

# CITY OF PANAMA CITY BEACH

*Panama City Beach, Florida*

**ANNUAL FINANCIAL STATEMENTS**

FOR FISCAL YEAR ENDED  
SEPTEMBER 30, 2012

City of Panama City Beach, Florida

Financial Statements

September 30, 2012

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

(850) 784-6733  
(850) 784-4866 (fax)  
[www.cricpa.com](http://www.cricpa.com)

## INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2012, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparison for each major governmental fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2013, on our consideration of the City of Panama City Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 13 and the required supplementary information on pages 64 through 67 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining and individual nonmajor fund financial statements and schedules listed in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance is presented for the purpose of additional analysis as required by *Chapter 10.550, State of Florida Rules of the Auditor General*, and is also not a required part of the financial statements. The combining and individual nonmajor fund financial statements 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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

Certified Public Accountants  
Panama City Beach, Florida  
May 10, 2013

## Management's Discussion and Analysis

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

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

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

### **Financial Highlights**

- Total assets of the City exceeded total liabilities by \$200,486,947 (net assets). Of this amount, \$14,958,706 is unrestricted net assets for governmental activities and \$33,704,623 is unrestricted net assets for business-type activities, while \$10,171,267 is restricted net assets for governmental activities and \$11,414,127 is restricted net assets for business-type activities.
- Total net assets increased by \$6,911,188. Of this amount, \$3,010,238 is attributable to governmental activities and \$3,900,950 is attributable to business-type activities. The increase in net assets of governmental activities is primarily attributable to the Front Beach Road Community Redevelopment Area. Current year tax increment revenue received was used to fund construction projects and to reduce the principal amount of debt outstanding. Additionally, significant proportionate share payments were received for various roadways in the current year and have yet to be expended for capital projects. The increase in net assets of business-type activities is the result of several factors including the collection of \$595,762 in impact fees, net income from operations before amortization and depreciation of \$10,393,807, and a reduction of outstanding debt as a result of the refunding of the City's Series 2002 and 2011 Bonds in the current year.
- As of September 30, 2012, the general fund's unassigned fund balance was \$7,275,584 or 42 percent of total general fund expenditures. Unassigned fund balance in the General Fund increased by \$52,869. Committed fund balance in the General Fund decreased by \$500,000 as a result of the purchase of a new fire engine.
- Governmental activities revenues decreased \$368,650 from \$24,550,246 to \$24,181,596, while governmental activities expenditures increased 3 percent to \$21,008,657. Business-type activities revenues increased to \$31,558,236, while business-type activities expenditures increased 2 percent to \$27,819,987.

### **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 assets* and *statement of activities*. These statements are designed to provide readers with a broad overview of the City's financial position, in a manner similar to that of private-sector companies.

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

The *statement of net assets* presents information on all assets and liabilities of the City, with the difference between the two reported as *net assets*. Assets, liabilities and net assets are reported separately for governmental activities and business-type activities. Increases or decreases in net assets 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 assets for the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenditures are reported in the statement of activities for some items that will only result in cash flows in future fiscal periods (e.g., uncollected fees and earned, but unused sick leave).

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

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

## **Fund Financial Statements**

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

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

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

A *statement of fiduciary net assets* and a *statement of changes in fiduciary net assets* 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 assets*, as well as all liabilities, including outstanding principal on bonds, capital leases, and future employee benefits obligated but not yet paid by the City. The *statement of activities* includes depreciation on all long lived assets of the City, but all transactions between different functions of the City have been eliminated to avoid "doubling up" the revenues and expenditures. The *fund financial statements* provide a presentation of the City's major funds, along with a column for all non-major funds. In the case of governmental activities, outlays for long lived assets are reported as expenditures and long-term liabilities, such as revenue bonds, are not included in the fund financial statements. To facilitate a comparison between the *fund financial statements* and the *government-wide financial statements*, a reconciliation is provided.

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

## **Financial Analysis of the City**

The schedule on the following page provides a summary of the assets, liabilities and net assets of the City. At the end of fiscal year 2012, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its governmental and business-type activities.

**City of Panama City Beach, Florida  
Net Asset**

	Governmental Activities		Business-type Activities		Total	
<i>September 30,</i>	2012	2011	2012	2011	2012	2011
Current and other assets	\$ 33,183,246	\$ 38,037,063	\$ 66,465,062	\$ 64,243,993	\$ 99,648,308	\$102,281,056
Capital assets	103,275,755	97,624,983	130,979,994	133,564,880	234,255,749	231,189,863
Total assets	136,459,001	135,662,046	197,445,056	197,808,873	333,904,057	333,470,919
Current liabilities	4,848,614	5,609,967	5,180,477	6,314,985	10,029,091	11,924,952
Long-term liabilities	52,681,141	54,133,071	70,706,878	73,837,137	123,388,019	127,970,208
Total liabilities	57,529,755	59,743,038	75,887,355	80,152,122	133,417,110	139,895,160
Net assets invested in capital assets net of related debt	53,799,273	48,220,245	76,438,951	77,523,264	130,238,224	125,743,509
Net assets - restricted	10,171,267	10,141,911	11,414,127	10,498,033	21,585,394	20,639,944
Net assets - unrestricted	14,958,706	17,556,852	33,704,623	29,635,454	48,663,329	47,192,306
Total net assets	\$ 78,929,246	\$ 75,919,008	\$121,557,701	\$117,656,751	\$200,486,947	\$193,575,759

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 assets (65 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The *restricted net assets*, representing 11 percent of the City's net assets, are subject to external restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net assets*, \$48,663,329 may be used to help meet the government's ongoing obligations to citizens and creditors.

*Net assets invested in capital assets, net of related debt* increased \$4,494,715 (or 4 percent). Significant additions to capital assets occurred in the governmental activities in the current year. Capital additions in governmental activities were primarily related to the continued acquisition of land within the Front Beach Road Community Redevelopment Area as well as the completion of the Front Beach Road/South Thomas Drive roadway in the current fiscal year.

Restricted net assets increased \$945,450 (or 5 percent). The restricted net assets in the governmental activities increased by \$29,356 while the restricted net assets in the business-type activities increased by \$916,094. The increase in business-type activities restricted net assets resulted from a combination of factors including (a) a decrease in impact fee cash reserves as these funds were expended for qualifying capital projects, (b) an increase in debt service reserve as a result of the current year bond refunding, and (c) an increase in the construction reserve in the current year.

The increase in unrestricted net assets was \$1,471,023 or 3%. The governmental activities decrease was \$2,598,146 while the business-type activities increase was \$4,069,169. In spite of an overall economy which has remained relatively flat, the City has been able to maintain its existing revenue stream in the governmental activities; however, expenditures have increased approximately three percent over the prior year resulting in a decrease in unrestricted net assets. The increase in unrestricted net assets in business-type activities primarily resulted from operating profits from the water and waste water system being retained for future use.

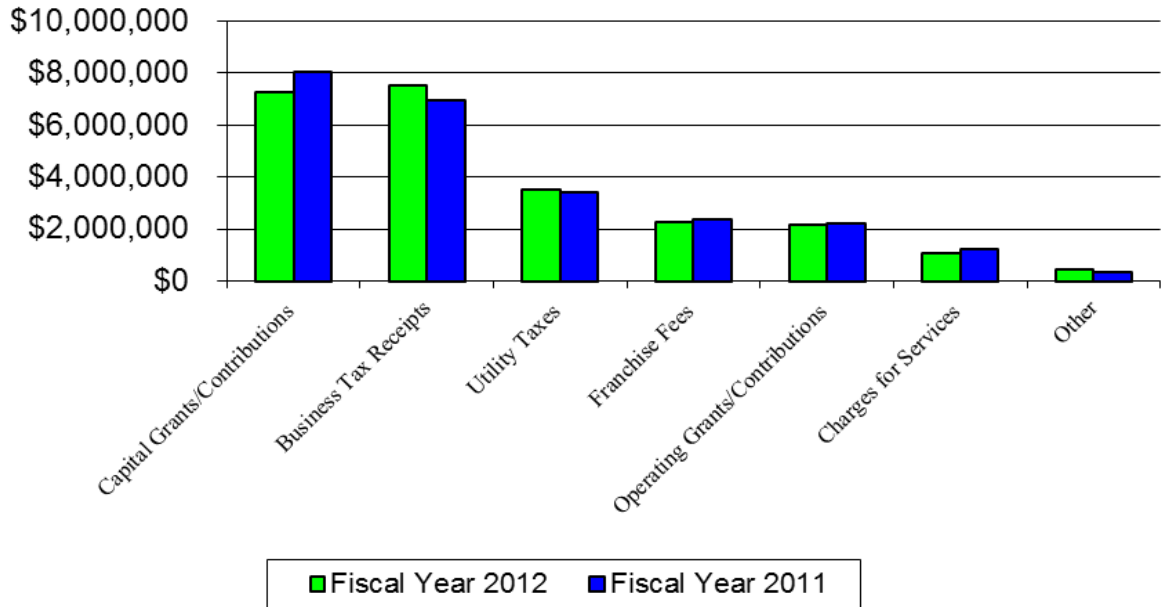
The following schedule compares the revenues and expenses for the current and previous fiscal year.

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

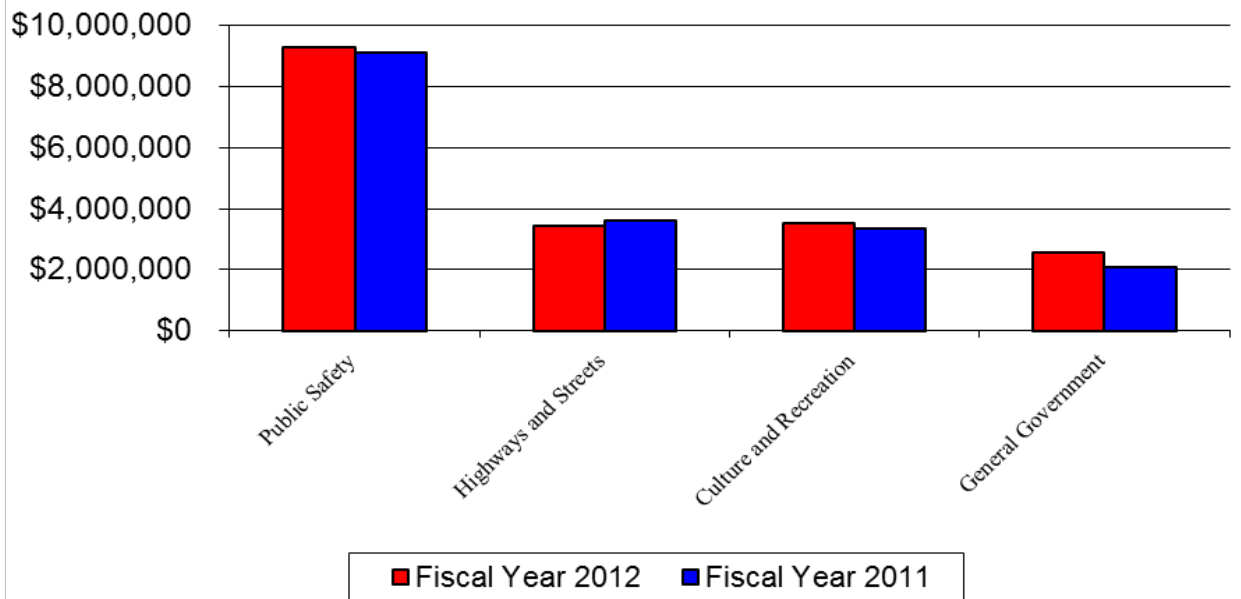
	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<b>Program revenues</b>						
Charges for services	\$ 1,062,705	\$ 1,214,604	\$ 29,806,387	\$ 29,147,601	\$ 30,869,092	\$ 30,362,205
Operating grants/contributions	2,146,847	2,235,045	32,000	6,299	2,178,847	2,241,344
Capital grants/contributions	7,266,725	8,032,996	750,000	1,247,697	8,016,725	9,280,693
<b>General revenues</b>						
Business tax receipts	7,508,156	6,940,560	-	-	7,508,156	6,940,560
Utility taxes	3,494,294	3,410,949	-	-	3,494,294	3,410,949
Franchise fees	2,259,244	2,390,906	-	-	2,259,244	2,390,906
Impact fees	322,191	162,586	595,762	299,417	917,953	462,003
Contributions from developers	-	-	-	216,500	-	216,500
Penalties on delinquent business tax receipts	76	337	-	-	76	337
Interest earnings	121,358	162,263	374,087	533,311	495,445	695,574
<b>Total revenues</b>	<b>24,181,596</b>	<b>24,550,246</b>	<b>31,558,236</b>	<b>31,450,825</b>	<b>55,739,832</b>	<b>56,001,071</b>
<b>Expenses</b>						
General government	2,546,932	2,065,943	-	-	2,546,932	2,065,943
Public safety	9,297,871	9,112,877	-	-	9,297,871	9,112,877
Highways and streets	3,447,373	3,613,994	-	-	3,447,373	3,613,994
Culture and recreation	3,515,559	3,360,356	-	-	3,515,559	3,360,356
Interest on long-term debt	2,200,922	2,260,970	2,915,088	2,761,136	5,116,010	5,022,106
Utilities - water	-	-	13,328,916	14,209,612	13,328,916	14,209,612
Utilities - wastewater	-	-	9,284,573	8,237,929	9,284,573	8,237,929
Utilities - stormwater	-	-	582,498	576,685	582,498	576,685
Pier	-	-	806,111	755,199	806,111	755,199
Aquatic center	-	-	902,801	857,409	902,801	857,409
<b>Total expenses</b>	<b>21,008,657</b>	<b>20,414,140</b>	<b>27,819,987</b>	<b>27,397,970</b>	<b>48,828,644</b>	<b>47,812,110</b>
Increase in net assets before transfers	3,172,939	4,136,106	3,738,249	4,052,855	6,911,188	8,188,961
Transfers	(162,701)	(378,731)	162,701	378,731	-	-
<b>Increase in net assets</b>	<b>\$ 3,010,238</b>	<b>\$ 3,757,375</b>	<b>\$ 3,900,950</b>	<b>\$ 4,431,586</b>	<b>\$ 6,911,188</b>	<b>\$ 8,188,961</b>

The charts on the following page compare the revenues and expenses for the current and previous fiscal year.

**Revenues - Governmental Activities  
Fiscal Years Ended  
September 30, 2012 and 2011**



**Expenses - Governmental Activities  
Fiscal Years Ended  
September 30, 2012 and 2011**



Governmental activities revenues exceeded expenses by \$3,172,939 while business-type activities revenues exceeded expenses by \$3,738,249. Total revenues decreased \$261,239 from the previous year. The change in total revenues from business-type activities was an increase of \$107,411 while the change in governmental activities was a decrease of \$368,650. Charges for services increased \$506,887, capital grants and contributions decreased \$1,263,968, and business tax receipts increased \$567,596 in the current year. The increase in charges for services was a combination of a decrease in charges for services from governmental activities and an increase from business-type activities. The decrease in the governmental activities charges for services resulted primarily from the fact that BP settlement proceeds of approximately \$155,000 were received in the prior year. The increase in charges for services in the business-type accounts resulted from an increase in water and waste water revenue attributable to modest rate increases.

