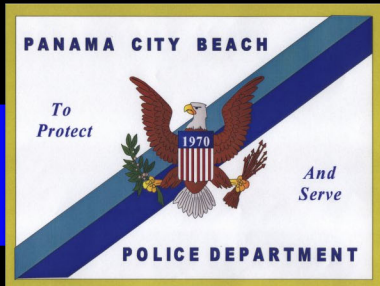


City of Panama City Beach

Panama City Beach, FL



Annual Financial Statements

FOR FISCAL YEAR ENDED
SEPTEMBER 30, 2015

City of Panama City Beach, Florida

FINANCIAL STATEMENTS

September 30, 2015



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida, as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 21 to the financial statements, effective for the 2014-2015 fiscal year, implementation of Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting for Pensions*, and government Accounting Standards Board Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*, resulted in a change in accounting principle. This matter affects the comparability of amounts reported for the 2014-2015 fiscal year with the amounts reported in previous years. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the required supplementary information on pages 83 through 92, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining financial statements listed in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-

133, *Audits of States, Local Governments and Non-Profit Organizations*, and is also not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 26, 2016, on our consideration of the City of Panama City Beach, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Certified Public Accountants
Panama City Beach, Florida
August 26, 2016

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 \$234,707,156 (net position). Of this amount, \$15,418,170 is unrestricted net position for governmental activities and \$53,301,086 is unrestricted net position for business-type activities, while \$18,049,127 is restricted net position for governmental activities and \$12,581,642 is restricted net position for business-type activities.
- Total net position increased by \$4,470,653. Of this amount, \$645,016 is attributable to governmental activities and \$3,825,637 is attributable to business-type activities. The increase in net position of governmental activities is primarily attributable to the Front Beach Road Community Redevelopment Area. Current year tax increment revenue received was used for right-of-way acquisition and design efforts in anticipation of the next phase of construction in the Front Beach Road Community Redevelopment Area (FBRCA) and to reduce the principal amount of debt outstanding. The increase in net position of business-type activities is the result of several factors including the collection of \$1,493,746 in impact fees and net income from operations before amortization and depreciation of \$10,031,090.
- As of September 30, 2015, the general fund's unassigned fund balance was \$12,180,603 or 65 percent of total general fund expenditures. Unassigned fund balance in the general fund increased by \$2,128,013. The increase is not attributable to any one source of revenue but rather reflects a slight increase in virtually all of the City's revenue sources. Additionally, although the overall general fund expenditures increased in the current year, most of the increase was attributable to capital outlay expenditures which were made from restricted revenue sources and thus had no effect on unassigned fund balance.
- Governmental activities revenues increased 10% to \$30,467,433, while governmental activities expenditures increased 25 percent to \$29,684,743. Business-type activities revenues decreased 8 percent to \$34,273,255, while business-type activities expenditures increased 5 percent to \$30,585,292.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

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

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

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

Financial Analysis of the City

The following schedule provides a summary of the assets, deferred outflows of resource, liabilities, deferred inflows of resources and net position of the City. At the end of fiscal year 2015, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities. The 2014 data has been restated to reflect the prior period adjustment and restatement adjustments recorded in 2015. In addition, certain reclassifications have been made to the September 30, 2014 data to conform to the September 30, 2015 presentation.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<i>September 30,</i>						
Current and other assets	\$ 43,253,516	\$ 39,319,927	\$ 85,084,330	\$ 81,133,581	\$ 128,337,846	\$ 120,453,508
Capital assets	102,874,161	104,210,711	120,720,216	122,676,108	223,594,377	226,886,819
Total assets	146,127,677	143,530,638	205,804,546	203,809,689	351,932,223	347,340,327
Deferred outflows of resources	6,488,955	4,761,441	1,412,560	1,767,709	7,901,515	6,529,150
Current liabilities	3,430,907	4,156,009	4,450,932	5,641,084	7,881,839	9,797,093
Long-term liabilities	56,560,253	52,125,513	60,532,636	61,528,413	117,092,889	113,653,926
Total liabilities	59,991,160	56,281,522	64,983,568	67,169,497	124,974,728	123,451,019
Deferred inflows of resources	151,854	181,955	-	-	151,854	181,955
Net position						
Net investment in capital assets	59,006,321	57,996,759	76,350,810	77,028,224	135,357,131	135,024,983
Restricted	18,049,127	17,735,283	12,581,642	9,951,313	30,630,769	27,686,596
Unrestricted	15,418,170	16,096,560	53,301,086	51,428,364	68,719,256	67,524,924
Total net position	\$ 92,473,618	\$ 91,828,602	\$ 142,233,538	\$ 138,407,901	\$ 234,707,156	\$ 230,236,503

Net investment in capital assets (e.g., land, buildings, equipment and infrastructure), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net position (58 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted, that although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Amounts comprising *restricted net position*, representing 13 percent of the City's net position, are subject to certain restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net position*, \$68,719,256 may be used to help meet the government's ongoing obligations to citizens and creditors.

Net investment in capital assets increased \$332,148 (or less than one percent). Net investment in capital assets in the governmental activities increased \$1,009,562 while net investment in capital assets of the business-type activities decreased by \$677,414. The governmental activities increase resulted from a combination of factors with the majority of the increase attributable to the construction of a new police department building and an allocated portion of a new public works/administration building which were both well underway in fiscal year 2015. Additionally, right-of way acquisition and ongoing construction design costs were incurred in the Community Redevelopment Fund. Significant capital projects were also underway or completed in the business-type activities; however, these cost were largely offset by depreciation expense resulting in a net decrease in net investment in capital assets compared to the prior year.

Restricted net position increased \$2,944,173 (or 11%). Restricted net position in the governmental activities increased by \$313,844 and restricted net position in the business-type activities increased by \$2,630,329. The increase in business-type activities restricted net position resulted primarily from significant impact fee collections in the current year which were not utilized for capital projects and which remain on hand at year end September 30, 2015.

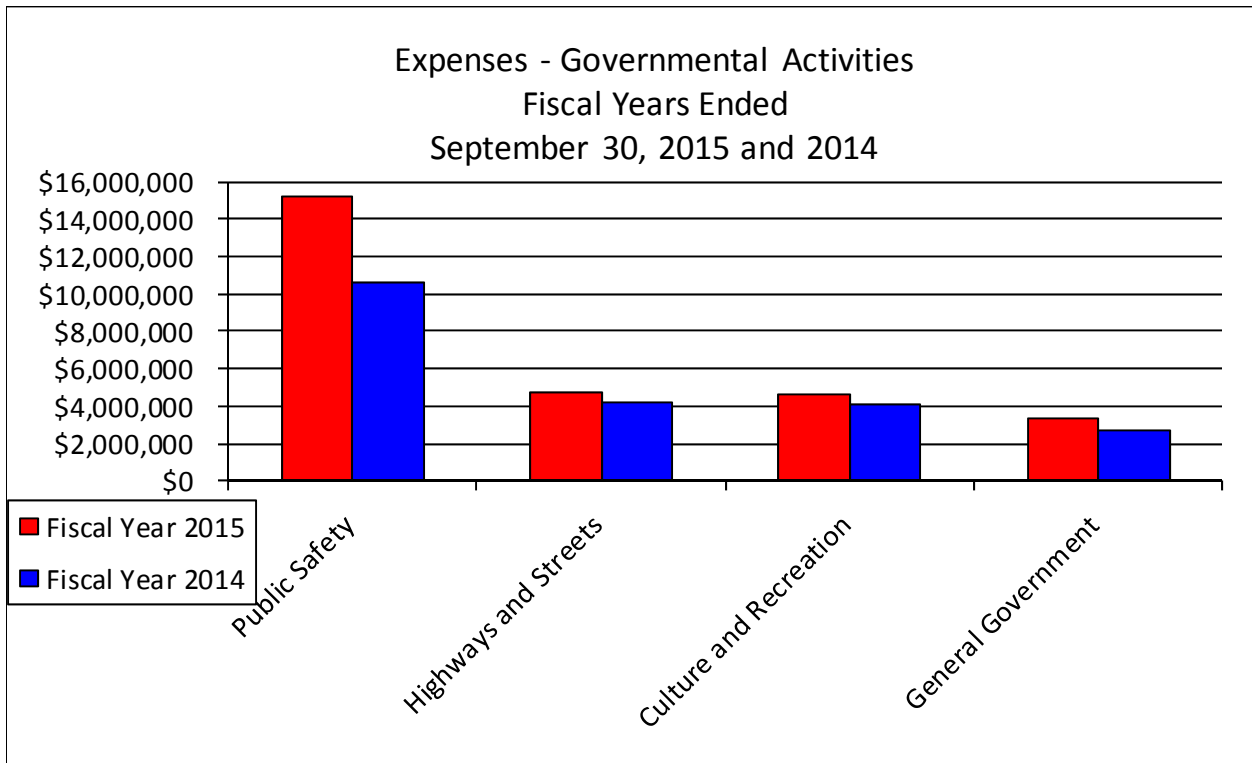
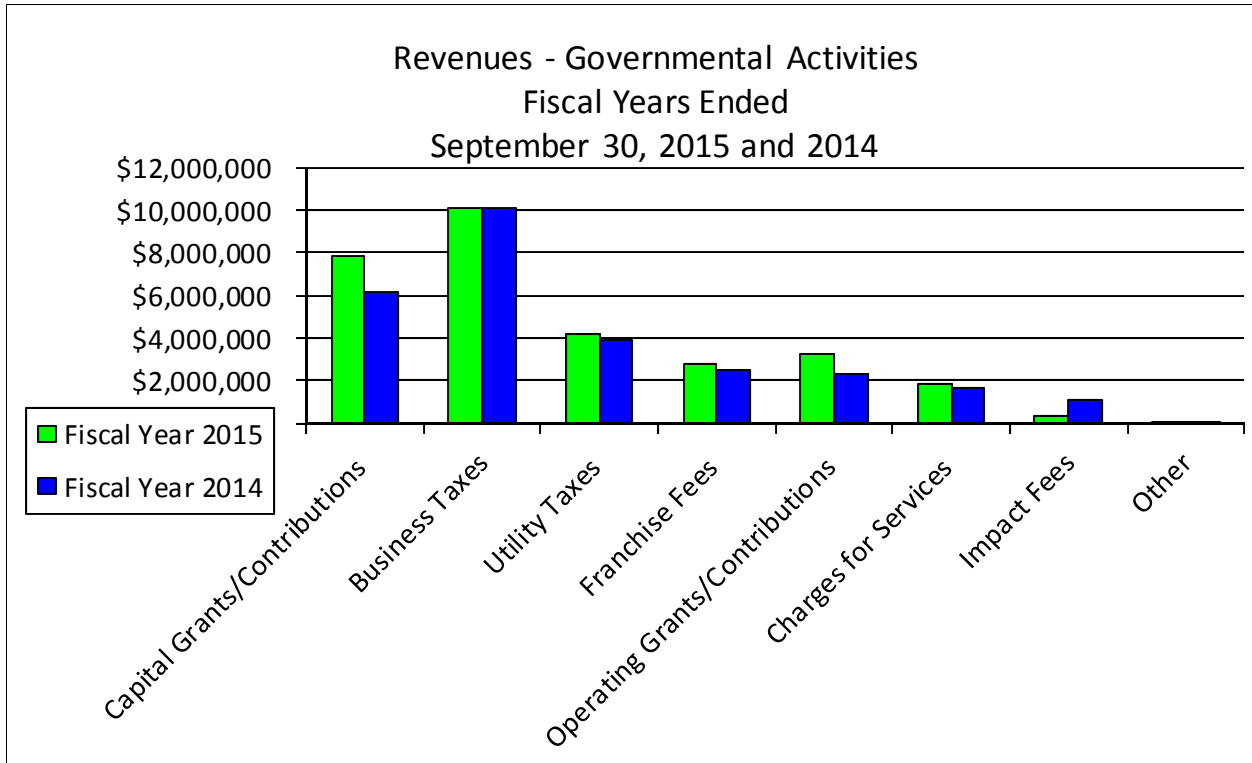
The increase in net position, unrestricted was \$1,194,332 (or 2%). The governmental activities' decrease was \$678,390 while the business-type activities' increase was \$1,872,722. The decrease in governmental activities' unrestricted net position resulted from expenditures in excess of revenues. The increase in unrestricted net position in business-type activities primarily resulted from operating profits from the water and waste water system being retained for future use primarily for planned capital projects.

