143	303,111
Grants receivable	1,992	1,862	3,854
Investments	523,493	-	523,493
Prepays	2,096	1,231	3,327
Total current assets	2,340,079	669,708	3,009,787
Noncurrent assets			
Net pension asset	145,805	119,103	264,908
Capital assets			
Depreciable, net	6,122,076	2,867,817	8,989,893
Total noncurrent assets	6,267,881	2,986,920	9,254,801
Total assets	8,607,960	3,656,628	12,264,588
<b>Deferred outflows of resources</b>			
Deferred outflows related to pensions	94,998	77,601	172,599
Deferred outflows related to OPEB	4,561	4,829	9,390
Total deferred outflows of resources	99,559	82,430	181,989
<b>Liabilities</b>			
Current liabilities			
Accounts payable	14,654	32,180	46,834
Accrued expenses and deposits	26,133	11,240	37,373
Due to other funds	2,470	-	2,470
Due to fiduciary funds	2,494	1,986	4,480
Due to other governments	24,473	735	25,208
Unearned revenue	7,611	29,219	36,830
Accrued compensated absences	18,158	10,033	28,191
Total current liabilities	95,993	85,393	181,386
Noncurrent liabilities			
Accrued compensated absences	33,509	25,965	59,474
Net OPEB obligation	21,107	22,346	43,453
Total noncurrent liabilities	54,616	48,311	102,927
Total liabilities	150,609	133,704	284,313
<b>Deferred inflows of resources</b>			
Deferred inflows related to pensions	194,120	158,571	352,691
Deferred inflows related to OPEB	1,326	1,403	2,729
Total deferred inflows of resources	195,446	159,974	355,420
<b>Net position</b>			
Net investment in capital assets	6,122,076	2,867,817	8,989,893
Unrestricted	2,239,388	577,563	2,816,951
Total net position	\$ 8,361,464	\$ 3,445,380	\$ 11,806,844

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, 2021**

<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	\$ 1,501,073	\$ 366,868	\$ 1,867,941
Rent	638,339	40	638,379
Miscellaneous	3,176	39,955	43,131
<b>Total operating revenues</b>	<b>2,142,588</b>	<b>406,863</b>	<b>2,549,451</b>
<b>Operating expenses</b>			
Personal services	477,052	387,513	864,565
Professional services	53,213	8,544	61,757
Office supplies	958	1,506	2,464
Contractual services	27,232	26,222	53,454
Insurance	26,886	12,672	39,558
Repairs and maintenance	70,789	37,861	108,650
Operating supplies	31,825	146,878	178,703
Communication services	10,100	7,840	17,940
Public utility services	40,227	118,956	159,183
Rentals	60,711	10,498	71,209
Printing and binding	489	2,249	2,738
Miscellaneous	1,699	4,897	6,596
Depreciation	424,540	206,614	631,154
<b>Total operating expenses</b>	<b>1,225,721</b>	<b>972,250</b>	<b>2,197,971</b>
<b>Net operating (loss)</b>	<b>916,867</b>	<b>(565,387)</b>	<b>351,480</b>
<b>Nonoperating revenues (expenses)</b>			
Investment earnings	1,000	86	1,086
Grants and contributions	857	775	1,632
Contributions to other governments	(5,000)	-	(5,000)
Gain (loss) on disposal of assets	(23,219)	444	(22,775)
<b>Total nonoperating revenues (expenses)</b>	<b>(26,362)</b>	<b>1,305</b>	<b>(25,057)</b>
<b>Net income (loss) before transfers</b>	<b>890,505</b>	<b>(564,082)</b>	<b>326,423</b>
Transfers in	-	750,000	750,000
Transfers out	(250,000)	-	(250,000)
<b>Total transfers</b>	<b>(250,000)</b>	<b>750,000</b>	<b>500,000</b>
<b>Change in net position</b>	<b>640,505</b>	<b>185,918</b>	<b>826,423</b>
<b>Total net position - beginning</b>	<b>7,720,959</b>	<b>3,259,462</b>	<b>10,980,421</b>
<b>Total net position - ending</b>	<b>\$ 8,361,464</b>	<b>\$ 3,445,380</b>	<b>\$ 11,806,844</b>

See Independent Auditors' Report.