Capital grants and contributions decreased a total of \$1,263,968. \$766,271 of the decrease was attributable to governmental activities while \$497,697 was attributable to business-type activities. The decrease in capital grants and contributions in governmental activities resulted primarily from a decrease in tax increment revenue received from Bay County in the current year. In the prior fiscal year, the City received a contribution in the amount of \$494,172 which partially funded the construction of waste water improvements in the Grand Lagoon area. No such contribution was received in the current fiscal year which resulted in an overall decrease in capital grants and contributions for business-type activities.

Total expenses increased \$1,016,534 from the previous year. General government expenditures increased \$480,989 and public safety expenditures increased \$184,994. The increases were attributable to increases in personnel costs including salaries and related benefits. Business-type activities expenses decreased \$880,696 in water and increased \$1,046,644 in waste water. Personnel costs which had been charged to water expenses in the past are now being allocated between water and waste water resulting in a decrease in salaries and related benefits in the water function and a corresponding increase in the waste water function. Additionally, water purchases from Bay County decreased \$208,703 which contributed to the overall decrease in water expenses. Other than the salaries noted above, the biggest factor contributing to the increase in waste water expenses was depreciation. Significant capital additions have occurred in the past several years which are being depreciated over the estimated useful lives of the assets resulting in increased depreciation expense.

30% of the revenues for governmental activities are generated by capital grants and contributions, 31% by business tax receipts, and 24% from utility taxes and franchise fees. These percentages remain fairly constant compared to the prior year. Most of the governmental resources are expended for public safety (44%), culture and recreation (17%), and highways and streets (16%).

Charges for services provide 94% of the revenues for business-type activities, while 2% of the revenues are provided from capital grants and contributions. Most of the governmental resources are expended to operate the public utility systems (83%).

## **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, 2012, total assets were \$14,577,987 and total liabilities were \$3,005,872. At the end of fiscal year 2012, unassigned fund balance of the general fund was \$7,275,584 while total fund balance equaled \$11,572,115. Total fund balance decreased \$525,279 (4%). Restricted fund balance decreased \$307,561 (7%), committed fund balance decreased \$500,000 and nonspendable fund balance increased \$278 (1%). Unassigned fund balance increased \$52,869 (1%). Fiscal year 2012 expenditures in the General Fund exceeded revenues by \$262,562. The decrease in the fund balances was attributable to the excess of expenditures over revenues, transfers out to other funds, and assistance to other entities in the form of grants and aid.

The general fund's budget was amended during the year to reflect significant increases in available revenue as well as decreases in current expenditures and increases in capital outlay expenditures. The increase in total revenue was \$1,271,475 which represented a change from the original to the amended budget of 8%. Approximately 67% of the increase was attributable to an increase in business tax receipts. The City experienced a record year in terms of business tax receipts revenue. Tourism rebounded significantly as the economy showed signs of strengthening. Budgeted expenditures for current expenditures decreased from the original to the final amounts by \$609,100 while the budget for capital outlay expenditures increased by \$216,750. The decrease in current expenditures was primarily in the area of public safety. The increase in capital outlay expenditures was attributable to the construction of a new amphitheater at Aaron Bessant Park.

#### **Community Redevelopment Fund**

The other major governmental fund of the City is the Community Redevelopment Fund. As of September 30, 2012, total assets were \$15,815,303 and total liabilities were \$914,238. At the end of fiscal year 2012, the assigned fund balance of the community redevelopment fund was \$253,242, while the total fund balance equaled \$14,901,065. Total fund balance decreased \$3,602,954, virtually all of which was attributable to a decrease in restricted fund balance. As noted in previous years, \$54,835,000 Capital Improvement Revenue Bonds, Series 2006 were issued late in fiscal year 2006. Interest payments on these bonds as well as expenditures of the proceeds on the ongoing activities related to the Front Beach Road project account for the decrease in fund balance.

#### **Non-Major Governmental Funds**

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

Because it is not possible to anticipate the activity in the special revenue funds, it is the City's policy not to prepare budgetary information for these funds.

#### **Proprietary Funds**

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

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

<b>Fund</b>	<b>2012 Unrestricted Net Assets</b>	<b>2011 Unrestricted Net Assets</b>
Utility	\$ 33,311,204	\$ 29,504,395
Pier	787,285	559,046
Aquatic Center	(393,866)	(427,987)
<b>Total</b>	<b>\$ 33,704,623</b>	<b>\$ 29,635,454</b>

The *Utility Fund* is used to account for the operations of the City's water, waste water and storm water systems. New construction and redevelopment being experienced by the City increased in the current year and water and waste water impact fee revenues reflected this trend by increasing \$283,055 or 91% compared to the prior year. Operating revenues increased \$619,306 or 2% in 2012 compared to 2011 primarily as a result of moderate rate increases.

The *Pier Fund* accounts for the operations and maintenance of the City Pier. Operating revenues exceeded operating expenses by \$26,094. Depreciation expense accounted for a significant portion of operating expenses, 53%. Pier fund operations generated significant cash flow in 2012 allowing for a transfer of funds in the amount of \$265,000 to the City's Aquatic Center Fund to help subsidize its operating shortfall.

The *Aquatic Center Fund* is being used to account for the operation of an aquatic center located at Frank Brown Park. For 2012, operating expenses exceeded operating revenues by \$598,897. The shortfall in operations was offset by subsidies from the City's General Fund and Pier Fund.

### **Capital Assets Activity**

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business type activities as of September 30, 2012, was \$234,255,749 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

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

- The City continues to expand and rehabilitate its water system which services both City residents and portions of unincorporated Bay County. Approximately \$584,000 was expended in fiscal year 2012 on water expansion and rehabilitation projects. During the year, the City completed the expansion of its storage and pumping facility at the McElvey location, as well as water line extensions and relocations in the Clara Avenue and Thomas Drive East areas. The combined cost for these projects was approximately \$2.3 million dollars.
- Approximately \$627,000 was expended in fiscal year 2012 to complete the City's receiving wetlands project. The total cost of the project to date is approximately \$16 million dollars.
- Additionally, funds were expended in the amount of \$435,000 on the central force main and Nautilus Avenue lift station projects neither of which was completed in the current year. The estimated total cost for both projects is slightly less than \$3 million dollars.



- During fiscal year 2012, storm water improvement projects at Coral Drive, Lullwater Drive and South Glades Trail were completed. The total construction costs related to these improvements was approximately \$500,000.
- At September 30, 2012, approximately \$40 million dollars is reflected in construction in progress and land for various road projects within the Front Beach Road Community Redevelopment Area. Planned improvements include expansion of road widths, additional turn lanes, burying utilities, and aesthetic improvements. Construction on South Thomas Drive was completed in fiscal year 2012. Current year funds expended were approximately \$4.2 million dollars with a total construction cost of approximately \$15.4 million dollars. Engineering studies and right-of-way acquisition is ongoing for other roads within the project area.

### Capital Assets (net of depreciation)

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<i>September 30,</i>						
Land	\$ 45,436,821	\$ 44,133,384	\$ 7,019,994	\$ 6,972,774	\$ 52,456,815	\$ 51,106,158
Construction in progress	8,512,938	17,974,037	1,346,933	3,813,294	9,859,871	21,787,331
Intangible	-	-	194,788	-	194,788	-
Buildings	4,104,967	4,346,685	25,334,395	26,332,635	29,439,362	30,679,320
Improvements	42,432,697	29,001,686	83,163,125	81,373,353	125,595,822	110,375,039
Machinery and equipment	2,788,332	2,169,191	13,920,759	15,072,824	16,709,091	17,242,015
<b>Total</b>	<b>\$ 103,275,755</b>	<b>\$ 97,624,983</b>	<b>\$130,979,994</b>	<b>\$133,564,880</b>	<b>\$234,255,749</b>	<b>\$231,189,863</b>

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

### Debt Management

At the end of the current fiscal year, the City had total bond debt outstanding of \$97,630,199. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

### Outstanding Bond Debt

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
<i>September 30,</i>						
Revenue bonds	\$ 49,476,482	\$ 51,015,247	\$ 48,153,717	\$ 49,260,885	\$ 97,630,199	\$100,276,132

Total outstanding bond debt decreased by \$2,645,933 in the current fiscal year. Principal payments totaled \$2,022,320 (exclusive of the 2002 and 2011 bond principal amounts refunded with the 2012 bond issue) in the current year and were adjusted by amortization of deferred costs and premiums. The City issued \$20,910,000 Utility Revenue Refunding Bonds, Series 2012 dated March 14, 2012. The proceeds from this issue combined with other City funds retired the then outstanding principal on the City's \$19,920,000 Utility Revenue Bonds, Series 2002 and the then outstanding principal on the City's \$4,010,000 Utility System Refunding Revenue Bonds, Series 2011. The City's debt currently maintains an "AA-" rating from Standard & Poor's and Fitch. All of the City's bond issues are rated by one or a combination of two rating agencies.

The Florida Constitution and the City of Panama City Beach set no legal debt limits for revenue bonds. More detailed information about the City's liabilities is presented in Notes 9 and 10 of the notes to the basic financial statements.

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

The City's economy improved slightly during the current fiscal year as evidenced by an increase in building construction and redevelopment activity. Despite continuing national economic concerns, tourism increased as evidenced by an 8% increase in business tax receipts in the current fiscal year. In the upcoming fiscal year, the City will continue to focus on additions and enhancements to its utilities and transportation systems. These construction projects will replace aging water and waste water pipes, expand service into additional neighborhoods and widen existing roadways to improve traffic flow and public safety.

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

City of Panama City Beach, Florida  
Statement of Net Assets  
September 30, 2012

<b>Primary Government</b>			
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>Assets</b>			
Cash and cash equivalents	\$ 7,952,426	\$ 30,193,085	\$ 38,145,511
Accounts receivable, net	144,609	5,545,007	5,689,616
Taxes and fees receivable	446,477	-	446,477
Grants receivable	224,448	-	224,448
Accrued interest receivable	-	3,885	3,885
Due from other governments	268,618	4,042	272,660
Inventory	19,321	517,495	536,816
Prepaid insurance	22,378	14,731	37,109
Note receivable, current	-	535,000	535,000
Unamortized debt issuance costs, current	99,203	58,994	158,197
Restricted assets			
Cash and cash equivalents	22,102,536	28,426,636	50,529,172
Accounts receivable, net	89,035	19,082	108,117
Grants receivable	19,499	-	19,499
Accrued interest receivable	624	66	690
Notes receivable	-	26,952	26,952
Capital assets			
Nondepreciable	53,949,759	8,561,715	62,511,474
Depreciable, net	49,325,996	122,418,279	171,744,275
Unamortized debt issuance costs	1,794,072	1,120,087	2,914,159
Total assets	136,459,001	197,445,056	333,904,057

(Continued)

City of Panama City Beach, Florida  
Statement of Net Assets (Continued)  
September 30, 2012

Primary Government			
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Accounts payable	\$ 1,741,061	\$ 1,082,470	\$ 2,823,531
Accrued expenses and deposits	68,520	1,027,994	1,096,514
Accrued interest payable	937,416	881,506	1,818,922
Due to other governments	2,014,689	470,785	2,485,474
Due to fiduciary funds	85,914	-	85,914
Internal balances	221	(221)	-
Deferred revenue	793	1,717,943	1,718,736
Long-term liabilities			
Due within one year			
Revenue certificates payable	-	2,266,844	2,266,844
Accrued compensated absences	289,000	162,000	451,000
Notes payable	-	2,166,780	2,166,780
Revenue bonds payable, net	1,598,765	1,179,916	2,778,681
Due in more than one year			
Accrued compensated absences	2,053,021	885,320	2,938,341
Net OPEB obligation	862,638	558,014	1,420,652
Notes payable	-	16,514,203	16,514,203
Revenue bonds payable, net	47,877,717	46,973,801	94,851,518
Total liabilities	57,529,755	75,887,355	133,417,110
<b>Net assets</b>			
Invested in capital assets, net of related debt	53,799,273	76,438,951	130,238,224
Restricted for			
Law enforcement	24,601	-	24,601
Beach access public parking	557,597	-	557,597
Impact fees	3,969,307	7,309,217	11,278,524
Debt service	5,619,762	1,347,017	6,966,779
Construction	-	1,818,113	1,818,113
Storm water	-	939,780	939,780
Unrestricted	14,958,706	33,704,623	48,663,329
Total net assets	\$ 78,929,246	\$ 121,557,701	\$ 200,486,947

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, 2012

Functions / Programs	Program Revenues				Primary Government		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
	Net (Expenses) Revenues and Changes in Net Assets						
<b>Primary government</b>							
General government	\$ 2,546,932	\$ 377,898	\$ 1,539,572	\$ -	\$ (629,462)	\$ -	\$ (629,462)
Public safety	9,297,871	253,319	185,448	-	(8,859,104)	-	(8,859,104)
Highways and streets	3,447,373	208,895	240,116	6,656,098	3,657,736	-	3,657,736
Culture and recreation	3,515,559	222,593	181,711	610,627	(2,500,628)	-	(2,500,628)
Interest on long-term debt	2,200,922	-	-	-	(2,200,922)	-	(2,200,922)
Total governmental activities	21,008,657	1,062,705	2,146,847	7,266,725	(10,532,380)	-	(10,532,380)
<b>Business-type activities</b>							
Utility							
Water	13,328,916	16,806,315	-	-	-	3,477,399	3,477,399
Waste water	9,284,573	10,921,246	7,000	750,000	-	2,393,673	2,393,673
Storm water	582,498	943,249	-	-	-	360,751	360,751
Pier	806,111	831,466	25,000	-	-	50,355	50,355
Aquatic center	902,801	304,111	-	-	-	(598,690)	(598,690)
Interest on long-term debt	2,915,088	-	-	-	-	(2,915,088)	(2,915,088)
Total business-type activities	27,819,987	29,806,387	32,000	750,000	-	2,768,400	2,768,400
<b>Total primary government</b>	<b>\$ 48,828,644</b>	<b>\$ 30,869,092</b>	<b>\$ 2,178,847</b>	<b>\$ 8,016,725</b>	(10,532,380)	2,768,400	(7,763,980)
General revenues							
Taxes							
Business tax receipts					7,508,156	-	7,508,156
Utility					3,494,294	-	3,494,294
Franchise fees					2,259,244	-	2,259,244
Impact fees					322,191	595,762	917,953
Penalties on delinquent business tax receipts					76	-	76
Total general revenues					13,583,961	595,762	14,179,723
Interest earnings					121,358	374,087	495,445
Transfers					(162,701)	162,701	-
Total general revenues, interest and transfers					13,542,618	1,132,550	14,675,168
Change in net assets					3,010,238	3,900,950	6,911,188
Net assets - beginning					75,919,008	117,656,751	193,575,759
Net assets - ending					<b>\$ 78,929,246</b>	<b>\$ 121,557,701</b>	<b>\$ 200,486,947</b>