The following schedule provides a summary of changes in net position for the years ended September 30, 2015 and 2014:

Changes in Net Position

<i>Year Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Program revenues						
Charges for services	\$ 1,823,454	\$ 1,636,463	\$ 32,569,086	\$ 31,417,313	\$ 34,392,540	\$ 33,053,776
Operating grants/contributions	3,240,601	2,357,588	36,930	30,250	3,277,531	2,387,838
Capital grants/contributions	7,892,127	6,152,728	86,413	4,400,442	7,978,540	10,553,170
General revenues						
Business taxes	10,093,445	10,071,620	-	-	10,093,445	10,071,620
Utility taxes	4,206,220	3,942,436	-	-	4,206,220	3,942,436
Franchise fees	2,774,281	2,530,521	-	-	2,774,281	2,530,521
Impact fees	329,955	1,096,479	1,493,746	1,132,852	1,823,701	2,229,331
Penalties on delinquent business taxes	252	31	-	-	252	31
Interest earnings	11,921	18,275	78,835	108,544	90,756	126,819
Gain on sale of capital assets	95,177	-	8,245	317,821	103,422	317,821
Total revenues	30,467,433	27,806,141	34,273,255	37,407,222	64,740,688	65,213,363
Expenses						
General government	3,327,688	2,699,157	-	-	3,327,688	2,699,157
Public safety	15,208,989	10,633,257	-	-	15,208,989	10,633,257
Highways and streets	4,773,024	4,219,747	-	-	4,773,024	4,219,747
Culture and recreation	4,649,066	4,102,397	-	-	4,649,066	4,102,397
Interest on long- term debt	1,725,976	2,068,125	2,388,681	2,537,577	4,114,657	4,605,702
Utility - water	-	-	14,502,952	13,734,789	14,502,952	13,734,789
Utility - waste water	-	-	10,791,537	10,240,914	10,791,537	10,240,914
Utility - storm water	-	-	770,873	758,105	770,873	758,105
Pier	-	-	1,143,608	922,380	1,143,608	922,380
Aquatic center	-	-	987,641	844,574	987,641	844,574
Total expenses	29,684,743	23,722,683	30,585,292	29,038,339	60,270,035	52,761,022
Increase in net position before transfers	782,690	4,083,458	3,687,963	8,368,883	4,470,653	12,452,341
Transfers	(137,674)	1,051,408	137,674	(1,051,408)	-	-
Increase in net position	\$ 645,016	\$ 5,134,866	\$ 3,825,637	\$ 7,317,475	\$ 4,470,653	\$ 12,452,341

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



Governmental activities revenues exceeded expenses by \$782,690 while business-type activities revenues exceeded expenses by \$3,687,963. Total revenues decreased \$472,675 from the previous year. The change in total revenues from business-type activities was a decrease of \$3,133,967 while the change in governmental activities was an increase of \$2,661,292. Charges for services increased \$1,338,764, operating grants and contributions increased \$889,693, capital grants and contributions decreased \$2,574,630, and impact fees decreased \$405,630 in the current year. The increase in charges for services was a combination of an increase in charges for services from governmental activities and an increase from business-type activities with the major portion of the increase attributable to business-type activities. The increase in business-type activities resulted from an increase in water and waste water sales attributable to a combination of a rate increase as well as growth in the City's customer base.

The increase in operating grants and contributions was \$889,693 with governmental activities increasing \$883,013 and business-type activities increasing \$6,680. The primary reason for the increase in the governmental activities was as a result of a grant from the Assistance to Firefighters Program in the amount of \$719,431.

Capital grants and contributions decreased a total of \$2,574,630 with governmental activities experiencing an increase of \$1,739,399 while business-type activities experienced a decrease of \$4,314,029. The increase in capital grants and contributions in governmental activities resulted primarily from an increase in the Front Beach Road Community Redevelopment Area tax increment funds. The decrease in business-type activities resulted from a non-recurring grant received from the State of Florida in the previous year in the amount of \$4,400,442.

Impact fees decreased \$405,630 in total with \$766,524 of the decrease attributable to governmental activities offset by an increase of \$360,894 attributable to business-type activities. Significant transportation proportionate share payments were received in the Community Redevelopment Fund in the prior year as a result of several large commercial construction projects which began in fiscal year 2014. Continued growth, both commercial and residential, resulted in an increase in impact fees in business-type activities in the current year.

Total expenses in governmental activities increased \$5,962,060 from the previous year. Public safety expenditures increased \$4,575,732, the remainder of the increase was fairly evenly distributed between general government, highways and streets and culture and recreation. The increase in public safety expenditures was attributable to increases in personnel costs including salaries and related benefits (primarily GASB 68 pension expense).

Business-type activities expenses increased \$1,546,953 in total, primarily from an increase in water expenses of \$768,163 and an increase in waste water expenses of \$550,623. Water expenses increased as a result of an increase in the cost of water purchased from Bay County. Additionally, both water and waste water expenses experienced an increase in personnel costs primarily from the GASB 68 pension expense.

26% of the revenues for governmental activities were generated by capital grants and contributions, 33% by business taxes, and 23% from utility taxes and franchise fees. Capital grants and contributions as a percentage of total revenues for governmental activities increased by 4% from the prior year. As previously noted, the City received increased tax increment funds in the current year attributable to the Front Beach Road Community Redevelopment Area. Business taxes as a percent of total revenues for governmental activities decreased 3%. Although the business taxes from year to year were virtually unchanged, the City experienced growth in other revenue sources which decreased the impact of business taxes relative to total revenues. Most of the governmental resources are expended for public safety (51%), culture and recreation (16%), and highways and streets (16%).

Charges for services provide 95% of the revenues for business-type activities, while 4% are provided from impact fees. Most of the governmental resources are expended to operate the public utility systems (85%).

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, 2015, total assets were \$23,339,187 and total liabilities were \$2,336,379. At the end of fiscal year 2015, unassigned fund balance of the general fund was \$12,180,603 while total fund balance equaled \$21,002,808. Total fund balance increased \$2,225,913 (12%). Restricted fund balance decreased \$544,313 (13%), committed fund balance increased \$2,983,243, assigned fund balance decreased \$2,343,668 (52%) and nonspendable fund balance increased \$2,638 (6%). Unassigned fund balance increased \$2,128,013 (21%). Fiscal year 2015 revenues in the general fund exceeded expenditures by \$2,971,186. The increase will be utilized by the City in fiscal year 2016 which resulted in the increase in committed and assigned fund balances at September 30, 2015.

The general fund budget was amended during the year to reflect significant increases in available revenues as well as increases in current expenditures and decreases in capital outlay expenditures. The increase in total budgeted revenues was \$3,222,524 which represented a change from the original to the amended budget of 17%. Approximately 32% of the increase was attributable to an increase in business taxes. Budgeted expenditures for current expenditures increased from the original to the final amounts by \$523,111 while the budget for capital outlay expenditures decreased by \$6,570,900. The decrease in capital outlay expenditures was attributable to delays in the construction of two new buildings, a new police department and a new public works/administration building, a portion of which is allocable to the general fund. It was anticipated that construction would begin earlier in fiscal year 2015 resulting in greater expenditures in fiscal year 2015. Due to the delay in the start of construction as well as a slower schedule than anticipated in the budget process, expenditures were deferred until fiscal year 2016.

Community Redevelopment Fund

The other major governmental fund of the City is the community redevelopment fund. As of September 30, 2015, total assets were \$18,796,262 and total liabilities were \$543,671. At the end of fiscal year 2015, the assigned fund balance of the community redevelopment fund was \$247,499, while the total fund balance equaled \$18,252,591. Total fund balance increased \$2,998,621.

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

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

<u>Fund</u>	2015 Unrestricted Net Position	2014 Unrestricted Net Position
Utility	\$ 52,000,308	\$ 50,394,883
Pier	1,249,250	1,302,538
Aquatic Center	51,528	(269,057)
Total	\$ 53,301,086	\$ 51,428,364

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 slightly in the current year and water and waste water impact fee revenues reflected this trend by increasing \$360,894 or 32% compared to the prior year. Operating revenues increased \$1,064,902 or 4% in 2015 compared to 2014 primarily as a result of an increase in water and sewer rates charged in the current year as well as slight growth in the City's customer base.

The *pier fund* accounts for the operations and maintenance of the City's Russell-Fields Pier. Operating expenses exceeded operating revenues by \$122,073. Personal services and depreciation expense accounted for a significant portion of operating expenses, 40% and 37%, respectively. Pier

fund operations generated positive cash flows in 2015. Combined with significant cash flows generated in prior years from operations, the City was able to transfer funds in the amount of \$350,000 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 2015, operating expenses exceeded operating revenues by \$662,793. The shortfall in operations was partially offset by transfers from the City's general fund and pier fund.

Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2015, was \$223,594,377 (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 \$163,600 was expended in fiscal year 2015 on water expansion, rehabilitation and relocation projects. None of the projects were completed during fiscal year 2015.
- During the year, the City expended approximately \$1,700,000 on various waste water capital projects. A new regional lift station located at the Navy Base was completed in the current year at a total cost of approximately \$504,000. The City also took over the waste water operations for the Shores of Panama and completed an upgrade to this system at a total cost of \$748,000. Additionally, approximately \$1,086,000 was expended on the Nautilus Street lift station replacement project which remained under construction at September 30, 2015.
- At September 30, 2015, approximately \$43.5 million dollars is reflected in construction in progress and land for various road projects within the Front Beach Road Community Redevelopment Area. Planned improvements include expansion of road widths, additional turn lanes, burying utilities, and aesthetic improvements. No major construction projects were completed in fiscal year 2015; however, engineering studies and right-of-way acquisition is ongoing for other roads within the project area.
- The City began construction during fiscal year 2015 on two new buildings located on the existing government complex site. One building will house the City's public works, engineering staff, building and planning departments and the water customer service department while the other building will be a new police station. The combined cost of both projects is expected to be approximately \$9.6 million. As of September 30, 2015, approximately \$1.7 million dollars was expended with construction anticipated to be completed in fiscal year 2016.

**Capital Assets
(net of depreciation)**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 47,215,236	\$ 47,083,139	\$ 7,360,192	\$ 7,328,262	\$ 54,575,428	\$ 54,411,401
Construction in progress	9,625,153	8,133,019	2,501,715	1,430,546	12,126,868	9,563,565
Intangible assets	-	-	194,788	194,788	194,788	194,788
Buildings	5,334,553	5,560,474	23,149,274	24,081,146	28,483,827	29,641,620
Improvements	37,542,014	40,266,675	77,024,695	78,411,316	114,566,709	118,677,991
Machinery and equipment	3,157,205	3,167,404	10,489,552	11,230,050	13,646,757	14,397,454
Total	\$ 102,874,161	\$ 104,210,711	\$ 120,720,216	\$ 122,676,108	\$ 223,594,377	\$ 226,886,819

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

Debt Management

At the end of the current fiscal year, the City had total bond debt outstanding of \$90,878,782. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bond Debt

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenue bonds	\$ 46,544,264	\$ 46,213,952	\$ 44,334,518	\$ 45,671,660	\$ 90,878,782	\$ 91,885,612

Total outstanding bond debt decreased by \$1,006,830 in the current fiscal year. Principal payments totaled \$3,165,000 in the current year and were adjusted by amortization of deferred costs and premiums. On March 26, 2015, the City partially refunded the Capital Improvement Refunding Revenue Bonds, Series 2006. The net present value savings resulting from the refunding is expected to be approximately \$4,300,000. The City's debt currently maintains an "AA-" rating from Standard & Poor's and "AA" rating from Fitch for the Utility Fund Debt. The CRA debt maintains an "A" rating from Standards & Poor's. All of the City's issues are rated by one or a combination of two rating agencies.