**City of Panama City Beach, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds**  
**Year Ended September 30, 2021**

<b>Business-type Activities/Enterprise Funds</b>			
	<b>Pier Fund</b>	<b>Aquatic Center Fund</b>	<b>Total</b>
<b>Operating activities</b>			
Receipts from customers and users	\$ 1,854,904	\$ 419,994	\$ 2,274,898
Payments to suppliers	(437,941)	(453,574)	(891,515)
Payments to employees	(357,131)	(301,455)	(658,586)
<b>Net cash provided (used) by operating activities</b>	<b>1,059,832</b>	<b>(335,035)</b>	<b>724,797</b>
<b>Noncapital financing activities</b>			
Grants and contributions	5,969	710	6,679
Contributions to other governments	(5,000)	-	(5,000)
Loans (to) from other funds	3,121	-	3,121
Transfers (to) from other funds	(250,000)	750,000	500,000
<b>Net cash (used) provided by noncapital financing activities</b>	<b>(245,910)</b>	<b>750,710</b>	<b>504,800</b>
<b>Capital and related financing activities</b>			
Proceeds from sale of assets	4,906	444	5,350
Purchase of capital assets	(32,418)	(8,906)	(41,324)
<b>Net cash (used) by capital and related financing activities</b>	<b>(27,512)</b>	<b>(8,462)</b>	<b>(35,974)</b>
<b>Investing activities</b>			
Purchase of investments	(826)	-	(826)
Investment earnings	1,000	86	1,086
<b>Net cash provided by investing activities</b>	<b>174</b>	<b>86</b>	<b>260</b>
<b>Net change in cash and cash equivalents</b>	<b>786,584</b>	<b>407,299</b>	<b>1,193,883</b>
Cash and cash equivalents - beginning	726,946	255,173	982,119
Cash and cash equivalents - ending	\$ 1,513,530	\$ 662,472	\$ 2,176,002
Classified as			
Current assets - cash and cash equivalents	\$ 1,513,530	\$ 662,472	\$ 2,176,002
<b>Total</b>	<b>\$ 1,513,530</b>	<b>\$ 662,472</b>	<b>\$ 2,176,002</b>

(Continued)

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Cash Flows**  
**Nonmajor Proprietary Funds (Continued)**  
**Year Ended September 30, 2021**

	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)	\$ 916,867	\$ (565,387)	\$ 351,480
Adjustments to reconcile net operating (loss) to net cash provided (used) by operating activities			
Depreciation	424,540	206,614	631,154
(Increase) decrease in assets			
Accounts receivable, net	(282,431)	6,381	(276,050)
Due from other governments	-	75	75
Due fom other funds	-	-	-
Prepays	2,762	(73)	2,689
Net pension asset	(61,327)	(70,823)	(132,150)
Increase in deferred outflows related to pensions	(46,222)	(49,725)	(95,947)
Decrease in deferred outflows related to OPEB	339	605	944
Increase (decrease) in liabilities			
Accounts payable	(4,481)	11,455	6,974
Accrued expenses and deposits	2,229	2,686	4,915
Due to other funds	(104)	(562)	(666)
Due to fiduciary funds	2,494	1,987	4,481
Due to other governments	1,387	84	1,471
Unearned revenue	(6,892)	6,688	(204)
Accrued compensated absences	20,719	16,621	37,340
Net OPEB obligation	762	(218)	544
Increase in deferred inflows related to pensions	89,148	98,579	187,727
Increase (decrease) in deferred inflows related to OPEB	42	(22)	20
<b>Total adjustments</b>	<b>142,965</b>	<b>230,352</b>	<b>373,317</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,059,832</b>	<b>\$ (335,035)</b>	<b>\$ 724,797</b>