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

City of Panama City Beach, Florida  
Balance Sheet  
Governmental Funds  
September 30, 2012

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 7,677,851	\$ 252,556	\$ 22,019	\$ 7,952,426
Accounts receivable, net	13,236	910	-	14,146
Taxes and fees receivable	431,425	-	-	431,425
Grants receivable	189,554	-	-	189,554
Due from other governments	268,618	-	-	268,618
Due from other funds	1,747	-	-	1,747
Inventory	19,321	-	-	19,321
Prepaid insurance	22,188	190	-	22,378
Cash and cash equivalents - restricted	5,954,047	15,556,758	591,731	22,102,536
Accrued interest receivable - restricted	-	624	-	624
Due from other funds - restricted	-	4,265	2,900	7,165
<b>Total assets</b>	<b>\$ 14,577,987</b>	<b>\$ 15,815,303</b>	<b>\$ 616,650</b>	<b>\$ 31,009,940</b>
<b>Liabilities and fund balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 831,315	\$ 909,746	\$ -	\$ 1,741,061
Accrued expenses	67,033	1,487	-	68,520
Due to other governments	2,011,809	2,880	-	2,014,689
Due to other funds	95,047	-	-	95,047
Deferred revenue	668	125	-	793
<b>Total liabilities</b>	<b>3,005,872</b>	<b>914,238</b>	<b>-</b>	<b>3,920,110</b>
<b>Fund balances</b>				
Nonspendable	41,509	190	-	41,699
Restricted	4,025,887	14,647,633	594,631	19,268,151
Assigned	229,135	253,242	22,019	504,396
Unassigned	7,275,584	-	-	7,275,584
<b>Total fund balances</b>	<b>11,572,115</b>	<b>14,901,065</b>	<b>616,650</b>	<b>27,089,830</b>
<b>Total liabilities and fund balances</b>	<b>\$ 14,577,987</b>	<b>\$ 15,815,303</b>	<b>\$ 616,650</b>	
Amounts reported for governmental activities in the statement of net assets are different because:				
Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds.				288,943
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				103,275,755
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(51,725,282)
<b>Net assets of governmental activities</b>				<b>\$ 78,929,246</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, 2012

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
<b>Revenues</b>				
Taxes				
Business tax receipts	\$ 7,508,156	\$ -	\$ -	\$ 7,508,156
Utility	3,484,118	-	-	3,484,118
Tax increment funds	-	6,737,532	-	6,737,532
Franchise fees	2,254,368	-	-	2,254,368
Intergovernmental	1,627,936	-	-	1,627,936
Municipal services impact fees	219,092	103,099	-	322,191
Licenses and permits	253,479	-	-	253,479
Fines and forfeitures	179,090	4,313	21,475	204,878
Contributions and donations	564,139	34,000	22,184	620,323
Grants	522,313	32,293	-	554,606
Rents	125,091	-	-	125,091
Interest	51,253	69,214	891	121,358
Other fees and miscellaneous	279,161	20,517	-	299,678
<b>Total revenues</b>	<b>17,068,196</b>	<b>7,000,968</b>	<b>44,550</b>	<b>24,113,714</b>
<b>Expenditures</b>				
Current				
General government	2,060,729	435,271	-	2,496,000
Public safety	8,939,594	-	22,836	8,962,430
Highways and streets	1,414,636	432,119	2	1,846,757
Culture and recreation	2,317,916	-	-	2,317,916
Debt service				
Principal	-	1,480,000	-	1,480,000
Interest	-	2,284,300	-	2,284,300
Capital outlay				
General government	24,834	24,934	-	49,768
Public safety	872,294	-	-	872,294
Highways and streets	339,768	5,947,298	-	6,287,066
Culture and recreation	1,360,987	-	-	1,360,987
<b>Total expenditures</b>	<b>17,330,758</b>	<b>10,603,922</b>	<b>22,838</b>	<b>27,957,518</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(262,562)</b>	<b>(3,602,954)</b>	<b>21,712</b>	<b>(3,843,804)</b>
<b>Other financing sources (uses)</b>				
Transfers in	100,000	-	-	100,000
Transfers out	(262,701)	-	-	(262,701)
Grants and aids	(133,129)	-	-	(133,129)
Proceeds from sale of assets	33,113	-	-	33,113
<b>Net other financing sources (uses)</b>	<b>(262,717)</b>	<b>-</b>	<b>-</b>	<b>(262,717)</b>
<b>Net change in fund balances</b>	<b>(525,279)</b>	<b>(3,602,954)</b>	<b>21,712</b>	<b>(4,106,521)</b>
<b>Fund balances - beginning</b>	<b>12,097,394</b>	<b>18,504,019</b>	<b>594,938</b>	<b>31,196,351</b>
<b>Fund balances - ending</b>	<b>\$ 11,572,115</b>	<b>\$ 14,901,065</b>	<b>\$ 616,650</b>	<b>\$ 27,089,830</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, 2012

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

Net change in fund balances - total governmental funds (page 18)	\$ (4,106,521)
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 exceeded depreciation in the current period.	5,668,593
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, adjustments, and donations) is to decrease net assets.	(13,560)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	3,960
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.	18,204
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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,439,562
Change in net assets of governmental activities (page 16)	\$ 3,010,238



City of Panama City Beach, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - General Fund  
Year Ended September 30, 2012

	Budgeted Amounts		Variance with	Actual	Budget	Actual
	Original	Final	Final Budget- Actual Amounts Budget Basis	Amounts Budget Basis	to GAAP Difference	Amounts GAAP Basis
<b>Revenues</b>						
Taxes						
Business tax receipts	\$ 6,570,000	\$ 7,422,722	\$ 85,434	\$ 7,508,156	\$ -	\$ 7,508,156
Utility	3,425,000	3,472,000	2,685	3,474,685	9,433	3,484,118
Franchise fees	2,394,000	2,306,000	(24,333)	2,281,667	(27,299)	2,254,368
Intergovernmental	1,621,921	1,616,489	4,857	1,621,346	6,590	1,627,936
Municipal services impact fees	170,325	211,440	7,652	219,092	-	219,092
Licenses and permits	224,050	252,100	1,379	253,479	-	253,479
Fines and forfeitures	171,724	175,190	4,932	180,122	(1,032)	179,090
Contributions and donations	100,250	590,220	(26,106)	564,114	25	564,139
Grants	564,699	418,633	(85,874)	332,759	189,554	522,313
Rents	146,258	135,658	(11,165)	124,493	598	125,091
Interest	52,000	50,850	403	51,253	-	51,253
Other fees and miscellaneous	235,416	295,816	(6,853)	288,963	(9,802)	279,161
<b>Total revenues</b>	<b>15,675,643</b>	<b>16,947,118</b>	<b>(46,989)</b>	<b>16,900,129</b>	<b>168,067</b>	<b>17,068,196</b>
<b>Expenditures</b>						
Current						
General government						
Legislative	170,344	158,544	3,821	154,723	554	155,277
Administration	802,895	793,139	30,883	762,256	11,265	773,521
Comprehensive planning	341,383	316,667	17,953	298,714	6,098	304,812
Protective services	865,469	855,268	31,629	823,639	3,480	827,119
<b>Total general government</b>	<b>2,180,091</b>	<b>2,123,618</b>	<b>84,286</b>	<b>2,039,332</b>	<b>21,397</b>	<b>2,060,729</b>
Public safety						
Police	6,304,229	6,023,672	95,280	5,928,392	(19,213)	5,909,179
Fire	3,192,171	3,071,341	36,729	3,034,612	(4,197)	3,030,415
<b>Total public safety</b>	<b>9,496,400</b>	<b>9,095,013</b>	<b>132,009</b>	<b>8,963,004</b>	<b>(23,410)</b>	<b>8,939,594</b>
Highways and streets	1,565,250	1,478,504	76,068	1,402,436	12,200	1,414,636
Culture and recreation						
Library	212,300	233,571	4,270	229,301	1,332	230,633
Recreation	2,241,108	2,155,343	87,570	2,067,773	19,510	2,087,283
<b>Total culture and recreation</b>	<b>2,453,408</b>	<b>2,388,914</b>	<b>91,840</b>	<b>2,297,074</b>	<b>20,842</b>	<b>2,317,916</b>
<b>Total current</b>	<b>15,695,149</b>	<b>15,086,049</b>	<b>384,203</b>	<b>14,701,846</b>	<b>31,029</b>	<b>14,732,875</b>

(Continued)

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, 2012

	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						
Protective services	\$ 23,000	\$ 24,850	\$ 16	\$ 24,834	\$ -	\$ 24,834
Total general government	23,000	24,850	16	24,834	-	24,834
Public safety						
Police	310,000	312,000	(665)	312,665	1,233	313,898
Fire	675,000	558,400	4	558,396	-	558,396
Total public safety	985,000	870,400	(661)	871,061	1,233	872,294
Highways and streets	444,500	303,500	8,302	295,198	44,570	339,768
Culture and recreation						
Library	10,000	28,500	5,032	23,468	-	23,468
Recreation	325,000	777,000	57,787	719,213	618,306	1,337,519
Total culture and recreation	335,000	805,500	62,819	742,681	618,306	1,360,987
Total capital outlay	1,787,500	2,004,250	70,476	1,933,774	664,109	2,597,883
Total expenditures	17,482,649	17,090,299	454,679	16,635,620	695,138	17,330,758
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(1,807,006)</b>	<b>(143,181)</b>	<b>407,690</b>	<b>264,509</b>	<b>(527,071)</b>	<b>(262,562)</b>
<b>Other financing sources (uses)</b>						
Transfers in	100,000	100,000	-	100,000	-	100,000
Transfers out	(275,000)	(262,701)	-	(262,701)	-	(262,701)
Grants and aids	(133,500)	(133,129)	-	(133,129)	-	(133,129)
Proceeds from sale of assets	-	33,114	(1)	33,113	-	33,113
Total other financing sources (uses)	(308,500)	(262,716)	(1)	(262,717)	-	(262,717)
<b>Net change in fund balances</b>	<b>(2,115,506)</b>	<b>(405,897)</b>	<b>407,689</b>	<b>1,792</b>	<b>(527,071)</b>	<b>(525,279)</b>
<b>Fund balances - beginning</b>	<b>5,594,017</b>	<b>9,453,112</b>	<b>2,668,010</b>	<b>12,121,122</b>	<b>(23,728)</b>	<b>12,097,394</b>
<b>Fund balances - ending</b>	<b>\$ 3,478,511</b>	<b>\$ 9,047,215</b>	<b>\$ 3,075,699</b>	<b>\$ 12,122,914</b>	<b>\$ (550,799)</b>	<b>\$ 11,572,115</b>

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

City of Panama City Beach, Florida  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Budget and Actual - Community Redevelopment Fund  
Year Ended September 30, 2012

	Budgeted Amounts		Variance with	Actual	Budget	Actual
	Original	Final	Final Budget- Actual Amounts Budget Basis	Amounts Budget Basis	to GAAP Difference	Amounts GAAP Basis
<b>Revenues</b>						
Tax increment funds	\$ 6,754,104	\$ 6,737,532	\$ -	\$ 6,737,532	\$ -	\$ 6,737,532
Municipal services impact fees	-	137,099	(34,000)	103,099	-	103,099
Fines and forfeitures	1,000	4,087	351	4,438	(125)	4,313
Contributions and donations	-	-	34,000	34,000	-	34,000
Grants	207,464	74,019	1	74,020	(41,727)	32,293
Interest	58,530	75,435	79	75,514	(6,300)	69,214
Other fees and miscellaneous	18,000	20,008	(691)	19,317	1,200	20,517
<b>Total revenues</b>	<b>7,039,098</b>	<b>7,048,180</b>	<b>(260)</b>	<b>7,047,920</b>	<b>(46,952)</b>	<b>7,000,968</b>
<b>Expenditures</b>						
Current						
General government	784,936	453,049	15,504	437,545	(2,274)	435,271
Highways and streets	544,626	458,873	23,500	435,373	(3,254)	432,119
<b>Total current</b>	<b>1,329,562</b>	<b>911,922</b>	<b>39,004</b>	<b>872,918</b>	<b>(5,528)</b>	<b>867,390</b>
Debt service						
Principal	1,480,000	1,480,000	-	1,480,000	-	1,480,000
Interest	2,284,300	2,284,300	-	2,284,300	-	2,284,300
<b>Total debt service</b>	<b>3,764,300</b>	<b>3,764,300</b>	<b>-</b>	<b>3,764,300</b>	<b>-</b>	<b>3,764,300</b>
Capital outlay						
General government	23,000	24,950	16	24,934	-	24,934
Highways and streets	7,205,000	6,820,450	693,695	6,126,755	(179,457)	5,947,298
<b>Total capital outlay</b>	<b>7,228,000</b>	<b>6,845,400</b>	<b>693,711</b>	<b>6,151,689</b>	<b>(179,457)</b>	<b>5,972,232</b>
<b>Total expenditures</b>	<b>12,321,862</b>	<b>11,521,622</b>	<b>732,715</b>	<b>10,788,907</b>	<b>(184,985)</b>	<b>10,603,922</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(5,282,764)</b>	<b>(4,473,442)</b>	<b>732,455</b>	<b>(3,740,987)</b>	<b>138,033</b>	<b>(3,602,954)</b>
<b>Fund balances - beginning</b>	<b>(2,424,393)</b>	<b>18,029,108</b>	<b>948,782</b>	<b>18,977,890</b>	<b>(473,871)</b>	<b>18,504,019</b>
<b>Fund balances - ending</b>	<b>\$ (7,707,157)</b>	<b>\$ 13,555,666</b>	<b>\$ 1,681,237</b>	<b>\$ 15,236,903</b>	<b>\$ (335,838)</b>	<b>\$ 14,901,065</b>

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

City of Panama City Beach, Florida  
Statement of Net Assets  
Proprietary Funds  
September 30, 2012