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

Other Financial Information

The City's economy continued to improve during the current fiscal year as evidenced by its moderate increase in building construction and redevelopment activity as well as stable revenues from tourists and residents in the form of business taxes. In the upcoming fiscal year, the City will continue to focus on additions and enhancements to its utilities and transportation systems as well as modernization of the government complex to improve operational efficiency. These construction projects will replace aging water and waste water pipes, expand service into additional neighborhoods, widen existing roadways to improve traffic flow and public safety and improve the functionality of the water and police department facilities.

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

City of Panama City Beach, Florida
Statement of Net Position
September 30, 2015

Primary Government			
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 17,489,971	\$ 50,016,397	\$ 67,506,368
Accounts receivable, net	489,103	6,097,100	6,586,203
Taxes and fees receivable	567,645	-	567,645
Grants receivable	2,847	-	2,847
Accrued interest receivable	452	2,061	2,513
Due from other governments	277,913	49,501	327,414
Inventory	14,040	572,193	586,233
Prepaid bond insurance, current	55,196	12,999	68,195
Prepaid bond insurance, noncurrent	4,674	294,652	299,326
Prepaid expenses, other	37,132	32,900	70,032
Restricted assets			
Cash and cash equivalents	24,314,378	27,978,491	52,292,869
Accounts receivable, net	-	368	368
Grants receivable	-	22,153	22,153
Accrued interest receivable	165	1,056	1,221
Notes receivable	-	4,459	4,459
Capital assets			
Nondepreciable	56,840,389	10,056,695	66,897,084
Depreciable, net	46,033,772	110,663,521	156,697,293
Total assets	146,127,677	205,804,546	351,932,223
Deferred outflows of resources			
Deferred loss on refunding	2,676,424	-	2,676,424
Deferred outflows related to pensions	3,812,531	1,412,560	5,225,091
Total deferred outflows of resources	6,488,955	1,412,560	7,901,515

(Continued)

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

City of Panama City Beach, Florida
Statement of Net Position (Continued)
September 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 992,985	\$ 739,907	\$ 1,732,892
Accrued expenses and deposits	1,689,142	1,324,259	3,013,401
Accrued interest payable	562,475	742,928	1,305,403
Due to other governments	171,978	787,209	959,187
Internal balances	(3,025)	3,025	-
Unearned revenue	17,352	853,604	870,956
Long-term liabilities			
Due within one year			
Revenue certificates payable	-	2,323,843	2,323,843
Accrued compensated absences	695,000	425,000	1,120,000
Notes payable	-	1,113,534	1,113,534
Revenue bonds payable, net	2,145,029	1,382,141	3,527,170
Due in more than one year			
Accrued compensated absences	2,175,501	814,340	2,989,841
Net pension liability	5,845,072	1,714,827	7,559,899
Net OPEB obligation	1,300,416	817,482	2,117,898
Notes payable	-	8,989,092	8,989,092
Revenue bonds payable, net	44,399,235	42,952,377	87,351,612
Total liabilities	59,991,160	64,983,568	124,974,728
Deferred inflows of resources			
Deferred inflows related to pensions	151,854	-	151,854
Total deferred inflows of resources	151,854	-	151,854
Net position			
Net investment in capital assets	59,006,321	76,350,810	135,357,131
Restricted for			
Law enforcement	65,636	-	65,636
Beach access public parking	559,149	-	559,149
Impact fees	3,344,202	9,753,377	13,097,579
Reforestation	5,381	-	5,381
Debt service	5,863,808	1,390,440	7,254,248
Community redevelopment	8,210,951	-	8,210,951
Storm water	-	1,437,825	1,437,825
Unrestricted	15,418,170	53,301,086	68,719,256
Total net position	\$ 92,473,618	\$ 142,233,538	\$ 234,707,156

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, 2015

Functions / Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government							
General government	\$ 3,327,688	\$ 831,992	\$ 1,924,810	\$ -	\$ (570,886)	\$ -	\$ (570,886)
Public safety	15,208,989	191,650	997,149	24,385	(13,995,805)	-	(13,995,805)
Highways and streets	4,773,024	335,235	219,465	7,829,110	3,610,786	-	3,610,786
Culture and recreation	4,649,066	464,577	99,177	38,632	(4,046,680)	-	(4,046,680)
Interest on long-term debt	1,725,976	-	-	-	(1,725,976)	-	(1,725,976)
Total governmental activities	29,684,743	1,823,454	3,240,601	7,892,127	(16,728,561)	-	(16,728,561)
Business-type activities							
Utility							
Water	14,502,952	17,949,961	-	-	-	3,447,009	3,447,009
Waste water	10,791,537	12,264,879	-	-	-	1,473,342	1,473,342
Storm water	770,873	1,007,863	-	86,413	-	323,403	323,403
Pier	1,143,608	1,021,535	30,050	-	-	(92,023)	(92,023)
Aquatic center	987,641	324,848	6,880	-	-	(655,913)	(655,913)
Interest on long-term debt	2,388,681	-	-	-	-	(2,388,681)	(2,388,681)
Total business-type activities	30,585,292	32,569,086	36,930	86,413	-	2,107,137	2,107,137
Total primary government	\$ 60,270,035	\$ 34,392,540	\$ 3,277,531	\$ 7,978,540	(16,728,561)	2,107,137	(14,621,424)
General revenues							
Business taxes					10,093,445	-	10,093,445
Utility taxes					4,206,220	-	4,206,220
Franchise fees					2,774,281	-	2,774,281
Impact fees					329,955	1,493,746	1,823,701
Penalties on delinquent business taxes					252	-	252
Gain on sale of capital assets					95,177	8,245	103,422
Total general revenues					17,499,330	1,501,991	19,001,321
Interest earnings					11,921	78,835	90,756
Transfers					(137,674)	137,674	-
Total general revenues, interest earnings and transfers					17,373,577	1,718,500	19,092,077
Change in net position					645,016	3,825,637	4,470,653
Net position - beginning (as originally stated)					89,322,737	140,191,224	229,513,961
Prior period and restatement adjustments					2,505,865	(1,783,323)	722,542
Net position - beginning (as restated)					91,828,602	138,407,901	230,236,503
Net position - ending					\$ 92,473,618	\$ 142,233,538	\$ 234,707,156

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

City of Panama City Beach, Florida
Balance Sheet
Governmental Funds
September 30, 2015

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 17,195,782	\$ 261,139	\$ 33,050	\$ 17,489,971
Accounts receivable, net	72,757	440	-	73,197
Taxes and fees receivable	567,645	-	-	567,645
Grants receivable	1,462	-	-	1,462
Accrued interest receivable	452	-	-	452
Due from other governments	276,153	-	-	276,153
Due from other funds	11,671	-	-	11,671
Inventory	14,040	-	-	14,040
Prepays	34,273	2,859	-	37,132
Cash and cash equivalents - restricted	5,164,787	18,531,824	617,767	24,314,378
Accrued interest receivable - restricted	165	-	-	165
Total assets	\$ 23,339,187	\$ 18,796,262	\$ 650,817	42,786,266
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 462,576	\$ 530,356	\$ 53	992,985
Accrued expenses and deposits	1,685,993	3,149	-	1,689,142
Due to other governments	171,608	370	-	171,978
Due to other funds	-	8,646	-	8,646
Unearned revenue	16,202	1,150	-	17,352
Total liabilities	2,336,379	543,671	53	2,880,103
Fund balances				
Nonspendable	48,313	2,859	-	51,172
Restricted	3,640,327	18,002,233	617,767	22,260,327
Committed	2,983,243	-	-	2,983,243
Assigned	2,150,322	247,499	32,997	2,430,818
Unassigned	12,180,603	-	-	12,180,603
Total fund balances	21,002,808	18,252,591	650,764	39,906,163
Total liabilities and fund balances	\$ 23,339,187	\$ 18,796,262	\$ 650,817	
Amounts reported for governmental activities in the statement of net position are different because:				
Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds.				419,051
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				102,874,161
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(57,062,858)
Deferred outflows and inflows are not financial statement resources or liabilities and, therefore, are not reported in the funds.				6,337,101
Net position of governmental activities				\$ 92,473,618

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, 2015

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Revenues				
Taxes				
Business taxes	\$ 10,093,445	\$ -	\$ -	\$ 10,093,445
Utility taxes	4,206,220	-	-	4,206,220
Tax increment funds	-	8,279,610	-	8,279,610
Franchise fees	2,774,281	-	-	2,774,281
Intergovernmental	1,967,874	-	-	1,967,874
Municipal services impact fees	215,855	114,100	-	329,955
Licenses and permits	474,419	-	-	474,419
Fines and forfeitures	127,996	71,769	15,038	214,803
Contributions and donations	365,653	-	23,063	388,716
Grants	753,872	-	-	753,872
Rents	217,378	5,462	-	222,840
Interest	10,084	1,809	28	11,921
Other fees and miscellaneous	392,336	101,666	-	494,002
Total revenues	21,599,413	8,574,416	38,129	30,211,958
Expenditures				
Current				
General government	2,133,583	682,063	-	2,815,646
Public safety	10,283,865	-	18,668	10,302,533
Highways and streets	1,611,039	445,171	-	2,056,210
Culture and recreation	3,095,727	-	-	3,095,727
Debt service				
Principal	-	1,670,000	-	1,670,000
Interest	-	2,013,356	-	2,013,356
Other debt service costs	-	145,853	-	145,853
Capital outlay				
General government	185,806	-	-	185,806
Public safety	999,229	-	-	999,229
Highways and streets	68,461	899,282	-	967,743
Culture and recreation	250,517	-	-	250,517
Total expenditures	18,628,227	5,855,725	18,668	24,502,620
Excess of revenues over expenditures	2,971,186	2,718,691	19,461	5,709,338
Other financing sources (uses)				
Transfers in	101,170	-	-	101,170
Transfers out	(237,674)	-	(1,170)	(238,844)
Grants and aid	(705,405)	-	-	(705,405)
Proceeds from sale of assets	96,636	-	-	96,636
Issuance of debt	-	42,915,000	-	42,915,000
Payments to refunding bonds escrow agent	-	(42,635,070)	-	(42,635,070)
Total other financing sources (uses)	(745,273)	279,930	(1,170)	(466,513)
Net change in fund balances	2,225,913	2,998,621	18,291	5,242,825
Fund balances - beginning	18,776,895	15,253,970	632,473	34,663,338
Fund balances - ending	\$ 21,002,808	\$ 18,252,591	\$ 650,764	\$ 39,906,163

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, 2015

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

Net change in fund balances - total governmental funds (page 21)	\$ 5,242,825
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 depreciation expense exceeded capital outlay expenditures in the current period.	(1,343,091)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.	6,541
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(4,708,625)
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.	149,051
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	1,298,315
Change in net position of governmental activities (page 19)	\$ 645,016

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

City of Panama City Beach, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund
Year Ended September 30, 2015