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**September 30, 2021**

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 270,753	\$ 167,435	\$ 147,812	\$ 586,000
Accounts receivable, net	-	191,852	-	191,852
Dividends receivable	36,081	21,316	15,546	72,943
Due from other funds	79,999	89	80,089	160,177
Due from other governments	-	-	263,022	263,022
Investments, at fair value				
Money market funds	1,249,664	622,725	467,149	2,339,538
Real estate investment trusts	919,812	498,780	414,546	1,833,138
Mutual funds	48,417,483	28,493,134	20,818,067	97,728,684
<b>Total assets</b>	<b>50,973,792</b>	<b>29,995,331</b>	<b>22,206,231</b>	<b>103,175,354</b>
<b>Liabilities</b>				
Accounts payable	28,443	24,144	21,760	74,347
Refunds payable	46,325	-	1,215	47,540
<b>Total liabilities</b>	<b>74,768</b>	<b>24,144</b>	<b>22,975</b>	<b>121,887</b>
<b>Net position</b>				
Restricted for pension benefits	\$ 50,899,024	\$ 29,971,187	\$ 22,183,256	\$ 103,053,467

See Independent Auditors' Report.

**City of Panama City Beach, Florida**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended September 30, 2021**

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
<b>Additions</b>				
Contributions				
Employer	\$ 1,097,316	\$ 466,763	\$ 582,057	\$ 2,146,136
Plan members	808,226	442,592	155,931	1,406,749
Buyback of service	45,001	-	-	45,001
Insurance premiums	-	191,852	263,022	454,874
<b>Total contributions</b>	<b>1,950,543</b>	<b>1,101,207</b>	<b>1,001,010</b>	<b>4,052,760</b>
Investment earnings				
Interest	130	63	47	240
Dividends	1,079,826	632,212	458,750	2,170,788
Net increase in fair value of investments	7,905,722	4,573,073	3,343,439	15,822,234
<b>Total investment earnings</b>	<b>8,985,678</b>	<b>5,205,348</b>	<b>3,802,236</b>	<b>17,993,262</b>
Less investment expenses	(72,273)	(50,914)	(42,026)	(165,213)
<b>Net investment earnings</b>	<b>8,913,405</b>	<b>5,154,434</b>	<b>3,760,210</b>	<b>17,828,049</b>
<b>Total additions</b>	<b>10,863,948</b>	<b>6,255,641</b>	<b>4,761,220</b>	<b>21,880,809</b>
<b>Deductions</b>				
Benefits	2,757,789	1,351,862	853,703	4,963,354
Refunds of contributions	190,893	63,184	2,234	256,311
Administrative expenses	32,814	32,480	30,330	95,624
<b>Total deductions</b>	<b>2,981,496</b>	<b>1,447,526</b>	<b>886,267</b>	<b>5,315,289</b>
<b>Change in net position</b>	<b>7,882,452</b>	<b>4,808,115</b>	<b>3,874,953</b>	<b>16,565,520</b>
<b>Net position - beginning</b>	<b>43,016,572</b>	<b>25,163,072</b>	<b>18,308,303</b>	<b>86,487,947</b>
<b>Net position - ending</b>	<b>\$ 50,899,024</b>	<b>\$ 29,971,187</b>	<b>\$ 22,183,256</b>	<b>\$ 103,053,467</b>

See Independent Auditors' Report.

## **Compliance Section**



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**INDEPENDENT AUDITORS’ MANAGEMENT LETTER**

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

**Report on the Financial Statements**

We have audited the financial statements of the City of Panama City Beach, Florida, (the City), as of and for the fiscal year ended September 30, 2021, and have issued our report thereon dated September 26, 2022.

**Auditors’ Responsibility**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of 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 State Project and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountants’ Report on an 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 September 26, 2022, 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 #	2019-2020 FY Finding #	2018-2019 FY Finding #
2021-001	2020-001	2019-001

### **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 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 communicate 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.