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Utility Fund</b>	<b>Other Proprietary Funds</b>	<b>Total</b>
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 29,151,453	\$ 1,041,632	\$ 30,193,085
Accounts receivable, net	5,520,860	24,147	5,545,007
Accrued interest receivable	3,885	-	3,885
Due from other funds	385	1,474	1,859
Due from other governments	-	4,042	4,042
Inventory	517,495	-	517,495
Prepaid insurance	7,750	6,981	14,731
Note receivable	535,000	-	535,000
Unamortized debt issuance costs	58,994	-	58,994
Total current assets	35,795,822	1,078,276	36,874,098
Noncurrent assets			
Restricted assets			
Cash and cash equivalents	28,426,636	-	28,426,636
Accounts receivable	19,082	-	19,082
Accrued interest receivable	66	-	66
Due from other funds	135	-	135
Notes receivable	26,952	-	26,952
Capital assets			
Nondepreciable	8,554,215	7,500	8,561,715
Depreciable, net	108,981,764	13,436,515	122,418,279
Unamortized debt issuance costs	1,120,087	-	1,120,087
Total noncurrent assets	147,128,937	13,444,015	160,572,952
Total assets	182,924,759	14,522,291	197,447,050
<b>Liabilities</b>			
Current liabilities			
Accounts payable	1,054,871	27,599	1,082,470
Accrued expenses and deposits	1,014,289	13,705	1,027,994
Accrued interest payable	881,506	-	881,506
Due to other funds	1,773	-	1,773
Due to other governments	464,157	6,628	470,785
Deferred revenue	1,680,397	37,546	1,717,943
Revenue certificates payable	2,266,844	-	2,266,844
Accrued compensated absences	155,000	7,000	162,000
Notes payable	1,631,780	535,000	2,166,780
Revenue bonds payable, net	1,179,916	-	1,179,916
Total current liabilities	10,330,533	627,478	10,958,011
Noncurrent liabilities			
Accrued compensated absences	862,668	22,652	885,320
Net OPEB obligation	523,287	34,727	558,014
Notes payable	16,514,203	-	16,514,203
Revenue bonds payable, net	46,973,801	-	46,973,801
Total noncurrent liabilities	64,873,959	57,379	64,931,338
Total liabilities	75,204,492	684,857	75,889,349
<b>Net assets</b>			
Invested in capital assets, net of related debt	62,994,936	13,444,015	76,438,951
Restricted for			
Impact fees	7,309,217	-	7,309,217
Debt service	1,347,017	-	1,347,017
Construction	1,818,113	-	1,818,113
Storm water	939,780	-	939,780
Unrestricted	33,311,204	393,419	33,704,623
Total net assets	\$ 107,720,267	\$ 13,837,434	\$ 121,557,701

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 Assets  
Proprietary Funds  
Year Ended September 30, 2012

	<b>Business-type Activities / Enterprise Funds</b>		
	<b>Utility Fund</b>	<b>Other Proprietary Funds</b>	<b>Total</b>
<b>Operating revenues</b>			
Charges for services			
Water and waste water sales	\$ 26,958,921	\$ -	\$ 26,958,921
Storm water assessments	940,089	-	940,089
Connection and reset fees	202,785	-	202,785
Administrative and review fees	35,960	-	35,960
Admissions and other fees	-	901,870	901,870
Rent	36,000	231,043	267,043
Miscellaneous	497,055	2,664	499,719
<b>Total operating revenues</b>	<b>28,670,810</b>	<b>1,135,577</b>	<b>29,806,387</b>
<b>Operating expenses</b>			
Personal services	5,243,429	628,980	5,872,409
Professional services	545,504	16,237	561,741
Office supplies	41,410	3,670	45,080
Contractual services	158,655	42,012	200,667
Insurance	157,282	35,272	192,554
Repairs and maintenance	1,439,145	78,067	1,517,212
Operating supplies	1,410,661	109,287	1,519,948
Communication services	80,070	10,044	90,114
Public utility services	9,003,805	157,823	9,161,628
Transportation	81,418	39	81,457
Rentals	52,738	45,296	98,034
Printing and binding	15,404	-	15,404
Miscellaneous	51,484	4,848	56,332
Amortization	58,985	-	58,985
Depreciation	4,948,862	576,805	5,525,667
<b>Total operating expenses</b>	<b>23,288,852</b>	<b>1,708,380</b>	<b>24,997,232</b>
<b>Net operating income (loss)</b>	<b>5,381,958</b>	<b>(572,803)</b>	<b>4,809,155</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	370,903	3,184	374,087
Grants and contributions	757,000	25,000	782,000
Gain / (loss) on disposal of assets	92,865	(532)	92,333
Interest expense	(2,894,323)	(20,765)	(2,915,088)
<b>Total nonoperating revenues (expenses)</b>	<b>(1,673,555)</b>	<b>6,887</b>	<b>(1,666,668)</b>
<b>Net income (loss) before impact fees and transfers</b>	<b>3,708,403</b>	<b>(565,916)</b>	<b>3,142,487</b>
Impact fees	595,762	-	595,762
Transfers in	-	527,701	527,701
Transfers out	(100,000)	(265,000)	(365,000)
<b>Total impact fees and transfers</b>	<b>495,762</b>	<b>262,701</b>	<b>758,463</b>
<b>Change in net assets</b>	<b>4,204,165</b>	<b>(303,215)</b>	<b>3,900,950</b>
<b>Total net assets - beginning</b>	<b>103,516,102</b>	<b>14,140,649</b>	<b>117,656,751</b>
<b>Total net assets - ending</b>	<b>\$ 107,720,267</b>	<b>\$ 13,837,434</b>	<b>\$ 121,557,701</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, 2012

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Operating activities</b>			
Receipts from customers and users	\$ 28,803,600	\$ 1,133,503	\$ 29,937,103
Payments to suppliers	(14,893,889)	(617,299)	(15,511,188)
Payments to employees	(3,723,865)	(495,227)	(4,219,092)
<b>Net cash provided by operating activities</b>	<b>10,185,846</b>	<b>20,977</b>	<b>10,206,823</b>
<b>Noncapital financing activities</b>			
Grants and contributions	7,000	25,000	32,000
Transfers from (to) other funds	(100,000)	235,000	135,000
Receipt of payments due on notes	49,396	-	49,396
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(43,604)</b>	<b>260,000</b>	<b>216,396</b>
<b>Capital and related financing activities</b>			
Impact fees	570,341	-	570,341
Transfers from other funds	-	27,701	27,701
Principal paid on revenue certificates	(17,654)	-	(17,654)
Principal paid on notes	(1,330,401)	(35,000)	(1,365,401)
Interest paid on notes	(576,517)	(20,765)	(597,282)
Proceeds from revenue bonds	2,731,017	-	2,731,017
Principal paid on revenue bonds	(3,905,061)	-	(3,905,061)
Interest paid on revenue bonds	(2,317,167)	-	(2,317,167)
Issuance costs paid for revenue bonds	(182,115)	-	(182,115)
Proceeds from sale of assets	92,865	831	93,696
Purchase of capital assets	(3,684,685)	(27,701)	(3,712,386)
<b>Net cash (used) by capital and related financing activities</b>	<b>(8,619,377)</b>	<b>(54,934)</b>	<b>(8,674,311)</b>
<b>Investing activities</b>			
Interest received	440,021	3,184	443,205
<b>Net cash provided by investing activities</b>	<b>440,021</b>	<b>3,184</b>	<b>443,205</b>
<b>Net change in cash and cash equivalents</b>	<b>1,962,886</b>	<b>229,227</b>	<b>2,192,113</b>
<b>Cash and cash equivalents - beginning</b>	<b>55,615,203</b>	<b>812,405</b>	<b>56,427,608</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 57,578,089</b>	<b>\$ 1,041,632</b>	<b>\$ 58,619,721</b>
<b>Classified as</b>			
Current assets - cash and cash equivalents	\$ 29,151,453	\$ 1,041,632	\$ 30,193,085
Restricted assets - cash and cash equivalents	28,426,636	-	28,426,636
<b>Total</b>	<b>\$ 57,578,089</b>	<b>\$ 1,041,632</b>	<b>\$ 58,619,721</b>

(Continued)

City of Panama City Beach, Florida  
Statement of Cash Flows  
Proprietary Funds (Continued)  
Year Ended September 30, 2012

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
<b>Reconciliation of net operating income (loss) to net cash provided by operating activities</b>			
Net operating income (loss)	\$ 5,381,958	\$ (572,803)	\$ 4,809,155
Adjustments to reconcile net operating income (loss) to net cash provided by operating activities			
Amortization	58,985	-	58,985
Depreciation	4,948,862	576,805	5,525,667
Bad debts	118,032	5,040	123,072
Professional services	19,199	-	19,199
Forfeited deposits	(1,150)	-	(1,150)
(Increase) decrease in assets			
Accounts receivable	(124,959)	(8,033)	(132,992)
Due from other funds	1,187	(1,377)	(190)
Due from other governments	-	(2,996)	(2,996)
Inventory	(88,581)	-	(88,581)
Prepaid insurance	(1,373)	339	(1,034)
Accounts receivable, restricted	(7,466)	-	(7,466)
Due from other funds, restricted	(135)	-	(135)
Increase (decrease) in liabilities			
Accounts payable	(147,910)	10,412	(137,498)
Accrued expenses and deposits	108,493	163	108,656
Due to other funds	1,575	(583)	992
Due to other governments	(177,511)	2,664	(174,847)
Deferred revenue	(2,614)	636	(1,978)
Accrued compensated absences	78,136	7,766	85,902
Net OPEB obligation	21,118	2,944	24,062
<b>Total adjustments</b>	<b>4,803,888</b>	<b>593,780</b>	<b>5,397,668</b>
<b>Net cash provided by operating activities</b>	<b>\$ 10,185,846</b>	<b>\$ 20,977</b>	<b>\$ 10,206,823</b>
<b>Noncash financing, capital, and investing activities</b>			
Proceeds from Utility Revenue Refunding Bonds, Series 2012			
Deposited to escrow account to refund Utility Revenue Bonds, Series 2002	\$ 18,895,544	\$ -	\$ 18,895,544
Proceeds from Utility Revenue Refunding Bonds, Series 2012			
Underwriters' discount	\$ 96,868	\$ -	\$ 96,868
Trade-in value of capital assets	\$ 4,900	\$ -	\$ 4,900
Public access reuse grant applied directly to reduce note principal	\$ 750,000	\$ -	\$ 750,000

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

City of Panama City Beach, Florida  
Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2012

	<b>Pension Trust Funds</b>
<hr/>	
<b>Assets</b>	
Cash and cash equivalents	\$ 215,449
Accounts receivable, net	53,112
Due from other funds	85,914
Investments, at fair value	
Money market funds	1,458,061
Real estate investment trusts	1,191,792
Mutual funds	42,402,989
<hr/>	
Total assets	45,407,317
<hr/>	
<b>Liabilities</b>	
Accounts payable	46,638
Refunds payable	16,193
Retirement benefits payable	9,742
<hr/>	
Total liabilities	72,573
<hr/>	
<b>Net assets</b>	
Held in trust for pension benefits	\$ 45,334,744
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The accompanying notes are an integral part of the basic financial statements.



City of Panama City Beach, Florida  
Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended September 30, 2012

	<b>Pension Trust Funds</b>
<b>Additions</b>	
Contributions	
Employer	\$ 1,875,383
Plan members	981,506
Insurance premiums	302,363
Total contributions	3,159,252
Investment earnings	
Interest	2,764
Dividends	941,917
Net increase in fair value of investments	6,092,382
Total investment earnings	7,037,063
Less investment expenses	(123,497)
Net investment earnings	6,913,566
Total additions	10,072,818
<b>Deductions</b>	
Benefits	1,675,400
Refunds of contributions	174,167
Administrative expenses	66,527
Total deductions	1,916,094
<b>Change in net assets</b>	8,156,724
<b>Net assets - beginning</b>	37,178,020
<b>Net assets - ending</b>	\$ 45,334,744

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

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

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

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

***Reporting Entity***

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

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

This report includes financial statements of the funds required to account for those financial activities which are related to the City and are controlled by or dependent upon the City's legislative body, the City Council. The City has one component unit, the Panama City Beach Community Redevelopment Agency, as defined by GASB Statement No. 14, *The Financial Reporting Entity* and in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be blended in these financial statements. A component unit is an entity for which the City is considered to be financially accountable and is included in the City's reporting entity because of the significance of its operational or financial relationships with the City. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the primary government. The primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

The Panama City Beach Community Redevelopment Agency (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 does provide services specifically to the Front Beach Road and Pier Park Community Redevelopment Areas of the City. The Agency is disclosed using the blended presentation method.

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

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

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

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

***Government-wide Financial Statements***

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

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

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

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

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

***Fund Financial Statements***

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities,

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

fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

***Governmental Funds***

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

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

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by noncurrent liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

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

***Proprietary Funds***

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

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

operating statements present increases (revenues) and decreases (expenses) in total net assets.

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

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

***Fiduciary Funds***

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

***Basis of Presentation***

GASB Statement 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The City has used GASB Statement 34 minimum criteria for major fund determination to determine which funds are required to be reported as major funds. The non-major governmental funds are combined in a column in the fund financial statements and detailed in the combining section.

***Governmental Major Funds***

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

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

***Proprietary Major Funds***

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

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

***Noncurrent Governmental Assets/Liabilities***

GASB Statement 34 requires noncurrent governmental assets, such as land, buildings and equipment, and noncurrent governmental liabilities, such as revenue bonds and capital leases, to be reported in the governmental activities column in the government-wide statement of net assets.

***Budgets***

Annual budgets are legally adopted for all governmental funds, except those indicated in Note 3, and all proprietary funds. Budgets are prepared and adopted on the cash basis of accounting, except as described in Note 3. All annual appropriations lapse at fiscal year end.

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

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

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

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

***Encumbrances***

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

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

***Cash and Cash Equivalents***

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

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

***Deposits and Investments***

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

***Accounts Receivable, net***

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

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

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

***Inventory***

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

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

***Capital Assets***

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

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

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

***Long-term Obligations***

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

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

***Capitalization of Interest***

Interest incurred during the construction phase of capital assets of business-type activities is capitalized. For the year ended September 30, 2012, \$42,521 was capitalized in connection with the construction of various water and waste water projects.

***Unamortized Bond Costs***

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

***Unamortized Bond Discounts / Premiums***

Bond discounts and premiums associated with the issuance of revenue bonds are amortized over the life of the bonds using the straight-line method. For financial reporting, unamortized bond discounts are netted against the applicable long-term debt while unamortized bond premiums are added to the applicable long-term debt.

***Deferred Gain / Loss from Refunding of Debt***

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

***Deferred Revenues***

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



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

***Accumulated Vacation and Sick Leave***

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

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

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

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

There is no maximum for sick leave accumulation, but a maximum of 500 hours of sick leave accrual will be paid upon termination for all employees hired after January 1, 1998. Those hired on or prior to this date will be paid a maximum of 2,080 hours.

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

Estimated accrued compensated absences for governmental funds represent a reconciling item between the fund and government-wide presentations.

***Restricted Assets***

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

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

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

***Fund Balances***

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

**Nonspendable** – This category includes resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2012, is \$41,699.

**Restricted** – This category includes resources restricted by creditors, grantors, contributors, laws, or regulations of other governments, constitutional provisions, or enabling legislation. The restricted fund balance as of September 30, 2012, is \$19,268,151.

**Committed** – This category includes resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the highest level of decision-making authority which is the City Council. Commitments may be established, modified, or rescinded by the City Council by taking the same formal action that imposed the original constraint. The committed fund balance as of September 30, 2012, is \$0.

**Assigned** – This category includes resources that are intended to be used for specific purposes, but is neither restricted nor committed. These are resources that have been set aside for a specific purpose by an authorized government body or official. The assigned fund balance as of September 30, 2012, is \$504,396.