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes						
Business taxes	\$ 9,105,240	\$ 10,124,471	\$ 38,204	\$ 10,162,675	\$ (69,230)	\$ 10,093,445
Utility taxes	3,908,000	4,183,000	17,436	4,200,436	5,784	4,206,220
Franchise fees	2,497,000	2,762,000	8,739	2,770,739	3,542	2,774,281
Intergovernmental	1,752,957	2,022,585	(38,302)	1,984,283	(16,409)	1,967,874
Municipal services impact fees	216,175	198,651	17,204	215,855	-	215,855
Licenses and permits	330,050	419,731	54,688	474,419	-	474,419
Fines and forfeitures	113,000	120,702	(1,965)	118,737	9,259	127,996
Contributions and donations	10,150	337,782	27,871	365,653	-	365,653
Grants	-	853,775	1,269	855,044	(101,172)	753,872
Rents	161,645	218,258	(18,898)	199,360	18,018	217,378
Interest	10,500	10,400	(9)	10,391	(307)	10,084
Other fees and miscellaneous	321,670	397,556	13,478	411,034	(18,698)	392,336
Total revenues	18,426,387	21,648,911	119,715	21,768,626	(169,213)	21,599,413
Expenditures						
Current						
General government						
Legislative	214,700	214,700	5,397	209,303	(361)	208,942
Administration	805,951	922,457	20,768	901,689	(3,511)	898,178
Comprehensive planning	380,968	311,986	31,512	280,474	(1,343)	279,131
Protective services	905,783	841,323	88,144	753,179	(5,847)	747,332
Total general government	2,307,402	2,290,466	145,821	2,144,645	(11,062)	2,133,583
Public safety						
Police	6,626,914	6,981,015	188,154	6,792,861	(75,881)	6,716,980
Fire	3,516,945	3,623,015	45,833	3,577,182	(10,297)	3,566,885
Total public safety	10,143,859	10,604,030	233,987	10,370,043	(86,178)	10,283,865
Highways and streets	1,739,114	1,690,094	58,745	1,631,349	(20,310)	1,611,039
Culture and recreation						
Library	207,850	211,395	141	211,254	(3,517)	207,737
Recreation	2,818,689	2,944,040	27,664	2,916,376	(28,386)	2,887,990
Total culture and recreation	3,026,539	3,155,435	27,805	3,127,630	(31,903)	3,095,727
Total current	17,216,914	17,740,025	466,358	17,273,667	(149,453)	17,124,214

(Continued)

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

City of Panama City Beach, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund (Continued)
Year Ended September 30, 2015

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
Expenditures (continued)						
Capital outlay						
General government						
Administration	\$ 25,000	\$ -	\$ -	\$ -	\$ -	\$ -
Comprehensive planning	200,000	22,000	225	21,775	6,077	27,852
Protective services	1,125,000	123,500	7	123,493	34,461	157,954
Total general government	1,350,000	145,500	232	145,268	40,538	185,806
Public safety						
Police	3,435,000	738,000	(3,733)	741,733	205,077	946,810
Fire	51,000	114,000	(3,321)	117,321	(64,902)	52,419
Total public safety	3,486,000	852,000	(7,054)	859,054	140,175	999,229
Highways and streets	2,665,000	68,500	39	68,461	-	68,461
Culture and recreation						
Recreation	385,000	249,100	(19,336)	268,436	(17,919)	250,517
Total capital outlay	7,886,000	1,315,100	(26,119)	1,341,219	162,794	1,504,013
Total expenditures	25,102,914	19,055,125	440,239	18,614,886	13,341	18,628,227
Excess (deficiency) of revenues over (under) expenditures	(6,676,527)	2,593,786	559,954	3,153,740	(182,554)	2,971,186
Other financing sources (uses)						
Transfers in	1,120,500	101,170	-	101,170	-	101,170
Transfers out	(245,000)	(245,000)	7,326	(237,674)	-	(237,674)
Grants and aid	(139,338)	(714,244)	4	(714,240)	(8,835)	(705,405)
Proceeds from sale of assets	60,000	80,355	16,281	96,636	-	96,636
Total other financing sources (uses)	796,162	(777,719)	23,611	(754,108)	(8,835)	(745,273)
Net change in fund balances	(5,880,365)	1,816,067	583,565	2,399,632	(173,719)	2,225,913
Fund balances - beginning	17,080,457	18,301,460	787,638	19,089,098	(312,203)	18,776,895
Fund balances - ending	\$ 11,200,092	\$ 20,117,527	\$ 1,371,203	\$ 21,488,730	\$ (485,922)	\$ 21,002,808

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, 2015

	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Tax increment funds	\$ 6,501,220	\$ 8,279,610	\$ -	\$ 8,279,610	\$ -	\$ 8,279,610
Municipal services impact fees	150,000	141,300	(27,200)	114,100	-	114,100
Fines and forfeitures	1,000	72,000	1,027	73,027	(1,258)	71,769
Rents	-	5,062	400	5,462	-	5,462
Interest	1,800	1,976	(11)	1,965	(156)	1,809
Other fees and miscellaneous	64,020	85,625	16,208	101,833	(167)	101,666
Total revenues	6,718,040	8,585,573	(9,576)	8,575,997	(1,581)	8,574,416
Expenditures						
Current						
General government	850,051	815,700	130,932	684,768	(2,705)	682,063
Highways and streets	504,812	521,254	65,302	455,952	(10,781)	445,171
Total current	1,354,863	1,336,954	196,234	1,140,720	(13,486)	1,127,234
Debt service						
Principal	1,670,000	1,670,000	-	1,670,000	-	1,670,000
Interest	2,085,550	1,887,600	(125,756)	2,013,356	-	2,013,356
Other debt service costs	-	145,900	47	145,853	-	145,853
Total debt service	3,755,550	3,703,500	(125,709)	3,829,209	-	3,829,209
Capital outlay						
Highways and streets	5,523,400	1,935,900	228,390	1,707,510	(808,228)	899,282
Total capital outlay	5,523,400	1,935,900	228,390	1,707,510	(808,228)	899,282
Total expenditures	10,633,813	6,976,354	298,915	6,677,439	(821,714)	5,855,725
Excess (deficiency) of revenues over (under) expenditures	(3,915,773)	1,609,219	289,339	1,898,558	820,133	2,718,691
Other financing sources (uses)						
Transfers out	(1,020,500)	-	-	-	-	-
Issuance of debt	-	42,915,000	-	42,915,000	-	42,915,000
Payments to refunding bonds escrow agent	-	(42,760,900)	125,830	(42,635,070)	-	(42,635,070)
Total other financing sources (uses)	(1,020,500)	154,100	125,830	279,930	-	279,930
Net change in fund balances	(4,936,273)	1,763,319	415,169	2,178,488	820,133	2,998,621
Fund balances - beginning	15,436,856	16,601,419	52,054	16,653,473	(1,399,503)	15,253,970
Fund balances - ending	\$ 10,500,583	\$ 18,364,738	\$ 467,223	\$ 18,831,961	\$ (579,370)	\$ 18,252,591

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

City of Panama City Beach, Florida
Statement of Net Position
Proprietary Funds
September 30, 2015

	Business-type Activities/Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 48,563,481	\$ 1,452,916	\$ 50,016,397
Accounts receivable, net	6,050,671	46,429	6,097,100
Accrued interest receivable	2,061	-	2,061
Due from other governments	41,071	8,430	49,501
Inventory	572,193	-	572,193
Prepaid expenses	25,176	7,724	32,900
Prepaid bond insurance	12,999	-	12,999
Total current assets	55,267,652	1,515,499	56,783,151
Noncurrent assets			
Prepaid bond insurance	294,652	-	294,652
Restricted assets			
Cash and cash equivalents	27,978,491	-	27,978,491
Accounts receivable, net	368	-	368
Accrued interest receivable	1,056	-	1,056
Grants receivable	22,153	-	22,153
Notes receivable	4,459	-	4,459
Capital assets			
Nondepreciable	10,049,195	7,500	10,056,695
Depreciable, net	98,876,810	11,786,711	110,663,521
Total noncurrent assets	137,227,184	11,794,211	149,021,395
Total assets	192,494,836	13,309,710	205,804,546
Deferred outflows of resources			
Deferred outflows related to pensions	1,288,339	124,221	1,412,560
Total deferred outflows of resources	1,288,339	124,221	1,412,560

(Continued)

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

City of Panama City Beach, Florida
Statement of Net Position
Proprietary Funds (Continued)
September 30, 2015

	Business-type Activities/Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 717,338	\$ 22,569	\$ 739,907
Accrued expenses and deposits	1,303,737	20,522	1,324,259
Accrued interest payable	742,928	-	742,928
Due to other funds	2,148	877	3,025
Due to other governments	781,320	5,889	787,209
Unearned revenue	824,491	29,113	853,604
Revenue certificates payable	2,323,843	-	2,323,843
Accrued compensated absences	402,000	23,000	425,000
Notes payable	1,113,534	-	1,113,534
Revenue bonds payable, net	1,382,141	-	1,382,141
Total current liabilities	9,593,480	101,970	9,695,450
Noncurrent liabilities			
Accrued compensated absences	781,833	32,507	814,340
Net pension liability	1,564,025	150,802	1,714,827
Net OPEB obligation	763,819	53,663	817,482
Notes payable	8,989,092	-	8,989,092
Revenue bonds payable, net	42,952,377	-	42,952,377
Total noncurrent liabilities	55,051,146	236,972	55,288,118
Total liabilities	64,644,626	338,942	64,983,568
Net position			
Net investment in capital assets	64,556,599	11,794,211	76,350,810
Restricted for			
Impact fees	9,753,377	-	9,753,377
Debt service	1,390,440	-	1,390,440
Storm water	1,437,825	-	1,437,825
Unrestricted	52,000,308	1,300,778	53,301,086
Total net position	\$ 129,138,549	\$ 13,094,989	\$ 142,233,538

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

City of Panama City Beach, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
Year Ended September 30, 2015

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Operating revenues			
Charges for services			
Water and waste water sales	\$ 29,206,650	\$ -	\$ 29,206,650
Storm water assessments	999,223	-	999,223
Connection and reset fees	305,570	-	305,570
Administrative and review fees	53,910	-	53,910
Admissions and other fees	-	1,101,512	1,101,512
Rent	36,000	243,512	279,512
Miscellaneous	627,450	1,359	628,809
Total operating revenues	31,228,803	1,346,383	32,575,186
Operating expenses			
Personal services	7,174,212	897,485	8,071,697
Professional services	553,906	20,535	574,441
Office supplies	28,466	2,148	30,614
Contractual services	185,584	43,283	228,867
Insurance	177,246	40,916	218,162
Repairs and maintenance	1,299,737	119,930	1,419,667
Operating supplies	1,424,346	168,055	1,592,401
Communication services	93,055	17,812	110,867
Public utility services	10,044,890	174,803	10,219,693
Transportation	87,815	15	87,830
Rentals	57,739	54,971	112,710
Printing and binding	7,856	3,702	11,558
Miscellaneous	62,861	6,961	69,822
Amortization	12,999	-	12,999
Depreciation	4,860,750	580,633	5,441,383
Total operating expenses	26,071,462	2,131,249	28,202,711
Net operating income (loss)	5,157,341	(784,866)	4,372,475
Nonoperating revenues (expenses)			
Interest income	78,835	-	78,835
Grants and contributions	86,413	36,930	123,343
Gain on disposal of assets	8,245	-	8,245
Interest expense	(2,372,096)	(16,585)	(2,388,681)
Total nonoperating revenues (expenses)	(2,198,603)	20,345	(2,178,258)
Net income (loss) before impact fees and transfers	2,958,738	(764,521)	2,194,217
Impact fees	1,493,746	-	1,493,746
Transfers in	137,674	870,000	1,007,674
Transfers out	(520,000)	(350,000)	(870,000)
Total impact fees and transfers	1,111,420	520,000	1,631,420
Change in net position	4,070,158	(244,521)	3,825,637
Total net position - beginning (as originally stated)	126,999,014	13,192,210	140,191,224
Restatement adjustment	1,527,702	147,300	1,675,002
Prior period adjustment	(3,458,325)	-	(3,458,325)
Total net position - beginning (as restated)	125,068,391	13,339,510	138,407,901
Total net position - ending	\$ 129,138,549	\$ 13,094,989	\$ 142,233,538