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

Certified Public Accountants  
Panama City Beach, Florida  
September 26, 2022



**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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 26, 2022.

**Report on 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) as a basis for designing 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 were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 and 2021-002 that we consider to be material weaknesses.

## **Report on 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 financial statements. 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 identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

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

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

Certified Public Accountants  
Panama City Beach, Florida  
September 26, 2022

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

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

### **Report on Compliance for Each Major State Project**

We have audited the City of Panama City Beach, Florida's (City) compliance with the types of compliance requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City's major state projects for the year ended September 30, 2021. The City's major state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

### **Management's Responsibility**

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its state projects.

### **Auditors' Responsibility**

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

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

## Opinion on Each Major State Project

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state projects for the year ended September 30, 2021.

## 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 state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state project and to test and report on internal control over compliance in accordance with the Chapter 10.550, *State of Florida Rules of the Auditor General*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project 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 state project 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 or significant deficiencies. However, material weaknesses or significant deficiencies 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 Chapter 10.550, *State of Florida Rules of the Auditor General*. Accordingly, this report is not suitable for any other purpose.

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

Certified Public Accountants  
Panama City Beach, Florida  
September 26, 2022

## INDEPENDENT ACCOUNTANTS' REPORT

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

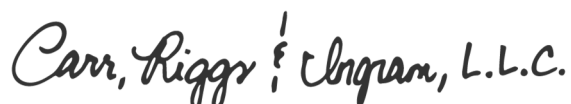
We have examined the City of Panama City Beach, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2021. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements 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 the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, 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 requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2021.

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.



Certified Public Accountants  
Panama City Beach, Florida  
September 26, 2022

**City of Panama City Beach, Florida**  
**Schedule of Findings and Questioned Costs**  
**State Financial Assistance**  
**Year Ended September 30, 2021**

***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

State Financial Assistance

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 state projects: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 10.557, *Rules of the Auditor General*?  Yes  None reported

Identification of major state projects:

<u>CFSA Number</u>	<u>Major State Projects</u>
55.008	County Incentive Grant Program (CIGP)
55.039	Local Transportation Projects

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

(Continued)

**City of Panama City Beach, Florida**  
**Schedule of Findings and Questioned Costs**  
**State Financial Assistance**  
**Year Ended September 30, 2021**

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

2021-001 Segregation of Duties (Prior Years 2020-001 and 2019-001)(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.

View of Responsible Officials and 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 and restructuring of job duties to help mitigate potential issues which may occur because of the lack of segregation of duties currently existing due to a shortage of staff in the City's finance department.

In the spring of 2021, the city added the position of Assistant City Manager which was filled by the City's long-time Finance Director. One of the reasons for the change was to provide additional compensating controls to achieve greater segregation of duties. The city believes that the additional position coupled with restructuring of job duties may allow this situation to be fully resolved over the next several years. During this transition, a Finance Director was hired and subsequently vacated the position during the audit period leaving a gap which was filled by existing staff which directly contributed to a lack of segregation of duties for a portion of the year.

The city hired a new Finance Director in the Summer of 2022. This position along with the Assistant City Manager position, will provide increased segregation of duties, resolving finding 2021-001 segregation of duties.

**City of Panama City Beach, Florida  
Schedule of Findings and Questioned Costs  
State Financial Assistance  
Year Ended September 30, 2021**

***Section II - Financial Statement Findings (continued)***

**2021-002 Material Adjustments**

Condition: Material adjustments to the financial records were made in order for the financial statements to conform to generally accepted accounting principles.

Criteria: Internal controls should prevent, or detect and correct adjustments timely to provide materially correct financial information.

Effect: Adjustments were required for current year balances.

Cause: The City's controls did not identify the adjustments timely.

Recommendation: We recommend that the City staff continue to strive toward identifying proposed audit adjustments more timely.