**Unassigned** – This category includes residual positive fund balance within the General Fund which has not been classified with the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if the nonspendable amount exceeds amounts restricted, committed, or assigned for these specific purposes. The unassigned fund balance as of September 30, 2012, is \$7,275,584.

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

***Estimates***

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

***Subsequent Events***

Management has evaluated subsequent events through May 10, 2013, the date the financial statements were available to be issued.

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

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

***Reclassifications***

Certain reclassifications have been made to the 2011 financial statement presentation to conform to the 2012 presentation.

**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 assets:

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net assets of governmental activities* as reported in the government-wide statement of net assets. 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 \$288,943 difference are as follows:

Accounts receivable, net	\$	234,550
Grants receivable		54,393
<hr/>		
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	288,943

Another element of that reconciliation explains, "capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds."

The details of this \$103,275,755 difference are as follows:

Cost of capital assets	\$	122,815,076
Less: accumulated depreciation		(19,539,321)
<hr/>		
Net adjustment to increase <i>fund balances – total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	103,275,755

Another element of that reconciliation states, "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this (\$51,725,282) difference are as follows:

Bonds payable	\$	(48,355,000)
Unamortized premium costs		(1,121,482)
Less: unamortized bond costs		1,893,275
OPEB liability		(862,638)
Compensated absences		(2,342,021)
Accrued interest payable		(937,416)
<hr/>		
Net adjustment to decrease <i>fund balances – total governmental funds</i> to arrive at <i>net assets of governmental activities</i>	\$	(51,725,282)

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

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

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 assets 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 \$5,668,593 difference are as follows:

Capital outlay	\$	8,575,015
Depreciation expense		(2,906,422)
<hr/>		
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	5,668,593

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, adjustments, and donations) is to decrease net assets." The details of this (\$13,560) 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 assets differs from the change in fund balances by the basis of the capital assets sold.	\$	(80,667)
In the statement of activities, donations of capital assets and seizures are recognized at the estimated fair value. However, in the governmental funds, the donations and seizures are not recognized.		67,107
<hr/>		
Net adjustment to decrease <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	(13,560)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$3,960 difference are as follows:

Compensated absences	\$	(47,357)
Insurance		70,443
Repairs		(4,261)
Interest		24,613
OPEB		(39,478)
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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 assets of governmental activities</i>	\$	3,960

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

**NOTE 2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (CONTINUED)**

Another element of that reconciliation states, "Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in governmental funds." The details of this \$18,204 difference are as follows:

Utility taxes	\$	10,176
Franchise fees		4,876
Intergovernmental		(5,623)
Fines and forfeitures		(6,709)
Grants		15,609
Other fees and miscellaneous		415

Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	18,204
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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 assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,439,562 difference are as follows:

Principal repayments		
Bonds	\$	1,480,000
Plus, amortization of bond premium costs		58,765
Less, amortization of bond issuance costs		(99,203)

Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net assets of governmental activities</i>	\$	1,439,562
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**NOTE 3 – BUDGETS**

The City adopts budgets on a cash basis of accounting, except as follows:

Special Revenue Funds – the following special revenue funds were not budgeted:

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

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

**NOTE 4 – DEPOSITS AND INVESTMENTS**

***Deposits***

All cash resources of the City are placed in banks that qualify as public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year.

In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

***Investments***

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

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

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

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

Direct obligations of the United States Treasury.

Federal agencies and instrumentalities.

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

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

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

***Credit Risks***

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

***Interest Rate Risks***

At September 30, 2012, the City did not hold any investments that were considered to be an interest rate risk.

***Custodial Risks***

At September 30, 2012, the City did not hold any deposits or investments that were considered to be a custodial risk.

***Concentration of Credit Risk***

At September 30, 2012, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2012, the City's deposits and investments consisted of the following:

	<b>Carrying Amount</b>	<b>Market Value</b>
Demand deposits	\$ 75,612,944	\$ 75,612,944
Nonnegotiable certificate of deposits	13,061,739	13,061,739
<b>Total deposits and investments</b>	<b>\$ 88,674,683</b>	<b>\$ 88,674,683</b>

**NOTE 5 – ACCOUNTS RECEIVABLE, NET**

At September 30, 2012, accounts receivable in the governmental activities is summarized as follows:

Total accounts receivable	\$144,609
Less: allowance for doubtful accounts	-
<b>Accounts receivable, net</b>	<b>\$144,609</b>

At September 30, 2012, restricted accounts receivable in the governmental activities is summarized on the following page:

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

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

Total restricted accounts receivable	\$89,035
Less: allowance for doubtful accounts	-
<hr/>	
Restricted accounts receivable, net	\$89,035

Restricted accounts receivable arise from activities in the community redevelopment funds.

At September 30, 2012, accounts receivable in the business type activities is summarized as follows:

Billed accounts receivable	\$ 2,085,220
Unbilled accounts receivable	3,680,357
Other receivables	83,180
<hr/>	
Total accounts receivable	5,848,757
Less: allowance for doubtful accounts	(303,750)
<hr/>	
Accounts receivable, net	\$ 5,545,007

At September 30, 2012, restricted accounts receivable in the business type activities is summarized as follows:

Total restricted accounts receivable	\$19,082
Less: allowance for doubtful accounts	-
<hr/>	
Restricted accounts receivable, net	\$19,082

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

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

The composition of due to / from other funds balances as of September 30, 2012 is as follows:

Receivable Fund	Payable Fund	Amount
General fund	Utility fund	\$ 1,747
LETf fund	General fund	2,900
Utility fund	General fund	520
Pier fund	General fund	184
Pier fund	Utility fund	26
Aquatic center fund	General fund	1,264
CRA fund	General fund	4,265
Fiduciary funds	General fund	85,914
<hr/>		
Total		\$ 96,820



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

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

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, 2012 is as follows:

Transfers out	Transfers in	Amount
General fund	Aquatic center fund	\$ 235,000
General fund	Pier fund	27,701
Utility fund	General fund	100,000
Pier fund	Aquatic center fund	265,000
<b>Total</b>		<b>\$ 627,701</b>

**NOTE 7 – CAPITAL ASSETS**

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

	September 30, 2011	Increases	Decreases	September 30, 2012
Capital assets, not being depreciated				
Land	\$ 44,133,384	\$ 1,303,437	\$ -	\$ 45,436,821
Construction in progress	17,974,037	6,092,354	(15,553,453)	8,512,938
<b>Total capital assets, not being depreciated</b>	<b>62,107,421</b>	<b>7,395,791</b>	<b>(15,553,453)</b>	<b>53,949,759</b>
Capital assets, being depreciated				
Buildings	6,596,755	-	(120,000)	6,476,755
Improvements	39,045,347	15,709,582	-	54,754,929
Machinery and equipment	6,979,271	1,085,942	(431,580)	7,633,633
<b>Total capital assets, being Depreciated</b>	<b>52,621,373</b>	<b>16,795,524</b>	<b>(551,580)</b>	<b>68,865,317</b>
Less: accumulated depreciation				
Buildings	(2,250,070)	(169,218)	47,500	(2,371,788)
Improvements	(10,043,661)	(2,278,571)	-	(12,322,232)
Machinery and equipment	(4,810,080)	(458,633)	423,412	(4,845,301)
<b>Total accumulated Depreciation</b>	<b>(17,103,811)</b>	<b>(2,906,422)</b>	<b>470,912</b>	<b>(19,539,321)</b>
<b>Total capital assets, being depreciated, net of accumulated depreciation</b>	<b>35,517,562</b>	<b>13,889,102</b>	<b>(80,668)</b>	<b>49,325,996</b>
<b>Total governmental activities' capital assets – net</b>	<b>\$ 97,624,983</b>	<b>\$ 21,284,893</b>	<b>\$(15,634,121)</b>	<b>\$103,275,755</b>

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

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

During the fiscal year ending September 30, 2012, the City received contributed assets with an estimated fair market value at the date of contribution of \$51,107.

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

Governmental activities	
General government	\$ 43,357
Public safety	383,754
Highways and streets	1,456,267
Culture and recreation	1,023,044
<b>Total depreciation expense – governmental activities</b>	<b>\$ 2,906,422</b>

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

	September 30, 2011	Increases	Decreases	September 30, 2012
Capital assets, not being depreciated				
Land	\$ 6,972,774	\$ 47,220	\$ -	\$ 7,019,994
Intangible Bayside	-	194,788	-	194,788
Construction in progress	3,813,294	2,433,171	(4,899,532)	1,346,933
<b>Total capital assets, not being depreciated</b>	<b>10,786,068</b>	<b>2,675,179</b>	<b>(4,899,532)</b>	<b>8,561,715</b>
Capital assets, being depreciated				
Buildings	38,636,974	-	-	38,636,974
Improvements	105,112,159	4,790,843	(3,568)	109,899,434
Machinery and equipment	19,975,503	375,653	(116,021)	20,235,135
<b>Total capital assets, being Depreciated</b>	<b>163,724,636</b>	<b>5,166,496</b>	<b>(119,589)</b>	<b>168,771,543</b>
Less: accumulated depreciation				
Buildings	(12,304,339)	(998,240)	-	(13,302,579)
Improvements	(23,738,806)	(3,001,072)	3,569	(26,736,309)
Machinery and equipment	(4,902,679)	(1,526,355)	114,658	(6,314,376)
<b>Total accumulated Depreciation</b>	<b>(40,945,824)</b>	<b>(5,525,667)</b>	<b>118,227</b>	<b>(46,353,264)</b>
<b>Total capital assets, being depreciated, net of accumulated depreciation</b>	<b>122,778,812</b>	<b>(359,171)</b>	<b>(1,362)</b>	<b>122,418,279</b>
<b>Total business-type activities' capital assets (net of accumulated depreciation)</b>	<b>\$ 133,564,880</b>	<b>\$ 2,316,008</b>	<b>\$ (4,900,894)</b>	<b>\$ 130,979,994</b>

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

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

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

Business-type activities		
Utility fund		
Water	\$	1,434,882
Waste water		3,398,690
Storm water		115,290
Pier fund		424,933
Aquatic center fund		151,872
<b>Total depreciation expense – business-type activities</b>		<b>\$ 5,525,667</b>

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2012:

	Utility Fund	Pier Fund	Aquatic Center Fund	Total
Land	\$ 7,019,994	\$ -	\$ -	\$ 7,019,994
Intangible	194,788	-	-	194,788
Buildings	34,479,955	1,943,959	2,213,060	38,636,974
Improvements	98,801,879	9,028,934	2,068,621	109,899,434
Machinery and equipment	19,780,242	154,763	300,130	20,235,135
Construction in progress	1,339,433	-	7,500	1,346,933
<b>Total</b>	<b>161,616,291</b>	<b>11,127,656</b>	<b>4,589,311</b>	<b>177,333,258</b>
Less: accumulated depreciation				
Buildings	(12,801,769)	(139,512)	(361,298)	(13,302,579)
Improvements	(25,168,373)	(1,109,809)	(458,127)	(26,736,309)
Machinery and equipment	(6,110,170)	(34,501)	(169,705)	(6,314,376)
<b>Total accumulated depreciation</b>	<b>(44,080,312)</b>	<b>(1,283,822)</b>	<b>(989,130)</b>	<b>(46,353,264)</b>
<b>Total business-type activities' capital assets, net</b>	<b>\$117,535,979</b>	<b>\$ 9,843,834</b>	<b>\$ 3,600,181</b>	<b>\$130,979,994</b>

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

***Plan Description***

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

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

**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

***Eligibility***

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

***Funding Policy***

For the Postemployment Health Care Benefits Plan, contribution requirements of the City are established and may be amended through recommendations of the City staff and action from the City Council. The City has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. As of October 1, 2012 there were 20 retirees and 3 eligible dependents receiving postemployment health care benefits. For the fiscal year ended September 30, 2012, estimated benefits exceeded retiree premiums resulting in City contributions of \$54,841. Annual OPEB costs are comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions totaling \$145,348. Required contributions are based on projected pay-as-you-go financing.

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

Coverage	Blue Options 3559	Blue Options 5770	Blue Options 5771
Individual	\$ 566.74	\$ 540.47	\$ 513.30
Retiree & Spouse	\$ 1,348.85	\$ 1,286.33	\$ 1,221.66

Dental insurance can be purchased at a cost of \$25.88 per month per member and life insurance coverage can be purchased at a cost of \$6 per \$15,000 of coverage for retirees.

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

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

Description	Total
Normal cost	\$ 151,309
Amortization of unfunded actuarial accrued liability	129,777
Interest on above items	11,243
Annual required contribution of employer	292,329
Plus: interest on net OPEB obligation	47,013
Less: amortization of net OPEB obligation	(39,178)
Total annual OPEB cost	\$ 300,164

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

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**NOTE 8 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (CONTINUED)**

Description (continued)	Total
Beginning of year net OPEB obligation	\$ 1,175,331
Plus: actual annual OPEB cost	300,164
Less: employer contributions	<u>(54,841)</u>
End of year net OPEB obligation	<u>\$ 1,420,654</u>

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

***Funding Status and Funding Progress***

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

***Actuarial Methods and Assumptions***

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and termination, mortality, and the healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan provisions, as understood by the employer and participating members, and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and participating members. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

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

**NOTE 9 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES**

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012	Due Within One Year
Revenue bonds payable	\$ 49,835,000	\$ -	\$ (1,480,000)	\$ 48,355,000	\$ 1,540,000
Adjusted for deferred amounts for issuance premium	1,180,247	-	(58,765)	1,121,482	58,765
Total bonds payable	51,015,247	-	(1,538,765)	49,476,482	1,598,765
Accrued compensated absences	2,294,664	525,378	(478,021)	2,342,021	289,000
Net OPEB obligation	823,160	39,478	-	862,638	-
<b>Total</b>	<b>\$ 54,133,071</b>	<b>\$ 564,856</b>	<b>\$ (2,016,786)</b>	<b>\$ 52,681,141</b>	<b>\$ 1,887,765</b>

Revenue Bonds Payable:

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

The bonds were issued to provide funds for the purpose of financing the preparation, planning, design, land acquisition, construction and implementations necessary to carry out the Front Beach Road Community Redevelopment Area Plan. The \$54,835,000 is composed of \$38,420,000 Serial Bonds and \$16,415,000 term bonds.