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, 2015

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Operating activities			
Receipts from customers and users	\$ 31,371,787	\$ 1,350,846	\$ 32,722,633
Payments to suppliers	(16,709,331)	(816,732)	(17,526,063)
Payments to employees	(3,895,236)	(573,217)	(4,468,453)
Net cash provided (used) by operating activities	10,767,220	(39,103)	10,728,117
Noncapital financing activities			
Grants and contributions	-	36,930	36,930
Transfers (to) from other funds	(100,000)	100,000	-
Receipt of payments due on notes	456,000	-	456,000
Net cash provided by noncapital financing activities	356,000	136,930	492,930
Capital and related financing activities			
Impact fees	1,582,282	-	1,582,282
Grants and contributions	64,260	-	64,260
Transfers (to) from other funds	(282,326)	420,000	137,674
Proceeds from issuance of revenue certificates	250,626	-	250,626
Principal paid on revenue certificates	(34,034)	-	(34,034)
Principal paid on notes	(1,081,094)	(456,000)	(1,537,094)
Interest paid on notes	(324,359)	(25,421)	(349,780)
Principal paid on revenue bonds	(1,495,000)	-	(1,495,000)
Interest paid on revenue bonds	(1,968,377)	-	(1,968,377)
Proceeds from sale of assets	39,146	3,244	42,390
Purchase of capital assets	(3,428,135)	(72,059)	(3,500,194)
Net cash (used) by capital and related financing activities	(6,677,011)	(130,236)	(6,807,247)
Investing activities			
Interest received	89,459	-	89,459
Net cash provided by investing activities	89,459	-	89,459
Net change in cash and cash equivalents	4,535,668	(32,409)	4,503,259
Cash and cash equivalents - beginning	72,006,304	1,485,325	73,491,629
Cash and cash equivalents - ending	\$ 76,541,972	\$ 1,452,916	\$ 77,994,888
Classified as			
Current assets - cash and cash equivalents	\$ 48,563,481	\$ 1,452,916	\$ 50,016,397
Restricted assets - cash and cash equivalents	27,978,491	-	27,978,491
Total	\$ 76,541,972	\$ 1,452,916	\$ 77,994,888

(Continued)

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

City of Panama City Beach, Florida
Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended September 30, 2015

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Reconciliation of net operating income (loss) to net cash provided (used) by operating activities			
Net operating income (loss)	\$ 5,157,341	\$ (784,866)	\$ 4,372,475
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Amortization	12,999	-	12,999
Depreciation	4,860,750	580,633	5,441,383
Bad debts	79,478	-	79,478
Forfeited deposits	(245)	-	(245)
(Increase) decrease in assets			
Accounts receivable, net	59,911	6,495	66,406
Due from other funds	481	114	595
Due from other governments	(41,071)	(1,655)	(42,726)
Inventory	7,222	-	7,222
Prepaid insurance	(18,349)	(203)	(18,552)
Accounts receivable, restricted	(186)	-	(186)
(Increase) decrease deferred outflows of resources	323,917	31,232	355,149
Increase (decrease) in liabilities			
Accounts payable	(475,824)	(22,097)	(497,921)
Accrued expenses and deposits	52,708	3,049	55,757
Due to other funds	2,148	(1,890)	258
Due to other governments	(771,338)	1,840	(769,498)
Unearned revenue	5,249	(1,593)	3,656
Accrued compensated absences	184	5,105	5,289
Net OPEB obligation	32,374	2,084	34,458
Net pension liability	1,479,471	142,649	1,622,120
Total adjustments	5,609,879	745,763	6,355,642
Net cash provided (used) by operating activities	\$ 10,767,220	\$ (39,103)	\$ 10,728,117

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

City of Panama City Beach, Florida
Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015

	Pension Trust Funds
<hr/>	
Assets	
Cash and cash equivalents	\$ 3,532,186
Accounts receivable, net	305,603
Dividends receivable	80,492
Due from other funds	567,235
Investments, at fair value	
Money market funds	796,099
Real estate investment trusts	1,492,436
Master limited partnership	1,800,514
Equity mutual funds	51,606,982
<hr/>	
Total assets	60,181,547
<hr/>	
Liabilities	
Accounts payable	52,254
Refunds payable	50,873
Retirement benefits payable	1,492
Due to other funds	567,235
<hr/>	
Total liabilities	671,854
<hr/>	
Net position	
Restricted for pensions	\$ 59,509,693
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The accompanying notes are an integral part of the basic financial statements.

City of Panama City Beach, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2015

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 2,002,261
Plan members	950,252
Insurance premiums	305,603
Total contributions	3,258,116
Investment earnings (loss)	
Interest	1,112
Dividends	1,390,803
Master limited partnership earnings	136,136
Net decrease in fair value of investments	(2,408,615)
Total investment earnings (loss)	(880,564)
Less investment expenses	(163,681)
Net investment earnings (loss)	(1,044,245)
Total additions	2,213,871
Deductions	
Benefits	2,328,953
Refunds of contributions	314,560
Administrative expenses	76,565
Total deductions	2,720,078
Change in net position	(506,207)
Net position - beginning	60,015,900
Net position - ending	\$ 59,509,693

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Component Unit – Panama City Beach Community Redevelopment Agency

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Measurement Focus and Basis of Accounting

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

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

Government-wide Financial Statements

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Financial Statements

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

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

Governmental Funds

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

Basis of Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Major Funds

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

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

Proprietary Major Funds

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

Noncurrent Governmental Assets/Liabilities

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

Budgets

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 debt instruments with original maturities of three months or less from the date of acquisition.

Deposits and Investments

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

Accounts Receivable, Net

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

Due from and Due to Other Funds

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

Inventory

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For the year ended September 30, 2015, interest of \$51,194 was capitalized in connection with the construction of various water and waste water projects.

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

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

Long-term Obligations

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Unamortized Bond Discounts/Premiums

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

Gains and Losses on Refunding

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

Unearned Revenue

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

Accrued Compensated Absences

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

There is no maximum for sick leave accumulation, but a maximum of 500 hours of sick leave accrual will be paid upon termination for all employees hired after January 1, 1998. Those hired on or prior to this date will be paid a maximum of 2,080 hours (2,756 hours for certified firefighters).

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

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

Restricted Assets

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

Deferred Outflows, Deferred Inflows, and Net Position

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

Net Position

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Deferred Outflows/Inflows of Resources

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

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

Fund Balances

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

Nonspendable – This category includes resources that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. The nonspendable fund balance as of September 30, 2015, is \$51,172.

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, 2015, is \$22,260,327.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2015, is \$2,983,243.

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, 2015, is \$2,430,818.

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, 2015, is \$12,180,603.

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

Estimates

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

Subsequent Events

Management has evaluated subsequent events through August 26, 2016, the date the financial statements were available to be issued.

NOTE 2 – BUDGETS

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

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

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states, "Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds." The details of this \$419,051 difference are as follows:

Accounts receivable, net	\$	415,906
Grants receivable		1,385
Due from other governments		1,760
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	419,051
<hr/>		

Another element of that reconciliation explains, "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$102,874,161 difference are as follows:

Cost of capital assets	\$	132,775,229
Less: accumulated depreciation		(29,901,068)
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	102,874,161
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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 \$(57,062,858) difference are as follows:

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

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

Bonds payable	\$ (46,490,000)
Unamortized premium costs	(54,264)
Less: prepaid bond insurance	59,870
OPEB liability	(1,300,416)
Net pension liability	(5,845,072)
Compensated absences	(2,870,501)
Accrued interest payable	(562,475)

Net adjustment to decrease fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$ (57,062,858)
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Another element of that reconciliation explains, “Deferred outflows and inflows are not financial statement resources or liabilities and therefore are not reported in the funds.” The details of this \$6,337,101 difference are as follows:

Deferred change from net pension – deferred outflow	\$ 3,812,531
Deferred change from net pension – deferred inflow	(151,854)
Deferred loss on refunding – deferred outflow	2,676,424
Net adjustment to increase fund balance - total governmental funds to arrive at <i>net position of governmental activities</i>	\$ 6,337,101

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(1,343,091) difference are as follows:

Capital outlay expenditures	\$ 2,403,295
Less: depreciation expense	(3,746,386)

Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$ (1,343,091)
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City of Panama City Beach, Florida
Notes to Basic Financial Statements

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

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position." The details of this \$6,541 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.	\$ (1,459)
In the statement of activities, donations of capital assets and seizures are recognized at estimated fair value. However, in the governmental funds, the donations and seizures are not recognized.	8,000
<i>Net adjustment to increase net change in fund balances – total governmental funds to arrive at change in net position of governmental activities</i>	\$ 6,541

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$(4,708,625) difference are as follows:

Compensated absences	\$ (246,148)
Insurance	(1,103)
Various expenses	(3,654)
Interest	319,369
Pension expense	(4,690,260)
OPEB	(86,829)
<i>Net adjustment to decrease net change in fund balances – total governmental funds to arrive at change in net position of governmental activities</i>	\$ (4,708,625)

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 \$149,051 difference are as follows:

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

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

Intergovernmental	\$	81
Rents		1,759
Fines and forfeitures		145,354
Grants		1,385
Other fees and miscellaneous		472
<hr/>		
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	149,051
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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 position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,298,315 difference are as follows:

Debt issued or incurred		
Bond proceeds	\$	(42,915,000)
Refunding payments		42,635,070
Principal repayments		
Bonds		1,670,000
Plus, amortization of bond premium costs		54,170
Less, amortization of prepaid bond insurance		(59,766)
Less, amortization of deferred loss on advance refunding		(86,159)
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Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	1,298,315
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NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

\$74,557,632 of the City's deposits are placed in banks that are qualified public depositories, as required by law (Florida Security for Public Deposits Act). Every qualified public depository is required by this law to deposit with the State Treasurer eligible collateral equal to, or in excess of, an amount to be determined by the State Treasurer. The State Treasurer is required by this law to ensure that the City's funds are entirely collateralized throughout the fiscal year. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Custodial Risks

At September 30, 2015, the City held \$45,235,975 in deposits that were considered to be a custodial risk.

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, 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.

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, 2015, the City did not hold any investments that were considered to be an interest rate risk.

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

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

At September 30, 2015, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2015, the City's deposits and investments consisted of the following:

	Carrying Amount	Market Value
Demand deposits	\$ 119,793,607	\$ 119,793,607
Total deposits and investments	\$ 119,793,607	\$ 119,793,607

At September 30, 2015, the city maintained cash on hand of \$5,630.

NOTE 5 – ACCOUNTS RECEIVABLE, NET

At September 30, 2015, accounts receivable in the governmental activities is summarized as follows:

Total accounts receivable		\$ 489,103
Less: allowance for doubtful accounts		-
Accounts receivable, net		\$ 489,103

At September 30, 2015, accounts receivable in the business-type activities is summarized as follows:

Billed accounts receivable		\$ 2,075,966
Unbilled accounts receivable		4,153,033
Other receivables		52,517
Total accounts receivable		6,281,516
Less: allowance for doubtful accounts		(184,416)
Accounts receivable, net		\$ 6,097,100

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

NOTE 5 – ACCOUNTS RECEIVABLE, NET (CONTINUED)

At September 30, 2015, restricted accounts receivable in the business-type activities is summarized as follows:

Total restricted accounts receivable	\$	368
Less: allowance for doubtful accounts		-
<hr/>		
Restricted accounts receivable, net	\$	368
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Restricted accounts receivable arise from activities in the storm water department and from overpayments made from restricted accounts required to be deposited back to those same accounts upon receipt.