View of Responsible Officials and Planned Corrective Action: During this audit period, the city experienced a transition in personnel. The city hired a Finance Director who also resigned during the same period in the middle of the audit which contributed to the issue. Subsequently a new Finance Director was hired in June 2022. With this position filled, the City is fully staffed in the finance department. The City's Finance Director will have oversight in preventing, detecting, and correcting adjustments timely to provide materially correct financial information.

***Section III – Findings and Questioned Costs – Major State Financial Assistance Projects***

There were no findings



**City of Panama City Beach, Florida  
Summary Schedule of Prior Year Audit Findings  
Year Ended September 30, 2021**

**There were no prior year audit findings related to federal awards  
No state single audit was performed in the prior year.**

**City of Panama City Beach, Florida**  
**Schedule of Expenditures of State Financial Assistance**  
**Year Ended September 30, 2021**

State Agency State Program	CSFA Number	Contract/ Grant Number	Passed Through to Subrecipients	Total Expenditures
<hr/>				
State of Florida Department of Financial Services				
Fire Decontamination Equipment Grant Project	43.013	FM579	\$ -	\$ 6,840
<b>Total State of Florida Department of Financial Services</b>			-	<b>6,840</b>
<hr/>				
Florida Department of Law Enforcement				
Florida Incident Based Reporting System	71.043	2020-FBSFA-F2-031	-	9,995
<b>Total Florida Department of Law Enforcement</b>			-	<b>9,995</b>
<hr/>				
State of Florida Department of Transportation				
Transportation Regional Incentive Program (TRIP)	55.026	426391-7-38-01	-	150,215
County Incentive Grant Program (CIGP)	55.008	442483-2-A8-01	-	4,000,000
Local Transportation Projects	55.039	442483-3-54-01	-	921,855
<b>Total State of Florida Department of Transportation</b>			-	<b>5,072,070</b>
<hr/>				
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ -</b>	<b>\$ 5,088,905</b>

**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. Expenditures under CSFA #55.008 of \$2,000,000 will be recorded as grant revenues on the City's financial statement in the next fiscal year.



City of  
**Panama City Beach**

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September 26, 2022

City of Panama City Beach, Florida  
Management's Corrective Action Plan  
For the Fiscal Year Ended September 30, 2021

Finding Numbers: 2021-001 and 2021-002

**Finding 2021-001 Segregation of Duties**

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 and restructuring of job duties to help mitigate potential issues which may occur because of the lack of segregation of duties currently existing due to a shortage of staff in the City's finance department.

In the spring of 2021, the city added the position of Assistant City Manager which was filled by the City's long-time finance director. One of the reasons for the change was to provide additional compensating controls to achieve greater segregation of duties. The city believes that the additional position coupled with restructuring of job duties may allow this situation to be fully resolved over the next several years. During this transition, a Finance Director was hired and subsequently vacated the position during the audit period leaving a gap which was filled by existing staff which directly contributed to a lack of segregation of duties for a portion of the year.

The city hired a new Finance Director in the Summer of 2022. This position along with the Assistant City Manager position, will provide increased segregation of duties, resolving finding 2021-001 segregation of duties.

**Mayor**  
Mark Sheldon

**Vice Mayor**  
Paul Casto

**Ward 2**  
Phil Chester

**Ward 3**  
Mary Coburn

**Ward 4**  
Michael Jarman

**City Manager**  
Drew Whitman

**Finding 2021-002 Material Adjustments**

During this audit period, the city experienced a transition in personnel. The city hired a finance director who also resigned during the same period in the middle of the audit which contributed to the issue. Subsequently a new Finance Director was hired in June 2022. With this position filled, the city is fully staffed in the finance department. The City's Finance Director will have oversight in preventing, detecting, and correcting adjustments timely to provide materially correct financial information.

**Anticipated Completion Date:** Ongoing

**Responsible Contact Person:** Debra Gibson



Debra Gibson  
Finance Director