	\$ 48,355,000
Total revenue bonds at September 30, 2012	48,355,000
Less: revenue bonds – current portion	(1,540,000)
Revenue bonds – long-term at September 30, 2012	<b>\$ 46,815,000</b>

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

**NOTE 9 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES (CONTINUED)**

Debt service requirements to maturity on Capital Improvement Revenue Bonds, Series 2006, (Front Beach Road Project), payable at September 30, 2012 are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 1,540,000	\$ 2,221,975	\$ 3,761,975
2014	1,605,000	2,155,144	3,760,144
2015	1,670,000	2,085,550	3,755,550
2016	1,745,000	2,006,438	3,751,438
2017	1,830,000	1,917,062	3,747,062
2018-2022	10,505,000	8,220,655	18,725,655
2023-2027	13,045,000	5,623,062	18,668,062
2028-2032	16,415,000	2,131,875	18,546,875
Total	\$ 48,355,000	\$ 26,361,761	\$ 74,716,761

**NOTE 10 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES**

	Balance September 30, 2011	Additions	Deductions	Balance September 30, 2012	Due Within One Year
Revenue bonds payable	\$ 49,814,434	\$ 20,910,000	\$ (22,414,434)	\$ 48,310,000	\$ 1,385,000
Adjusted for deferred amounts					
On refunding	(563,393)	(1,153,580)	208,957	(1,508,016)	(266,344)
For issuance discounts	(570,964)	-	570,964	-	-
For issuance premium	580,808	813,729	(42,804)	1,351,733	61,260
Total bonds payable	49,260,885	20,570,149	(21,677,317)	48,153,717	1,179,916
Revenue certificates payable	2,284,498	-	(17,654)	2,266,844	2,266,844
Notes payable	20,796,384	-	(2,115,401)	18,680,983	2,166,780
Accrued compensated balances	961,418	251,714	(165,812)	1,047,320	162,000
Net OPEB obligation	533,952	24,062	-	558,014	-
Total	\$ 73,837,137	\$ 20,845,925	\$ (23,976,184)	\$ 70,706,878	\$ 5,775,540

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

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

Revenue Bonds:

\$28,725,000 Utility Revenue Bonds, Series 2009, dated September 11, 2009; 3.00% to 5.00% interest, depending on maturity date of bonds. Interest is payable semiannually on June 1 and December 1. Principal is payable annually on June 1 beginning June 1, 2010 with final maturity on June 1, 2039. The \$28,725,000 is composed of \$10,355,000 serial bonds and \$18,370,000 term bonds.

The bonds were issued to provide funds for the purpose of: 1) financing the cost of the acquisition and construction of certain capital improvements in connection with the City's water and waste water utility system, 2) funding a required deposit to the Reserve Fund established pursuant to the Resolution, and 3) paying certain costs incurred in connection with the issuance of the bonds. \$ 27,400,000

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

The bonds were issued to provide funds for the purpose of: 1) refunding the City's outstanding \$19,920,000 Utility Revenue Bonds, Series 2002 and its outstanding subordinate \$4,010,000 Utility System Refunding Revenue Bonds, Series 2011, and 2) paying certain costs incurred in connection with the issuance of the bonds. 20,910,000

Total revenue bonds at September 30, 2012	48,310,000
Less: revenue bonds – current portion	(1,385,000)

Revenue bonds – long-term at September 30, 2012	\$ 46,925,000
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City of Panama City Beach, Florida  
Notes to Basic Financial Statements

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

Debt service requirements to maturity on revenue bonds payable at September 30, 2012 are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 1,385,000	\$ 2,046,675	\$ 3,431,675
2014	1,460,000	2,008,475	3,468,475
2015	1,495,000	1,968,375	3,463,375
2016	1,540,000	1,917,825	3,457,825
2017	1,420,000	1,859,825	3,279,825
2018-2022	7,740,000	8,366,925	16,106,925
2023-2027	10,155,000	6,531,062	16,686,062
2028-2032	12,375,000	4,338,163	16,713,163
2033-2037	7,290,000	1,991,500	9,281,500
2038-2039	3,450,000	260,750	3,710,750
<b>Total</b>	<b>\$ 48,310,000</b>	<b>\$ 31,289,575</b>	<b>\$ 79,599,575</b>

The principal balance of the defeased debt outstanding for the Water and Waste water Revenue Bonds, Series 1987A, at September 30, 2012 is \$425,000.

Revenue Certificates:

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

Location	Original Amount of Certificate	Balance at September 30, 2011	Net Changes During the Year	Balance at September 30, 2012
Wild Heron	\$ 431,834	\$ 187,794	\$ (8,775)	\$ 179,019
Hills Road	71,550	6,264	-	6,264
Bayside Partners LLC	142,993	123,660	(1,104)	122,556
Sunnyside Beach & Tennis	203,385	166,404	-	166,404
Tapestry Park North, LLC	96,430	89,761	(835)	88,926
Magnolia Beach LLC	100,000	84,307	(513)	83,794
TW Olson-Magnolia LLC	490,500	413,517	(2,516)	411,001
St. Andrews Land Company LLC	670,414	565,193	(1,671)	563,522
Ocean Park Pavilion Inc.	68,494	68,494	-	68,494
Ocean Park Pavilion Inc.	239,795	239,569	-	239,569
Karen Arrigo - Shasta Street	18,357	13,515	-	13,515
St. Andrews Land Company, LLC	212,496	202,298	(2,240)	200,058
Antigua Developers, LLC	143,950	123,722	-	123,722
<b>Total</b>	<b>\$ 2,890,198</b>	<b>\$ 2,284,498</b>	<b>\$ (17,654)</b>	<b>\$ 2,266,844</b>

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

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

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

Notes Payable:

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

\$ 9,450,620

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

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

8,695,363

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

535,000

Total notes payable at September 30, 2012

18,680,983

Less: notes payable - current portion

(2,166,780)

Notes payable – long-term at September 30, 2012

\$ 16,514,203

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

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

Debt service requirements to maturity on notes payable at September 30, 2012 are as follows:

Year Ending September 30,	Principal	Interest	Total
2013	\$ 2,166,780	\$ 543,119	\$ 2,709,899
2014	1,680,041	475,412	2,155,453
2015	1,729,732	425,721	2,155,453
2016	1,780,894	374,559	2,155,453
2017	1,833,571	321,882	2,155,453
2018-2022	7,574,433	853,273	8,427,706
2023-2027	1,327,361	198,032	1,525,393
2028-2029	588,171	21,985	610,156
Total	\$ 18,680,983	\$ 3,213,983	\$ 21,894,966

**NOTE 11 – PLEDGED REVENUES - GOVERNMENTAL ACTIVITIES**

The \$54,835,000 Capital Improvement Revenue Bonds, Series 2006, (Front Beach Road Project) were issued to provide funds for the purpose of financing the preparation, planning, design, land acquisition, construction and implementations necessary to carry out the Front Beach Road Community Redevelopment Area Plan. These bonds are payable from a pledge of and first lien upon Front Beach Road CRA Tax Increment Revenue. This pledge remains in effect until extinguishment or maturity of the debt in 2031, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2012 totaled \$74,716,761. Annual principal and interest payments on the bonds in fiscal year 2012 required the use of 58.85% of the tax increment revenue. Principal and interest payments paid for the current year were \$3,764,300 and Front Beach Road CRA tax increment revenue collected was \$6,396,058.

**NOTE 12 – PLEDGED REVENUE - BUSINESS-TYPE ACTIVITIES**

The \$28,725,000 Utility Revenue Bonds, Series 2009, were issued to provide funds for the purpose of financing the cost of the acquisition and construction of certain capital improvements in connection with the City's water and waste water utility system. The bonds are payable from and secured by a lien upon and pledge of (a) net revenues of the water and waste water systems, (b) water system development charges, (c) waste water system development charges, (d) until released, public services taxes, and (e) the money deposited in the various funds related to the creation of the obligation. The remaining principal and interest payments on this debt as of September 30, 2012 totaled \$50,107,137. Annual principal and interest payments on the bond required 14.28% of pledged revenue. Current year principal and interest payments paid from pledged revenue was \$505,000 and \$1,350,850, respectively. For the year ended September 30, 2012, pledged revenues were \$12,999,491.

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

**NOTE 12 – PLEDGED REVENUE - BUSINESS-TYPE ACTIVITIES (CONTINUED)**

The \$20,910,000 Utility Revenue Refunding Bonds, Series 2012, were issued to provide funds which were used to refund the City's outstanding \$19,920,000 Utility Revenue Bonds, Series 2002, and \$4,010,000 Utility System Refunding Revenue Bonds, Series 2011. The bonds are payable from and secured by a lien upon and pledge of (a) the net revenues derived from the operation of the City's water and waste water system, (b) certain water system development charges and waste water system development charges, (c) until released public services taxes, and (d) the moneys on deposit in the various funds and accounts related to the creation of the obligation. The Series 2012 Bonds are payable on a parity basis from the pledged revenues with the City's outstanding Utility Revenue Bonds, Series 2009. The remaining principal and interest payments on this debt as of September 30, 2012 totaled \$29,492,438. Annual principal and interest payments on the bond required 1.18% of pledged revenue. Current year principal and interest payments paid from pledged revenue was \$0 and \$153,150, respectively. For the year ended September 30, 2012, pledged revenues were \$12,999,491.

**NOTE 13 – ACCRUED ABSENCES**

Accrued compensated absences consist of the following at September 30, 2012:

	<b>Accrued Emergency Leave</b>	<b>Accrued Sick Leave</b>	<b>Total Accrued Leave</b>
Governmental funds			
General	\$ 395,861	\$ 1,925,116	\$ 2,320,977
Community Redevelopment	3,249	17,795	21,044
Enterprise funds			
Utility	211,472	806,196	1,017,668
Pier	9,001	7,631	16,632
Aquatic Center	8,973	4,047	13,020
<b>Total</b>	<b>\$ 628,556</b>	<b>\$ 2,760,785</b>	<b>\$ 3,389,341</b>

**NOTE 14 – 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, 2012, the City's cost of water purchased from Bay County was \$7,293,643. The City did not meet its minimum purchase obligation for 2012 and as a result there was an amount due of \$388,492 at September 30, 2012. However, this liability was offset by \$103,241 representing Bay County's impact fees collected by the City in accordance with an inter-local agreement, and \$12,741 in other credits. As such, the net amount of \$272,510 has been recorded as a liability on the City's financial statements and is included in the total cost of water purchased above.

***Construction Contracts***

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

**NOTE 15 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)**

The City's pension plans are established by various City ordinances. According to these ordinances, the City maintains three separate single-employer defined benefit pension plans which cover general employees, police officers and firefighters. The City's ordinances governing the firefighters' and police officers' plans were written in compliance with the provisions of Florida Statutes, Chapters 175 and 185, respectively. A stand-alone financial statement report for the plans is not available. An actuarial valuation report for the plans may be obtained by writing to Ms. Holly White, City Clerk, 110 South Arnold Road, Panama City Beach, Florida 32413. A description of the plans follows:

**NOTE 15 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

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

The City of Panama City Beach PERS financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City’s employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plans. Investments held by the plans are recorded at market value in the basic financial statements. There are no investments in, loans to, or leases with parties related to the pension plans. Ninety-three percent (93%) of the total assets held in trust for pension benefits are invested in mutual funds, three percent (3%) in real estate investment trusts, and the remaining balance of four percent (4%) is in cash, money market funds, and receivables.

***Statements of Plan Assets***

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

***Plan Descriptions and Contribution Information***

Membership of each plan consisted of the following at October 1, 2011, the date of the latest actuarial valuation.

	<b>General Employees</b>	<b>Police Officers</b>	<b>Fire- Fighters</b>
Retirees and beneficiaries receiving benefits	49	21	7
Terminated plan members entitled to but not yet receiving benefits	0	1	3
Active plan members	157	49	28
<b>Total</b>	<b>206</b>	<b>71</b>	<b>38</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.

Contributions – Plan members are required to contribute 8.7% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

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

**NOTE 15 – PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS) (CONTINUED)**

***Police Officers' Pension Plan***

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

Contributions – Plan members are required to contribute 11.0% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

***Firefighters' Pension Plan***

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

Contributions – Plan members are required to contribute 8.1% of their annual covered salary except for those firefighters who elect the "25 and out" tier. These members are required to contribute 11.5% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

***Three Year Trend Information***

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

	<b>For The Fiscal Year</b>	<b>Annual Pension Cost (APC)</b>	<b>Percentage of APC Contributed</b>	<b>Net Pension Obligation</b>
General employees	09/30/10	\$ 968,802	108.4%	\$ (57,344)
	09/30/11	939,705	116.3%	(216,790)
	09/30/12	1,346,142	80.6%	pending
Police officers	09/30/10	580,987	93.8%	(91,094)
	09/30/11	549,972	120.3%	(206,937)
	09/30/12	610,838	81.4%	pending
Firefighters	09/30/10	557,520	96.9%	(292,458)
	09/30/11	504,322	118.1%	(387,319)
	09/30/12	674,830	88.3%	pending

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

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**NOTE 16 – LEASES**

***Bay County Lease***

On April 13, 2001, the City leased approximately 3,100 square feet in the building at 17109 Panama City Beach Parkway, including utilities and maintenance and adjacent appropriate parking, to Bay County for initial use by the Tax Collector at a rate of \$36,000 per year for 15 years. The rental income for the year ended September 30, 2012 was \$36,000.

***Frank Brown Park Concession Lease***

The City leases five concession stands located within Frank Brown Park. The operating lease includes the use of the concession stand buildings, fixtures, and equipment beginning November 1, 2010 and continuing through September 30, 2013. Rent is due on the first of each month in an amount equal to 23% of monthly gross sales made by the lessee in the previous month, plus \$500. Rental income for the year end September 30, 2012, was \$49,588.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2012:

<b>Year Ending September 30,</b>	<b>Total</b>
2013	\$ 6,000
Total	\$ 6,000

***Aquatic Center Concession Lease***

The City leases one concession stand located at the Aquatic Center at Frank Brown Park. The operating lease includes the use of the concession stand building, fixtures and equipment beginning April 23, 2010 and continuing through September 30, 2013. The lease has an option to renew at the same terms and conditions for two (2) consecutive terms of one year each. Rent is due on the first of each month in an amount equal to 23% of monthly gross sales made by the lessee in the previous month, plus \$250. Rental income for the year ended September 30, 2012, was \$15,047.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2012:

<b>Year Ending September 30,</b>	<b>Total</b>
2013	\$ 3,000
2014	3,000
Total	\$ 6,000



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

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**NOTE 16 – LEASES (CONTINUED)**

***Pier Beachfront Lease***

The City leases a snack bar, tackle, and bait shop and four (4) retail kiosks located at the Russell-Fields Pier. Additionally, the City grants to the tenant an exclusive right and license to operate a beach service on the beachfront property as defined in the lease agreement. The effective date of the lease was June 24, 2010 and extended through September 30, 2017, which includes a five year renewal. The lease has an option to renew for consecutive, additional terms of two (2), three (3), or five (5) years, each upon rent, terms, and conditions as agreed to between the lessee and the City. The total aggregate term, including the initial two (2) year term and all extension terms, shall not exceed ten (10) years (June 30, 2020). Base rent is due to the City on the first day of each month in the amount of \$8,333. In addition to the base rent, the lessee shall pay additional rent to the City on the fifteenth day of each month in an amount equal to 5% of the monthly gross sales up to and including \$700,000 aggregate gross sales per year, and thereafter, 10% of monthly gross sales in excess of \$700,000 aggregate gross sales per year for the remainder of that year. Rental income for the year ended September 30, 2012 was \$210,235.