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of due from/to other funds balances as of September 30, 2015 is as follows:

Receivable fund	Payable fund		
General fund	Utility fund	\$	2,148
General fund	CRA fund		8,646
General fund	Nonmajor proprietary funds		877
<hr/>			
Total		\$	11,671
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The interfund receivables and payables are the result of advances between the various funds for operating and capital activities.

The city's routine transfers include transfers to other funds based on budgetary requirements. The composition of interfund transfers as of September 30, 2015 is as follows:

Transfers out	Transfers in			
	General fund	Utility fund	Nonmajor proprietary funds	Total
General fund	\$ -	\$ 137,674	\$ 100,000	\$ 237,674
Nonmajor governmental funds	1,170	-	-	1,170
Utility fund	100,000	-	420,000	520,000
Nonmajor proprietary funds	-	-	350,000	350,000
<hr/>				
Total	\$ 101,170	\$ 137,674	\$ 870,000	\$ 1,108,844
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City of Panama City Beach, Florida
Notes to Basic Financial Statements

NOTE 7 – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES

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

	September 30, 2014	Increases	Decreases	September 30, 2015
Capital assets, not being depreciated				
Land	\$ 47,083,139	\$ 132,097	\$ -	\$ 47,215,236
Construction in progress	8,133,019	1,492,134	-	9,625,153
Total capital assets, not being depreciated	55,216,158	1,624,231	-	56,840,389
Capital assets, being depreciated				
Buildings	8,353,259	-	-	8,353,259
Improvements	58,624,302	184,097	-	58,808,399
Machinery and equipment	8,734,876	602,967	(564,661)	8,773,182
Total capital assets, being depreciated	75,712,437	787,064	(564,661)	75,934,840
Accumulated depreciation				
Buildings	(2,792,785)	(225,921)	-	(3,018,706)
Improvements	(18,357,627)	(2,908,758)	-	(21,266,385)
Machinery and equipment	(5,567,472)	(611,707)	563,202	(5,615,977)
Total accumulated depreciation	(26,717,884)	(3,746,386)	563,202	(29,901,068)
Total capital assets, being depreciated, net of accumulated depreciation	48,994,553	(2,959,322)	(1,459)	46,033,772
Total governmental activities' capital assets – net	\$ 104,210,711	\$ (1,335,091)	\$ (1,459)	\$ 102,874,161

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

Governmental activities	
General government	\$ 48,724
Public safety	463,782
Highways and streets	2,165,567
Culture and recreation	1,068,313
Total depreciation expense – governmental activities	\$ 3,746,386

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

NOTE 8 – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES

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

	September 30, 2014	Increases	Decreases	September 30, 2015
Capital assets, not being depreciated				
Land	\$ 7,328,262	\$ 31,930	\$ -	\$ 7,360,192
Intangible assets	194,788	-	-	194,788
Construction in progress	1,430,546	2,554,435	(1,483,266)	2,501,715
Total capital assets, not being depreciated	8,953,596	2,586,365	(1,483,266)	10,056,695
Capital assets, being depreciated				
Buildings	35,409,436	490	-	35,409,926
Improvements	106,165,730	1,620,940	(105,443)	107,681,227
Machinery and equipment	20,599,781	795,104	(256,640)	21,138,245
Total capital assets, being depreciated	162,174,947	2,416,534	(362,083)	164,229,398
Accumulated depreciation				
Buildings	(11,328,290)	(932,362)	-	(12,260,652)
Improvements	(27,754,414)	(2,992,182)	90,064	(30,656,532)
Machinery and equipment	(9,369,731)	(1,516,839)	237,877	(10,648,693)
Total accumulated depreciation	(48,452,435)	(5,441,383)	327,941	(53,565,877)
Total capital assets, being depreciated, net of accumulated depreciation	113,722,512	(3,024,849)	(34,142)	110,663,521
Total business-type activities' capital assets – net	\$ 122,676,108	\$ (438,484)	\$ (1,517,408)	\$ 120,720,216

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

Business-type activities	
Utility fund	
Water	\$ 1,197,048
Waste water	3,518,809
Storm water	144,893
Pier fund	426,724
Aquatic center fund	153,909
Total depreciation expense – business-type activities	\$ 5,441,383

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

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

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2015:

	Utility Fund	Pier Fund	Aquatic Center Fund	Total
Land	\$ 7,360,192	\$ -	\$ -	\$ 7,360,192
Intangible assets	194,788	-	-	194,788
Buildings	31,252,907	1,943,959	2,213,060	35,409,926
Improvements	96,583,672	9,028,934	2,068,621	107,681,227
Machinery and equipment	20,612,609	186,692	338,944	21,138,245
Construction in progress	2,494,215	-	7,500	2,501,715
Total	158,498,383	11,159,585	4,628,125	174,286,093
Accumulated depreciation				
Buildings	(11,406,920)	(325,581)	(528,151)	(12,260,652)
Improvements	(27,827,796)	(2,152,813)	(675,923)	(30,656,532)
Machinery and equipment	(10,337,662)	(77,636)	(233,395)	(10,648,693)
Total accumulated depreciation	(49,572,378)	(2,556,030)	(1,437,469)	(53,565,877)
Total business-type activities' capital assets – net	\$ 108,926,005	\$ 8,603,555	\$ 3,190,656	\$ 120,720,216

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

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

Eligibility

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

Funding Policy

For the Postemployment Health Care Benefits Plan, contribution requirements of the City are established and may be amended through recommendations of the City staff and action from the City Council. The City has not advanced-funded or established a funding methodology for the annual Other Postemployment Benefit (OPEB) costs or the net OPEB obligation. As of October 1, 2014 there were 23 retirees and 6 eligible dependents receiving postemployment health care benefits. For the fiscal year ended September 30, 2015, estimated benefits exceeded retiree premiums resulting in City contributions of \$142,375. Annual OPEB costs are comprised of benefit payments made on behalf of retirees for claims expenses (net of reinsurance), administrative expenses, and reinsurance payments, and net of retiree contributions. Required contributions are on a projected pay-as-you-go basis.

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

Coverage	Blue Options 03559
Individual	\$ 560
Retiree & Spouse	1,265

Dental insurance can be purchased at a cost of \$24 per month per member.

Annual OPEB Cost and Net OPEB Obligation

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

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

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

Description	Total
Annual required contribution of employer	\$ 250,354
Plus: interest on net OPEB obligation	79,864
Less: amortization of net OPEB obligation	(66,554)
Total annual OPEB cost	\$ 263,664
Beginning of year net OPEB obligation	\$ 1,996,612
Plus: actual annual OPEB cost	263,664
Less: employer contributions	(142,378)
End of year net OPEB obligation	\$ 2,117,898

Schedule of employer contributions can be found in required supplementary information immediately following the notes.

Funding Status and Funding Progress

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

Actuarial Methods and Assumptions

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

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, 2015, 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

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

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

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 8.0 percent initially for the 2015 fiscal year, grading to an ultimate rate of 5.0 percent for the fiscal year ending September 30, 2042. The unfunded actuarial accrued liability and gains/losses are being amortized based on a level percentage of projected payroll on a closed basis over 30 years.

NOTE 10 – LONG-TERM DEBT – GOVERNMENTAL ACTIVITIES

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

	Balance September 30, 2014	Additions	Deductions	Balance September 30, 2015	Due within One Year
Revenue bonds payable	\$ 45,210,000	\$ 42,915,000	\$ (41,635,000)	\$ 46,490,000	\$ 2,095,000
Adjusted for deferred amounts for issuance premium	1,003,952	-	(949,688)	54,264	50,029
Total bonds payable	46,213,952	42,915,000	(42,584,688)	46,544,264	2,145,029
Accrued compensated absences	2,624,353	919,348	(673,200)	2,870,501	695,000
Net pension liability	2,073,621	3,771,451	-	5,845,072	-
Net OPEB obligation	1,213,587	86,829	-	1,300,416	-
Total	\$ 52,125,513	\$ 47,692,628	\$ (43,257,888)	\$ 56,560,253	\$ 2,840,029

Revenue Bonds Payable

On March 26, 2015, the City issued \$42,915,000 Capital Improvement Refunding Revenue Bonds, Series 2015 (Front Beach Road Project). The proceeds of the bonds were used to partially refund the outstanding Capital Improvement Revenue Bonds, Series 2006 (Front Beach Road Project) and to pay the costs of issuing the Series 2015 bonds. The principal amount refunded was \$39,965,000 which represented the amounts maturing on or after November 1, 2017. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,762,584. This difference is reported as a deferred loss on the refunding which is being amortized over the life of the new debt. As a result of the refunding the City reduced its debt service payments over a period of

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

seventeen years by \$5,428,743 which resulted in an economic gain of \$4,358,725. The bonds are special obligation bonds of the City payable solely from a pledge of and first lien upon Front Beach Road CRA tax increment revenue.

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

The pledge referenced above remains in effect until extinguishment or maturity of the debt in 2031, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2015, totaled \$54,452,458. Current year principal and interest payments paid on the bond required 1.45% of the pledged revenues. Principal and interest payments paid for the current year were zero and \$113,904, respectively and the pledged revenues were \$7,829,100.

\$ 42,915,000

On September 7, 2006, the City issued \$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 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.

The 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. On March 26, 2015, the City partially refunded the Capital Improvement Revenue Bonds, Series 2006 (Front Beach Road Project) with the Capital Improvement Refunding Revenue Bonds, Series 2015 reducing the principal outstanding to \$3,575,000. The remaining principal and interest payments on this debt as of September 30, 2015 totaled \$3,755,875. Current year principal and interest payments on the bonds required the use of 46% of the pledged revenues. Principal and interest payments paid for the current year were \$3,569,453 and the pledged revenues were \$7,829,100.

3,575,000

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

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

Total revenue bonds at September 30, 2015	\$ 46,490,000
Less: revenue bonds – current portion	(2,095,000)
<hr/>	
Revenue bonds – long-term at September 30, 2015	\$ 44,395,000
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Debt service requirements to maturity on the revenue bonds payable, payable at September 30, 2015 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 2,095,000	\$ 1,301,927	\$ 3,396,927
2017	2,210,000	1,202,588	3,412,588
2018	2,315,000	1,120,051	3,435,051
2019	2,375,000	1,056,032	3,431,032
2020	2,445,000	990,239	3,435,239
2021-2025	13,245,000	3,900,146	17,145,146
2026-2030	15,150,000	1,964,508	17,114,508
2031-2032	6,655,000	182,842	6,837,842
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Total	\$ 46,490,000	\$ 11,718,333	\$ 58,208,333
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NOTE 11 – LONG-TERM DEBT – BUSINESS-TYPE ACTIVITIES

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

	<u>Balance</u> <u>September 30,</u> <u>2014</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2015</u>	<u>Due within</u> <u>One Year</u>
Revenue bonds payable	\$ 45,465,000	\$ -	\$ (1,495,000)	\$ 43,970,000	\$ 1,540,000
Adjusted for deferred amounts					
on refunding	(1,022,553)	-	219,118	(803,435)	(219,119)
for issuance premium	1,229,213	-	(61,260)	1,167,953	61,260
<hr/>					
Total bonds payable	45,671,660	-	(1,337,142)	44,334,518	1,382,141
Revenue certificates payable	2,107,251	250,626	(34,034)	2,323,843	2,323,843
Notes payable	11,639,720	-	(1,537,094)	10,102,626	1,113,534
Accrued compensated balances	1,234,051	457,194	(451,905)	1,239,340	425,000
Net pension liability	92,707	1,622,120	-	1,714,827	-
Net OPEB obligation	783,024	34,458	-	817,482	-
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Total	\$ 61,528,413	\$ 2,364,398	\$ (3,360,175)	\$ 60,532,636	\$ 5,244,518
<hr/>					

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

Revenue Bonds Payable

On September 11, 2009, the City issued \$28,725,000 Utility Revenue Bonds, Series 2009; 3% to 5% interest, depending on maturity date of bonds. Interest is payable semiannually on June 1 and December 1. Principal is payable annually on June 1 beginning June 1, 2010, with final maturity on June 1, 2039. The \$28,725,000 is composed of \$10,355,000 serial bonds and \$18,370,000 term bonds.