***Pier Beachfront Lease***

Future minimum lease receipts due under this operating lease consists of the following at September 30, 2012:

Year Ending September 30,	Total
2013	\$ 100,000
2014	100,000
2015	100,000
2016	100,000
2017	100,000
Total	\$ 500,000

**NOTE 17 – NET ASSET RESTRICTIONS**

The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2012.

***Governmental Activities***

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

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.

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

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**NOTE 17 – NET ASSET RESTRICTIONS (CONTINUED)**

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

Restriction for 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.

***Business-type Activities***

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

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

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

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

***Summary***

Specific restrictions of net assets are summarized below as of September 30, 2012:

Governmental activities	
Law enforcement	\$ 24,601
Beach access public parking	557,597
Impact fees	3,969,307
Debt service	5,619,762
<hr/>	
Total	\$ 10,171,267
<hr/>	
Business-type activities	
Impact fees	\$ 7,309,217
Debt service	1,347,017
Construction	1,818,113
Storm water	939,780
<hr/>	
Total	\$ 11,414,127
<hr/>	

For the fiscal year ending September 30, 2012, the amount of net assets restricted by enabling legislation was \$21,585,394.

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

**NOTE 18 – FUND BALANCE CONSTRAINTS**

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

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Nonspendable				
Prepays	\$ 22,188	\$ 190	\$ -	\$ 22,378
Inventory	19,321	-	-	19,321
Total nonspendable	41,509	190	-	41,699
Restricted				
Highways and streets	50,261	1,438,707	-	1,488,968
Debt service reserve	-	6,557,178	-	6,557,178
Community redevelopment	-	6,651,748	-	6,651,748
Impact fees	3,969,265	-	-	3,969,265
Pier Park CDD	1,926	-	-	1,926
Public safety	4,435	-	36,232	40,667
Public parking	-	-	558,399	558,399
Total restricted	4,025,887	14,647,633	594,631	19,268,151
Assigned				
Subsequent years expenditures	229,135	-	-	229,135
Community redevelopment	-	1,831	-	1,831
Public safety	-	-	22,019	22,019
Sidewalk construction	-	251,411	-	251,411
Total assigned	229,135	253,242	22,019	504,396
Unassigned	7,275,584	-	-	7,275,584
Total fund balances	\$ 11,572,115	\$ 14,901,065	\$ 616,650	\$ 27,089,830

**NOTE 19 – RISK MANAGEMENT**

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

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

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**NOTE 20 – PIER PARK**

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

The CDD was authorized to issue debt to provide funds for public improvements constructed in the Pier Park Redevelopment Area. The City has pledged tax increment revenue collected within Pier Park to the CDD to be applied to the payment of interest and principal on the debt obligations. For the year ended September 30, 2012, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$341,474. These funds were subsequently paid to the CDD by the City.

Additionally, the City has irrevocably pledged the business tax receipts collected within Pier Park to the CDD to be applied (after deduction of certain amounts for public safety services) to certain CDD costs and obligations, including the payment of interest and principal on the debt obligations, in a priority specifically detailed in the PIPA. Business tax receipts and related penalties for late payments collected in the fiscal year ended September 30, 2012 were \$1,979,197.

A portion of the business tax receipts collected within the Pier Park Community Redevelopment Area is retained by the City for the provision of public safety services within the Pier Park Community Redevelopment Area. The amount retained by the City is determined under the terms of the PIPA and is calculated in the fiscal year following collection. The City has recorded a liability as of September 30, 2012 in the amount of \$1,979,197. This represents fiscal year 2012 collections, a portion of which will be retained by the City. The portion to be retained by the City is not determinable until July 2013.

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

## Required Supplementary Information

City of Panama City Beach, Florida  
 Required Supplementary Information  
 Schedule of Analysis of Funding Progress  
 Pension Trust Funds  
 September 30, 2012

Analysis of Funding Progress (In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
<u>General Employees</u>						
10/1/2002	\$ 8,400	\$ 10,050	\$ 1,650	83.6%	\$ 3,314	49.8%
10/1/2003	\$ 9,234	\$ 10,801	\$ 1,567	85.5%	\$ 3,634	43.1%
10/1/2004	\$ 10,141	\$ 11,594	\$ 1,453	87.5%	\$ 3,694	39.3%
10/1/2005	\$ 10,986	\$ 12,306	\$ 1,320	89.3%	\$ 3,708	35.6%
10/1/2006	\$ 12,409	\$ 13,615	\$ 1,206	91.1%	\$ 4,510	26.7%
10/1/2007	\$ 14,273	\$ 15,374	\$ 1,101	92.8%	\$ 4,931	22.3%
10/1/2008	\$ 15,608	\$ 16,684	\$ 1,076	93.6%	\$ 5,152	20.9%
10/1/2009	\$ 17,062	\$ 17,999	\$ 937	94.8%	\$ 5,280	17.7%
10/1/2010	\$ 18,563	\$ 19,292	\$ 729	96.2%	\$ 5,426	13.4%
10/1/2011	\$ 19,985	\$ 20,405	\$ 420	97.9%	\$ 5,997	7.0%
<u>Police Officers</u>						
10/1/2002	\$ 5,860	\$ 6,723	\$ 863	87.2%	\$ 1,798	48.0%
10/1/2003	\$ 6,275	\$ 7,106	\$ 831	88.3%	\$ 1,677	49.6%
10/1/2004	\$ 6,771	\$ 7,542	\$ 771	89.8%	\$ 1,746	44.2%
10/1/2005	\$ 7,262	\$ 8,004	\$ 742	90.7%	\$ 1,772	41.9%
10/1/2006	\$ 8,044	\$ 8,698	\$ 654	92.5%	\$ 1,907	34.3%
10/1/2007	\$ 9,021	\$ 9,905	\$ 884	91.1%	\$ 2,031	43.5%
10/1/2008	\$ 9,778	\$ 10,607	\$ 829	92.2%	\$ 2,277	36.4%
10/1/2009	\$ 10,495	\$ 11,234	\$ 739	93.4%	\$ 2,352	31.4%
10/1/2010	\$ 11,295	\$ 11,974	\$ 679	94.3%	\$ 2,266	30.0%
10/1/2011	\$ 11,948	\$ 12,407	\$ 459	96.3%	\$ 2,359	19.5%
<u>Firefighters</u>						
10/1/2002	\$ 2,826	\$ 3,230	\$ 404	87.5%	\$ 838	48.2%
10/1/2003	\$ 3,014	\$ 3,505	\$ 491	86.0%	\$ 901	54.5%
10/1/2004	\$ 3,324	\$ 3,816	\$ 492	87.1%	\$ 950	51.8%
10/1/2005	\$ 3,743	\$ 4,233	\$ 490	88.4%	\$ 987	49.6%
10/1/2006	\$ 4,359	\$ 4,832	\$ 473	90.2%	\$ 955	49.5%
10/1/2007	\$ 5,251	\$ 5,685	\$ 434	92.4%	\$ 1,030	42.1%
10/1/2008	\$ 6,116	\$ 7,797	\$ 1,681	78.4%	\$ 1,128	149.0%
10/1/2009	\$ 6,858	\$ 8,419	\$ 1,561	81.5%	\$ 1,364	114.4%
10/1/2010	\$ 7,721	\$ 9,204	\$ 1,483	83.9%	\$ 1,240	119.6%
10/1/2011	\$ 8,498	\$ 9,772	\$ 1,274	87.0%	\$ 1,281	99.5%

City of Panama City Beach, Florida  
 Required Supplementary Information  
 Schedule of Contributions From Employer and Other  
 Entity's Contributions - Pension Trust Funds  
 September 30, 2012

Schedules of Employer Contributions <sup>^</sup>

For the Fiscal Year	General Employees		Police Officers		Firefighters	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
9/30/2003	\$ 622,651	102.2%	\$ 347,010	104.2%	\$ 221,505	54.9%
9/30/2004	\$ 693,660	105.3%	\$ 329,148	118.2%	\$ 241,386	96.0%
9/30/2005	\$ 681,875	106.7%	\$ 417,364	107.6%	\$ 284,229	98.9%
9/30/2006	\$ 740,332	102.4%	\$ 378,138	124.1%	\$ 279,765	112.2%
9/30/2007	\$ 815,505	100.0%	\$ 412,836	105.7%	\$ 319,200	147.0%
9/30/2008	\$ 885,465	90.5%	\$ 517,687	96.1%	\$ 360,188	163.1%
9/30/2009	\$ 1,034,824	102.2%	\$ 514,614	101.4%	\$ 479,613	106.0%
9/30/2010	\$ 971,066	108.1%	\$ 572,627	95.2%	\$ 533,688	101.2%
9/30/2011	\$ 934,570	117.0%	\$ 542,885	121.8%	\$ 475,162	125.3%
9/30/2012	\$ 1,322,416	82.0%	\$ 595,140	83.5%	\$ 636,570	93.6%

Schedule of Insurance Contributions

For the Fiscal Year	General Employees #		Police Officers *		Firefighters *	
	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed	Annual Required Contribution	Percentage Contributed
9/30/2003	\$ -	0.0%	\$ 62,369	100.0%	\$ 95,893	100.0%
9/30/2004	\$ -	0.0%	\$ 81,950	100.0%	\$ 106,719	100.0%
9/30/2005	\$ -	0.0%	\$ 89,106	100.0%	\$ 115,978	100.0%
9/30/2006	\$ -	0.0%	\$ 93,883	100.0%	\$ 139,917	100.0%
9/30/2007	\$ -	0.0%	\$ 89,106	100.0%	\$ 235,629	100.0%
9/30/2008	\$ -	0.0%	\$ 96,755	100.0%	\$ 326,414	100.0%
9/30/2009	\$ -	0.0%	\$ 92,822	100.0%	\$ 158,923	100.0%
9/30/2010	\$ -	0.0%	\$ 95,224	100.0%	\$ 184,717	100.0%
9/30/2011	\$ -	0.0%	\$ 94,731	100.0%	\$ 179,289	100.0%
9/30/2012	\$ -	0.0%	\$ 98,598	100.0%	\$ 203,765	100.0%

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

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

<sup>^</sup> These amounts include insurance premiums contributed by the State.

City of Panama City Beach, Florida  
 Required Supplementary Information  
 Schedule of Actuarial Considerations  
 Pension Trust Funds  
 September 30, 2012

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

	<b>General Employees</b>	<b>Police Officers</b>	<b>Firefighters</b>
Valuation date	10/1/11	10/1/11	10/1/11
Actuarial cost method	Entry age Normal with Frozen Initial Liability	Entry age Normal with Frozen Initial Liability	Entry age Normal with Frozen Initial Liability
Amortization method	Level Percentage of Payroll	Level Percentage of Payroll	Level Percentage of Payroll
Remaining amortization period	6 years	8 years	11 years
Asset valuation method	5-Year Smoothed Market Value without Phase-in	5-Year Smoothed Market Value without Phase-in	5-Year Smoothed Market Value without Phase-in
Actuarial assumptions:			
Investment rate of return	8%	8%	8%
Projected salary increases	6%	6%	6%



City of Panama City Beach, Florida  
 Required Supplementary Information  
 Schedules of Other Post Employment Benefits (OPEB)  
 September 30, 2012

Schedule of Funding Progress for Retiree Healthcare Plan (OPEB)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
9/30/2010	\$ -	\$ 3,148,854	\$ 3,148,854	0.0%	\$ 10,587,717	29.7%
9/30/2011	\$ -	\$ 3,447,858	\$ 3,447,858	0.0%	\$ 10,445,183	33.0%
9/30/2012	\$ -	\$ 2,556,331	\$ 2,556,331	0.0%	\$ 10,204,216	25.1%

Schedule of Employer Contributions for Retiree Healthcare Plan (OPEB)

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2010	\$ 559,982	\$ (5,538)	-1.0%	\$ 1,042,962
9/30/2011	\$ 377,496	\$ 245,127	64.9%	\$ 1,175,331
9/30/2012	\$ 300,164	\$ 54,841	18.3%	\$ 1,420,654

## Combining Financial Statements

City of Panama City Beach, Florida  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2012

	Special Revenue Funds				Total
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Safe Kids Fund	
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ 21,211	\$ -	\$ 808	\$ 22,019
Cash and cash equivalents - restricted	33,332	-	558,399	-	591,731
Due from other funds - restricted	2,900	-	-	-	2,900
<b>Total assets</b>	<b>\$ 36,232</b>	<b>\$ 21,211</b>	<b>\$ 558,399</b>	<b>\$ 808</b>	<b>\$ 616,650</b>
<b>Liabilities and fund balances</b>					
<b>Total liabilities</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
Fund balances					
Restricted	36,232	-	558,399	-	594,631
Assigned	-	21,211	-	808	22,019
<b>Total fund balances</b>	<b>36,232</b>	<b>21,211</b>	<b>558,399</b>	<b>808</b>	<b>616,650</b>
<b>Total liabilities and fund balances</b>	<b>\$ 36,232</b>	<b>\$ 21,211</b>	<b>\$ 558,399</b>	<b>\$ 808</b>	<b>\$ 616,650</b>

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

City of Panama City Beach, Florida  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended September 30, 2012

	Special Revenue Funds					Total
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Safe Kids Fund		
<b>Revenues</b>						
Fines and forfeitures	\$ 21,475	\$ -	\$ -	\$ -		\$ 21,475
Contributions and donations	-	19,384	-	2,800		22,184
Interest	11	71	804	5		891
<b>Total revenues</b>	<b>21,486</b>	<b>19,455</b>	<b>804</b>	<b>2,805</b>		<b>44,550</b>
<b>Expenditures</b>						
Current						
Public safety	8,022	14,733	-	81		22,836
Highways and streets	-	-	2	-		2
<b>Total expenditures</b>	<b>8,022</b>	<b>14,733</b>	<b>2</b>	<b>81</b>		<b>22,838</b>
<b>Excess of revenues over expenditures</b>	<b>13,464</b>	<b>4,722</b>	<b>802</b>	<b>2,724</b>		<b>21,712</b>
<b>Fund balances - beginning</b>	<b>22,768</b>	<b>16,489</b>	<b>557,597</b>	<b>(1,916)</b>		<b>594,938</b>
<b>Fund balances - ending</b>	<b>\$ 36,232</b>	<b>\$ 21,211</b>	<b>\$ 558,399</b>	<b>\$ 808</b>		<b>\$ 616,650</b>

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

City of Panama City Beach, Florida  
Combining Statement of Net Assets  
Nonmajor Proprietary Funds  
September 30, 2012