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, 2015 totaled \$44,538,987. Current year principal and interest payments on the bond required 14% of pledged revenues. Current year principal and interest payments paid from pledged revenue were \$570,000 and \$1,287,850, respectively. For the year ended September 30, 2015, pledged revenues were \$13,564,114.

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.

\$ 25,760,000

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

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.

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

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

The remaining principal and interest payments on this debt as of September 30, 2015 totaled \$24,697,062. Current year principal and interest payments on the bond required 12% of pledged revenue. Current year principal and interest payments paid from pledged revenue were \$925,000 and \$680,526, respectively. For the year ended September 30, 2015, pledged revenues were \$13,564,114.

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.

	\$	18,210,000
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Total revenue bonds at September 30, 2015		43,970,000
Less: revenue bonds – current portion		(1,540,000)
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Revenue bonds – long-term at September 30, 2015	\$	42,430,000
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Debt service requirements to maturity on revenue bonds payable at September 30, 2015 are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 1,540,000	\$ 1,917,825	\$ 3,457,825
2017	1,420,000	1,859,825	3,279,825
2018	1,250,000	1,796,825	3,046,825
2019	1,305,000	1,740,325	3,045,325
2020	1,650,000	1,690,575	3,340,575
2021-2025	9,410,000	7,276,362	16,686,362
2026-2030	11,400,000	5,307,063	16,707,063
2031-2035	9,415,000	2,834,750	12,249,750
2036-2039	6,580,000	842,500	7,422,500
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Total	\$ 43,970,000	\$ 25,266,050	\$ 69,236,050
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The principal balance of the defeased debt outstanding for the Water and Waste water Revenue Bonds, Series 1987A, at September 30, 2015 is \$190,000.

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

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

Revenue Certificates

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

	Original Amount of Certificate	Balance at September 30, 2014	Net Changes During the Year	Balance at September 30, 2015
Wild Heron	\$ 431,834	\$ 154,450	\$ (15,440)	\$ 139,010
Hills Road	71,550	6,263	-	6,263
Bayside Partners	142,993	120,844	-	120,844
Sunnyside Beach & Tennis	203,385	166,404	-	166,404
Tapestry Park North	96,430	86,025	(645)	85,380
Magnolia Beach	100,000	81,282	(1,331)	79,951
TW Olson-Magnolia	490,500	398,677	(6,527)	392,150
St. Andrews Land Company	670,414	544,905	(8,921)	535,984
Ocean Park Pavilion	68,494	68,494	-	68,494
Ocean Park Pavilion	239,795	239,570	-	239,570
Karen Arrigo - Shasta Street	18,357	13,517	-	13,517
St. Andrews Land Company	212,496	200,485	(1,170)	199,315
Antigua Developers	143,950	21,461	-	21,461
Clark Hinkle - McEachern Street	12,432	4,874	-	4,874
Shores of Panama	250,626	-	250,626	250,626
Total	\$ 3,153,256	\$ 2,107,251	\$ 216,592	\$ 2,323,843

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 were 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%.

\$ 6,903,674

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

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

State Revolving Fund #2 – Note payable dated March 5, 2002 payable in 40 semi-annual installments of \$242,542 beginning October 15, 2009 through October 15, 2010. Beginning April 15, 2011, semi-annual payments were 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, 2028.

	\$ 3,198,952
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Total notes payable at September 30, 2015	10,102,626
Less: notes payable – current portion	(1,113,534)
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Notes payable – long-term at September 30, 2015	\$ 8,989,092
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Debt service requirements to maturity on notes payable at September 30, 2015 are as follows:

Year Ending September 30,	Principal	Interest	Total
2016	\$ 1,113,534	\$ 291,919	\$ 1,405,453
2017	1,146,948	258,505	1,405,453
2018	1,181,364	224,089	1,405,453
2019	1,216,814	188,639	1,405,453
2020	1,253,328	152,125	1,405,453
2021-2025	3,426,870	299,273	3,726,143
2026-2028	763,768	35,463	799,231
Total	\$ 10,102,626	\$ 1,450,013	\$ 11,552,639

NOTE 12 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following at September 30, 2015:

	Accrued Vacation Leave	Accrued Sick Leave	Total Accrued Leave
Governmental activities			
General fund	\$ 721,798	\$ 2,120,849	\$ 2,842,647
Community Redevelopment fund	8,056	19,798	27,854

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

NOTE 12 – ACCRUED COMPENSATED ABSENCES (CONTINUED)

	Accrued Vacation Leave	Accrued Sick Leave	Total Accrued Leave
Business-type activities			
Utility fund	\$ 319,070	\$ 864,763	\$ 1,183,833
Pier fund	21,054	17,985	39,039
Aquatic Center fund	8,313	8,155	16,468
Total	\$ 1,078,291	\$ 3,031,550	\$ 4,109,841

NOTE 13 – 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, 2015, the City's cost of water purchased from Bay County was \$8,222,607. The City did not meet its minimum purchase obligation for 2015 and as a result there was an amount due of \$246,418 at September 30, 2015. However, this liability was offset by \$227,547 representing Bay County's impact fees collected by the City in accordance with an interlocal agreement, and \$11,192 in other credits. The net amount due of \$7,679 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 construction contracts with various construction companies related to ongoing capital and maintenance projects in progress at fiscal year-end.

NOTE 14 – RISK MANAGEMENT

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

NOTE 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, Finance Director, 110 South Arnold Road, Panama City Beach, Florida 32413. The Plans are administered by their respective Board of Trustees. Each Board of Trustees oversees the management of their respective plan for the City of Panama City Beach. The board has established procedures to ensure that idle funds are invested as authorized by Florida statute, to earn the maximum interest. A description of the plans follows.

Summary of Significant Accounting Policies and Plan Asset Matters

The City of Panama City Beach PERS financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plans. Investments held by the plans are recorded at market value in the basic financial statements. There are no investments in, loans to, or leases with parties related to the pension plans. Eighty-six percent (86%) of the total assets held in trust for pension benefits are invested in equity mutual funds, three percent (3%) in master limited partnerships, two percent (2%) in real estate investment trusts, and the remaining balance of nine percent (9%) is in cash, money market funds, and receivables.

Statements of Plan Assets

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

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at September 30, 2015, the date of the latest actuarial valuation.

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

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

	General Employees	Police Officers	Fire- fighters
Retirees and beneficiaries receiving benefits	65	24	15
Terminated plan members entitled to but not yet receiving benefits	4	3	-
Active plan members	140	56	26
Total	209	83	41
Number of participating employers	1	1	1

General Employees' Pension Plan

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

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

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 2.5% of average final compensation multiplied by years of credited service prior to October 1, 2005, plus 3.0% of average final compensation multiplied by years of credited service after September 30, 2005, but the total not more than 100% of average final compensation (excluding COLA's).
- Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service.
- Early Retirement Benefit: A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 1/15 per year for each of the first 5 years and 1/30 per year for each of the next 2 years by which the benefit commencement date precedes his normal retirement date. For this purpose normal retirement date is determined based on the participant's actual years of credited service as a general employee at his termination date.
- Early Retirement: The first day of the month coincident with or next following the date a participant attains age 48 and has completed at least 10 years of credited service.

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

- **Credited Service:** Years and fractional parts of years of service as a general employee with the City while making employee contributions. (Credited service with another City plan is recognized for purposes of vesting and retirement eligibility only.)
- **Accrued Benefit:** The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
- **Disability Benefit:** A Participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
 - **Job-Related Disability:** Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
 - **Non-Job-Related Disability:** With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.
 - The disability benefit together with worker's compensation benefits may not exceed 100% of pay, as provided in the Plan. Optional forms of benefit may be elected.
- **Death Benefit:** The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a death benefit equal to 100 times his monthly accrued benefit based on his credited service and average final compensation as of the time of death. This benefit is payable in a lump sum unless the general employee elected that it be paid in an actuarially equivalent annuity or installments. The Plan also provides minimum death benefits based upon the vested, 10-year-certain portion of the normal form of benefit or the refund of accumulated contributions.

Contributions - The City's annual contribution to the pension trust is determined October 1, 2015, the most recent actuarial study shows a deficit of approximately \$2,900,000 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 8.7% of compensation. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

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

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

death benefits to plan members and their beneficiaries. Chapter 185 of Florida Statutes provides guidance for the City to establish and amend the benefit provisions of the plan.

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

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 3.5% of average final compensation multiplied by years of credited service, but not more than 100% of average final compensation (excluding COLA's).
- Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service.
- Early Retirement Benefit: A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 3% per year (.25% per month) for each period by which the benefit commencement date precedes his normal retirement date. For this purpose normal retirement date is determined based on the participant's actual years of credited service as a police officer at his termination date.
- Early Retirement: The first day of the month coincident with or next following the date a participant attains age 50 and has completed at least 10 years of credited service.
- Credited Service: Years and fractional parts of years of service as a police officer with the City and while making employee contributions.
- Accrued Benefit: The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
- Disability Benefit: A participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
 - Job-Related Disability: Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
 - Non-Job-Related Disability: With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.

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

- Death Benefit: The beneficiary of a participant who dies (1) during employment or after termination with a vested benefit and (2) with respect to whom benefit payments have not commenced shall be entitled to a death benefit equal to 100 times his monthly accrued benefit based on his credited service and average final compensation as of the time of death. This benefit is payable in a lump sum unless the police officer elected that it be paid in an actuarially

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

equivalent annuity or installments. The plan also provides minimum death benefits based upon the vested, 10-year-certain portion of the normal form of benefit or the refund of accumulated contributions.

Contributions - The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of October 1, 2015, the most recent actuarial study shows a deficit of approximately \$2,700,000 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 11.0% of their compensation. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

Firefighters' Pension Plan

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

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

- Normal Retirement Benefit: A monthly benefit commencing at the normal retirement date equal to 3.35% of average final compensation multiplied by years of credited service, but not more than 100% of average final compensation (excluding COLA's).
- Normal Retirement Date: The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service, or (3) if he has elected the 25 & Out Tier, the date he has completed at least 25 years of credited service regardless of age.
- Early Retirement Benefit: A participant who elects to retire on or after his early retirement date may receive an early retirement benefit commencing at his normal retirement date equal to his accrued benefit. If he further elects to have such benefit commence prior to his normal retirement date, it shall be reduced 3% per year (.25% per month) for each period by which the benefit commencement date precedes his normal retirement date. For this purpose normal retirement date is determined based on the participant's actual years of credited service as a firefighter at his termination date.

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

- Early Retirement: The first day of the month coincident with or next following the date a participant attains age 50 and has completed at least 10 years of credited service.
- Credited Service: Years and fractional parts of years of service as a firefighter with the City and while making employee contributions.
- Accrued Benefit: The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
- Disability Benefit: A Participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
 - Job-Related Disability: Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
 - Non-Job-Related Disability: With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.

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

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

Contributions - The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of September 30, 2015, the most recent actuarial study shows a deficit of approximately \$1,900,000 on a GASB 67 funding basis. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The contribution is designed to accumulate sufficient assets to pay benefits when due. Plan members are required to contribute 4.1% of compensation except for those firefighters who elect the "25 and out" tier. These members are required to contribute 7.5% of their annual covered salary. The City is required to contribute at an actuarially determined rate. Contribution requirements of the plan members and the City are established and may be amended by the pension board of trustees. The City will meet all additional costs of the plan according to actuarial valuations performed periodically.