<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	\$ 834,931	\$ 206,701	\$ 1,041,632
Accounts receivable, net	7,490	16,657	24,147
Due from other funds	210	1,264	1,474
Due from other governments	4,042	-	4,042
Prepaid insurance	4,531	2,450	6,981
Total current assets	851,204	227,072	1,078,276
Noncurrent assets			
Capital assets			
Nondepreciable	-	7,500	7,500
Depreciable, net	9,843,834	3,592,681	13,436,515
Total noncurrent assets	9,843,834	3,600,181	13,444,015
Total assets	10,695,038	3,827,253	14,522,291
<b>Liabilities</b>			
Current liabilities			
Accounts payable	8,391	19,208	27,599
Accrued expenses and deposits	11,412	2,293	13,705
Due to other governments	3,337	3,291	6,628
Deferred revenue	4,354	33,192	37,546
Accrued compensated absences	4,000	3,000	7,000
Note payable	-	535,000	535,000
Total current liabilities	31,494	595,984	627,478
Noncurrent liabilities			
Accrued compensated absences	12,632	10,020	22,652
Net OPEB obligation	19,793	14,934	34,727
Total noncurrent liabilities	32,425	24,954	57,379
Total liabilities	63,919	620,938	684,857
<b>Net assets</b>			
Invested in capital assets, net of related debt	9,843,834	3,600,181	13,444,015
Unrestricted (deficit)	787,285	(393,866)	393,419
Total net assets	\$ 10,631,119	\$ 3,206,315	\$ 13,837,434

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

City of Panama City Beach, Florida  
Combining Statement of Revenues, Expenses, and Changes in Net Assets  
Nonmajor Proprietary Funds  
Year Ended September 30, 2012

	<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	\$ 621,039	\$ 280,831	\$ 901,870
Rent	210,235	20,808	231,043
Miscellaneous	192	2,472	2,664
<b>Total operating revenues</b>	<b>831,466</b>	<b>304,111</b>	<b>1,135,577</b>
<b>Operating expenses</b>			
Personal services	226,938	402,042	628,980
Professional services	9,032	7,205	16,237
Office supplies	1,114	2,556	3,670
Contractual services	30,718	11,294	42,012
Insurance	15,199	20,073	35,272
Repairs and maintenance	13,991	64,076	78,067
Operating supplies	11,917	97,370	109,287
Communication services	2,864	7,180	10,044
Public utility services	31,504	126,319	157,823
Transportation	21	18	39
Rentals	36,567	8,729	45,296
Miscellaneous	574	4,274	4,848
Depreciation	424,933	151,872	576,805
<b>Total operating expenses</b>	<b>805,372</b>	<b>903,008</b>	<b>1,708,380</b>
<b>Net operating income (loss)</b>	<b>26,094</b>	<b>(598,897)</b>	<b>(572,803)</b>
<b>Nonoperating revenues (expenses)</b>			
Interest income	1,843	1,341	3,184
Grants and contributions	25,000	-	25,000
Gain / (loss) on disposal of assets	(739)	207	(532)
Interest expense	-	(20,765)	(20,765)
<b>Total nonoperating revenues (expenses)</b>	<b>26,104</b>	<b>(19,217)</b>	<b>6,887</b>
<b>Net income (loss) before transfers</b>	<b>52,198</b>	<b>(618,114)</b>	<b>(565,916)</b>
Transfers in	27,701	500,000	527,701
Transfers out	(265,000)	-	(265,000)
<b>Total transfers</b>	<b>(237,299)</b>	<b>500,000</b>	<b>262,701</b>
<b>Change in net assets</b>	<b>(185,101)</b>	<b>(118,114)</b>	<b>(303,215)</b>
<b>Total net assets - beginning</b>	<b>10,816,220</b>	<b>3,324,429</b>	<b>14,140,649</b>
<b>Total net assets - ending</b>	<b>\$ 10,631,119</b>	<b>\$ 3,206,315</b>	<b>\$ 13,837,434</b>

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

City of Panama City Beach, Florida  
Combining Statement of Cash Flows  
Nonmajor Proprietary Funds  
Year Ended September 30, 2012

	<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	\$ 827,403	\$ 306,100	\$ 1,133,503
Payments to suppliers	(220,125)	(397,174)	(617,299)
Payments to employees	(159,262)	(335,965)	(495,227)
Net cash provided (used) by operating activities	448,016	(427,039)	20,977
<b>Noncapital financing activities</b>			
Grants and contributions	25,000	-	25,000
Transfers (to) from other funds	(265,000)	500,000	235,000
Net cash provided (used) by noncapital financing activities	(240,000)	500,000	260,000
<b>Capital and related financing activities</b>			
Transfers from other funds	27,701	-	27,701
Principal paid on note	-	(35,000)	(35,000)
Interest paid on note	-	(20,765)	(20,765)
Proceeds from sale of assets	261	570	831
Purchase of capital assets	(27,701)	-	(27,701)
Net cash provided (used) by capital and related financing activities	261	(55,195)	(54,934)
<b>Investing activities</b>			
Interest received	1,843	1,341	3,184
Net cash provided by investing activities	1,843	1,341	3,184
<b>Net increase in cash and cash equivalents</b>	210,120	19,107	229,227
<b>Cash and cash equivalents - beginning</b>	624,811	187,594	812,405
<b>Cash and cash equivalents - ending</b>	\$ 834,931	\$ 206,701	\$ 1,041,632
<b>Classified as</b>			
Current assets - cash and cash equivalents	\$ 834,931	\$ 206,701	\$ 1,041,632
<b>Total</b>	<b>\$ 834,931</b>	<b>\$ 206,701</b>	<b>\$ 1,041,632</b>

(Continued)

<b>Business-type Activities / Enterprise Funds</b>			
	<b>Pier Fund</b>	<b>Aquatic Center Fund</b>	<b>Total</b>
<b>Reconciliation of net operating income (loss) to net cash provided (used) by operating activities</b>			
Net operating income (loss)	\$ 26,094	\$ (598,897)	\$ (572,803)
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Depreciation	424,933	151,872	576,805
Bad debts	-	5,040	5,040
(Increase) decrease in assets			
Accounts receivable	(2,595)	(5,438)	(8,033)
Due from other funds	(113)	(1,264)	(1,377)
Due from other governments	(2,996)	-	(2,996)
Prepaid insurance	191	148	339
Increase (decrease) in liabilities			
Accounts payable	(3,446)	13,858	10,412
Accrued expenses and deposits	112	51	163
Due to other funds	(558)	(25)	(583)
Due to other governments	(109)	2,773	2,664
Deferred revenue	(251)	887	636
Accrued compensated absences	5,185	2,581	7,766
Net OPEB obligation	1,569	1,375	2,944
<b>Total adjustments</b>	<b>421,922</b>	<b>171,858</b>	<b>593,780</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 448,016</b>	<b>\$ (427,039)</b>	<b>\$ 20,977</b>

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



City of Panama City Beach, Florida  
Combining Statement of Fiduciary Net Assets  
Fiduciary Funds  
September 30, 2012

	<b>General Employees' Pension Trust Fund</b>	<b>Police Officers' Pension Trust Fund</b>	<b>Firefighters' Pension Trust Fund</b>	<b>Total</b>
<b>Assets</b>				
Cash and cash equivalents	\$ 140,659	\$ 29,392	\$ 45,398	\$ 215,449
Accounts receivable, net	-	-	53,112	53,112
Due from other funds	57,772	9,681	18,461	85,914
Investments, at fair value				
Money market funds	721,282	418,857	317,922	1,458,061
Real estate investment trusts	589,563	342,366	259,863	1,191,792
Mutual funds	20,976,187	12,181,098	9,245,704	42,402,989
<b>Total assets</b>	<b>22,485,463</b>	<b>12,981,394</b>	<b>9,940,460</b>	<b>45,407,317</b>
<b>Liabilities</b>				
Accounts payable	14,947	13,827	17,864	46,638
Refunds payable	7,345	8,848	-	16,193
Retirement benefits payable	-	9,742	-	9,742
<b>Total liabilities</b>	<b>22,292</b>	<b>32,417</b>	<b>17,864</b>	<b>72,573</b>
<b>Net assets</b>				
Held in trust for pension benefits	\$ 22,463,171	\$ 12,948,977	\$ 9,922,596	\$ 45,334,744

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

City of Panama City Beach, Florida  
Combining Statement of Changes in Fiduciary Net Assets  
Fiduciary Funds  
Year Ended September 30, 2012

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
<b>Additions</b>				
Contributions				
Employer	\$ 1,084,748	\$ 398,395	\$ 392,240	\$ 1,875,383
Plan members	560,644	276,839	144,023	981,506
Insurance premiums	-	98,598	203,765	302,363
<b>Total contributions</b>	<b>1,645,392</b>	<b>773,832</b>	<b>740,028</b>	<b>3,159,252</b>
Investment earnings				
Interest	1,448	772	544	2,764
Dividends	464,630	274,357	202,930	941,917
Net increase in fair value of investments	3,007,861	1,760,581	1,323,940	6,092,382
<b>Total investment earnings</b>	<b>3,473,939</b>	<b>2,035,710</b>	<b>1,527,414</b>	<b>7,037,063</b>
Less investment expenses	(54,070)	(37,812)	(31,615)	(123,497)
<b>Net investment earnings</b>	<b>3,419,869</b>	<b>1,997,898</b>	<b>1,495,799</b>	<b>6,913,566</b>
<b>Total additions</b>	<b>5,065,261</b>	<b>2,771,730</b>	<b>2,235,827</b>	<b>10,072,818</b>
<b>Deductions</b>				
Benefits	660,264	642,141	372,995	1,675,400
Refunds of contributions	117,029	57,138	-	174,167
Administrative expenses	23,886	19,679	22,962	66,527
<b>Total deductions</b>	<b>801,179</b>	<b>718,958</b>	<b>395,957</b>	<b>1,916,094</b>
<b>Change in net assets</b>	<b>4,264,082</b>	<b>2,052,772</b>	<b>1,839,870</b>	<b>8,156,724</b>
<b>Net assets - beginning</b>	<b>18,199,089</b>	<b>10,896,205</b>	<b>8,082,726</b>	<b>37,178,020</b>
<b>Net assets - ending</b>	<b>\$ 22,463,171</b>	<b>\$ 12,948,977</b>	<b>\$ 9,922,596</b>	<b>\$ 45,334,744</b>

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

## Compliance Section

## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the City of Panama City Beach, Florida, (the "City"), as of and for the fiscal year ended September 30, 2012, and have issued our report thereon dated May 10, 2013.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated May 10, 2013, should be considered in conjunction with this management letter.

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

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Findings and recommendations 11-01 and 10-01, reported in the two preceding audit reports, were not corrected as noted in the schedule of findings and questioned costs.

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

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we have communicated the following item:

12-02 Accounting Policies (prior years 11-02 and 10-02)

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

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of 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 more than inconsequential. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse, and (2) deficiencies in internal control that are not significant deficiencies. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)6., 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 is to be disclosed in the management letter, unless disclosed in the notes to the financial statements. The City of Panama City Beach was created on August 12, 1970 by Chapter 70-874 of the Constitution of the State of Florida. The City has one component unit which is the Panama City Beach Community Redevelopment Agency (Agency). The Agency was created on November 30, 2000 by City Resolution 00-23 pursuant to Florida Statute 163.356. The Agency is operated by the City of Panama City Beach.

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific conditions met. In connection with our audit, we determined that the City did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the City for the fiscal year ended September 30, 2012, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2012. In connection with our audit, we determined that these two reports were in agreement.

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

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

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

Panama City Beach, Florida  
Certified Public Accountants  
May 10, 2013

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 10, 2013. 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.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control over financial reporting that we consider to be a material weakness.

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

### Compliance and Other Matters

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

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

This report is intended solely for the information and use of the management of the City of Panama City Beach, City Council, others within the entity, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City, Florida  
Certified Public Accountants  
May 10, 2013



City of Panama City Beach, Florida  
Management's Response to Auditor's Finding  
Year Ended September 30, 2012

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

**Auditor's Finding**

12-01 Segregation of Duties (Prior Year 11-01 and 10-01)

This condition is the result of limited accounting staff and the responsibility of the finance director. Due to the lack of segregation of duties and limited internal controls, the finance director currently has the ability to issue and approve cash disbursements; reconcile the cash accounts; input, edit, and/or approve accounting journal entries; and prepare the financial information.

**Management's Response**

12-01 Segregation of Duties

The City is aware of the importance of internal controls and will continue to assess them on an ongoing basis. The City is committed to modifying its procedures as necessary to provide for the greatest segregation of duties possible utilizing the existing levels of staffing.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH STATE PROJECT AND ON  
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH CHAPTER 10.550,  
RULES OF THE AUDITOR GENERAL**

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

Compliance

We have audited the City of Panama City Beach, Florida’s (the City) compliance with the types of compliance requirements in the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on each of the City’s major state projects for the year ended September 30, 2012. The City’s state projects are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major state projects is the responsibility of the City’s management. Our responsibility is to express an opinion on City of Panama City Beach, Florida’s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, *State of Florida Rules of the Auditor General*. Those standards, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City’s compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major state projects for the year ended September 30, 2012.

## Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state project a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state project will not be prevented, or detected and corrected, on a timely basis.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the management of the City of Panama City Beach, City Council, others within the entity, and federal and state awarding agencies, and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City Beach, Florida  
Certified Public Accountants  
May 10, 2013

City of Panama City Beach, Florida  
Schedule of Expenditures of State Financial Assistance  
Year Ended September 30, 2012

<b>State Agency / State Project</b>	<b>CSFA No.</b>	<b>Contract / Grant No.</b>	<b>Expenditures</b>
<b>Florida Department of Transportation</b>			
Transportation Regional Incentive Program Agreement	55.026	21791123801 / AP 864	\$ 42,001
Roadside Beautification Assistance Joint Participation Agreement	55.023	416533-7-58-03	190,738
Total Florida Department of Transportation			232,739
<b>Florida Department of Environmental Protection</b>			
Collection and Reclaimed Water Reuse Facility	37.039	WWG120694050	750,000
<b>Total Expenditures of State Financial Assistance</b>			<b>\$ 982,739</b>

Note:

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

City of Panama City Beach, Florida  
 Schedule of Findings and Questioned Costs  
 State Financial Assistance  
 Year Ended September 30, 2012

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

Financial Statements

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

State Financial Assistance

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

Identification of major state projects:

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

	<u>Federal</u>	<u>State</u>
Dollar threshold used to distinguish between Type A and Type B	\$300,000	\$300,000
Auditee qualified as low-risk auditee audit for federal single audit?	<u> X </u> yes	___ no

**Section II - Financial Statement Findings**

12-01 Segregation of Duties (Prior Year 11-01 and 10-01)

This condition is the result of limited accounting staff and the responsibility of the finance director. Due to the lack of segregation of duties and limited internal controls, the finance director currently has the ability to issue and approve cash disbursements; reconcile the cash accounts; input, edit, and/or approve accounting journal entries; and prepare the financial information.

Management's Response

The City is aware of the importance of internal controls and will continue to assess them on an ongoing basis. The City is committed to modifying its procedures as necessary to provide for the greatest segregation of duties possible utilizing the existing levels of staffing.

**Section III - State Financial Assistance Findings**

There were no findings.