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

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

Investment Policy

The Board's targeted allocation policy for each pension plan as of September 30, 2015 is summarized below:

Asset class	General Employees'	Police Officers'	Firefighters'
Large cap equity	40%	40%	40%
Small cap equity	15%	15%	15%
International equity	10%	10%	10%
Fixed income	25%	25%	25%
Real estate	5%	5%	5%
Cash	5%	5%	5%
Total targeted allocation	100%	100%	100%

No changes have been made to the pension plan investment allocations during the year ended September 30, 2015.

Investment Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on each pension plan's investments, net of pension plan investment expense, for the year ended September 30, 2015 is summarized below:

	General Employees'	Police Officers'	Firefighters'
Money-weighted rate of return	-1.6%	-1.4%	-1.2%

Deferred Retirement Option Program (DROP):

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

- a. Eligibility: normal retirement.
- b. Benefit Amount: The participant's accrued benefit calculated as of the beginning of the DROP period, accumulated quarterly with interest at a rate equal to either the pension plan's net investment performance during the quarter or a fixed guaranteed rate of 5% annually, plus cost-of-living adjustments, if any, during the DROP period. The participant elects which interest basis he wants upon his entry into the DROP, and may change such election only once during the DROP period.

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

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

- c. Form of Benefit: When the DROP period ends (maximum 5 years), the employee must terminate employment. At that time, the accumulated DROP benefits will be distributed in the form of a lump sum, a rollover, or a nonforfeitable fixed annuity to the participant, or if deceased, such participant’s designated beneficiary. In addition, the monthly annuity, including any COLA adjustments, will continue to the participant as otherwise provided in the Plan.
- d. Other Provisions: A participant in DROP is no longer eligible for death or disability benefits. Employee contributions are no longer collected, and credited Service and Average Final compensation are frozen as of the date of entry into DROP.

Net Pension Liability

The components of the net pension liability at September 30, 2015, are as follows:

	General Employees'	Police Officers'	Firefighters'	Total
Total pension liability	\$ 32,399,143	\$ 19,016,272	\$ 15,654,457	\$ 67,069,872
Plan fiduciary net position	(29,492,670)	(16,344,206)	(13,673,097)	(59,509,973)
City's net pension liability	\$ 2,906,473	\$ 2,672,066	\$ 1,981,360	\$ 7,559,899
Plan fiduciary net position as a percentage of the total pension liability	91%	86%	87%	

At September 30, 2015, the City reported a liability of \$2,906,473 for the pension liability for the general employees’ retirement plan. The net pension liability is measured as of September 30, 2015. The net pension liability was allocated to each of the activities benefited by the plan.

At September 30, 2015, the City reported a liability of \$2,672,066 for the pension liability for the police officers’ retirement plan. The net pension liability is measured as of September 30, 2015. The net pension liability was reported in the governmental activities.

At September 30, 2015, the City reported a liability of \$1,981,360 for the pension liability for the firefighters’ retirement plan. The net pension liability is measured as of September 30, 2015. The net pension liability was reported in the governmental activities.

Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2015, the City recognized pension expense of \$3,351,289, \$1,437,800, and \$1,878,440 for the general employees’ pension plan, the police officers’ pension plan, and the firefighters’ pension plan, respectively.

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

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

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the general employees' pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 123,336	\$ -
Net difference between expected and actual earnings on pension plan investments	2,270,822	-
Total	\$ 2,394,158	\$ -

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the police officers' pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 151,854
Net difference between expected and actual earnings on pension plan investments	1,342,326	-
Total	\$ 1,342,326	\$ 151,854

At September 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to the firefighters' pension plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 496,261	\$ -
Net difference between expected and actual earnings on pension plan investments	992,346	-
Total	\$ 1,488,607	\$ -

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

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

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

Year Ending September 30:	General Employees'	Police Officers'	Firefighters'	Total
2016	\$ 601,945	\$ 305,481	\$ 366,533	\$ 1,273,959
2017	601,945	305,481	366,533	1,273,959
2018	601,945	305,481	366,533	1,273,959
2019	588,323	305,481	366,533	1,260,337
2020	-	(31,452)	22,475	(8,977)
Total	\$ 2,394,158	\$ 1,190,472	\$ 1,488,607	\$ 5,073,237

Actuarial Assumptions

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2014 using the following actuarial assumptions applied to all measurement periods:

	General Employees'	Police Officers'	Firefighters'
Inflation rate	2.5%	2.5%	2.5%
Salary increase	6%	6%	6%
Investment rate of return	8%	8%	8%

Mortality: Mortality rates were based on the RP-2000 (Retirement Plans-2000) Generational Tables from the year 2000 using Scale AA.

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

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

Withdrawal: Preretirement withdrawals are assumed to occur in accordance with a standard scale of turnover rates (T-5).

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

Retirement Rate: Each active participant is assumed to retire on the later of the actuarial valuation date or his normal retirement date.

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

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

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

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

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

Maximum Compensation: Compensation is limited to \$260,000 projected to increase at the rate of 4% per annum.

Maximum Benefits: The \$210,000 maximum for years ending in 2014 and other applicable benefit limitations under Section 415 are projected to increase at the rate of 4% per annum.

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

The long-term expected rate of return on pension plan investments was confirmed appropriate using Aon’s e-tool model assuming general inflation of 2.5%, which is a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan’s target asset allocation as of October 1, 2015 (see the discussion of the pension plan’s investment policy) are summarized in the following table.

Asset Class	General Employees'	Police Officers'	Firefighters'
Equity			
Large cap U.S. equity	4.5%	4.5%	4.5%
Small cap U.S. equity	5.0%	5.0%	5.0%
International (non-U.S.) equity developed	5.0%	5.0%	5.0%
Emerging markets equity	6.2%	6.2%	6.2%
Fixed income			
Long duration bonds - gov't/credit	1.8%	1.8%	1.8%
Alternative investments			
Real estate (broad market)	4.8%	4.8%	4.8%

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the City’s contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member

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

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

rate. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability

The following table presents the net pension liability of the City for each pension plan, calculated using the current discount rate of 8.00 percent, as well as what the City’s net pension liability would be if it were calculated using a discount rate 1-percentage-point lower (7.00 percent) or 1-percentage-point higher (9.00 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability -			
general employees' pension	\$ 5,785,168	\$ 2,906,473	\$ (814,473)
City's net pension liability - police officers' pension	5,126,210	2,672,066	630,933
City's net pension liability - firefighters' pension	2,838,889	1,981,360	(548,108)

NOTE 16 – SELF INSURANCE FOR EMPLOYEE MEDICAL BENEFITS

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

The plan provides coverage up to a maximum of \$100,000 per contract and approximately \$1,327,053 for the aggregate of contracts with a 25% corridor in addition to the amount already listed.

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

Monthly invoices are submitted by Blue Cross/Blue Shield of Florida representing claims paid on the City’s behalf. The invoices are paid from the claims account previously referenced. The balance in the claims liability account at year end represents claims incurred prior to year end and paid subsequent to September 30, 2015, and a provision for incurred but not yet reported claims, as well as a provision for potential future claims in excess of the re-insurance coverage limits.

NOTE 16 – SELF INSURANCE FOR EMPLOYEE MEDICAL BENEFITS (CONTINUED)

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

Funding for health insurance premiums is derived from three sources:

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

For the fiscal year ended September 30, 2015, the change in the claims liability was as follows:

Claims liability, October 1, 2014	\$	1,199,086
Total transfers into the claims account from premiums, rebates, and other		1,475,623
Total transfers out of the claims account for claims, reinsurance fees, and other		(1,150,601)
Claims liability, September 30, 2015	\$	1,524,108

NOTE 17 – 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, 2015 was \$36,000.

Frank Brown Park and Aquatic Center Concession Lease

The City leases two concession stands located within Frank Brown Park and one located at the Aquatic Center. The operating lease includes the use of the concession stand buildings, fixtures, and equipment for the period beginning January 1, 2014 through December 31, 2016. Rent is due on the first of each month in the amount of 35.25% of monthly gross sales made by the lessee in the previous month, or a minimum fee per month of \$2,500, whichever is greater. The lease has an option to renew at the same terms and conditions for one year. Rental income for the year ended September 30, 2015, was \$60,081 and \$16,322 for Frank Brown Park and the Aquatic Center, respectively.

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2015:

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

NOTE 17 – LEASES (CONTINUED)

Year Ending September 30,	Total
2016	\$ 30,000
2017	7,500
Total	\$ 37,500

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, 2015 was \$220,478.

Pier Beachfront Lease

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2015:

Year Ending September 30,	Total
2016	\$ 100,000
2017	100,000
Total	\$ 200,000

NOTE 18 – 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.

NOTE 18 – PIER PARK (CONTINUED)

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, 2015, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$450,500. These funds were subsequently paid to the CDD by the City.

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

The total amount of business taxes collected within the Pier Park Redevelopment Area in the fiscal year ended September 30, 2015 were \$2,135,934. Under the terms of the amended PIPA, \$1,780,694 was remitted to the CDD and \$355,240 was retained by the City.

A copy of the agreement is available at City Hall, located at 110 South Arnold Road, Panama City Beach, Florida 32413.

NOTE 19 – NET ASSET RESTRICTIONS

The following is a description of reported net asset restrictions in governmental activities and business-type activities at September 30, 2015.

Governmental Activities

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

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

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

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

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

NOTE 19 – NET ASSET RESTRICTIONS (CONTINUED)

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

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

Summary

Specific restrictions of net assets are summarized below as of September 30, 2015:

Governmental activities		
Law enforcement	\$	65,636
Beach access public parking		559,149
Impact fees		3,344,202
Reforestation		5,381
Debt service		5,863,808
Community redevelopment		8,210,951
<hr/>		
Total	\$	18,049,127
<hr/>		

Business-type Activities

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

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

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

Summary

Specific restrictions of net assets are summarized below as of September 30, 2015:

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

NOTE 19 – NET ASSET RESTRICTIONS (CONTINUED)

Business-type activities		
Impact fees	\$	9,753,377
Debt service		1,390,440
Storm water		1,437,825
<hr/>		
Total	\$	12,581,642

For the fiscal year ending September 30, 2015, the reported net position in governmental activities and business-type activities assets restricted by enabling legislation was \$28,628,414.

NOTE 20 – FUND BALANCE CONSTRAINTS

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

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Nonspendable				
Prepays	\$ 34,273	\$ 2,859	\$ -	\$ 37,132
Inventory	14,040	-	-	14,040
Total nonspendable	48,313	2,859	-	51,172
Restricted				
Highways and streets	-	1,421,257	-	1,421,257
Debt service	-	6,426,283	-	6,426,283
Community redevelopment	-	10,154,693	-	10,154,693
Reforestation	5,381	-	-	5,381
Impact fees	3,627,375	-	-	3,627,375
Public safety	7,571	-	58,618	66,189
Public parking	-	-	559,149	559,149
Total restricted	3,640,327	18,002,233	617,767	22,260,327
Committed				
Construction	2,983,243	-	-	2,983,243
Total committed	2,983,243	-	-	2,983,243

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

NOTE 20 – FUND BALANCE CONSTRAINTS (CONTINUED)

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Assigned				
Subsequent years	\$ 2,150,322	\$ -	\$ -	\$ 2,150,322
Public safety	-	-	32,997	32,997
Sidewalk construction	-	247,499	-	247,499
Total assigned	2,150,322	247,499	32,997	2,430,818
Unassigned	12,180,603	-	-	12,180,603
Total fund balances	\$ 21,002,808	\$ 18,252,591	\$ 650,764	\$ 39,906,163

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2015, the City implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* (GASB 68) and GASB Statement 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement 68* (GASB 71). The effects of implementing GASB 68 and 71 were applied to the Statements of Net Position as of the implementation date of September 31, 2014.

Net position as of September 31, 2014, has been restated as follows for the implementation of GASB Statement 68, as amended by GASB Statement 71, for governmental activities:

	Governmental Activities
Net position, as previously reported at September 30, 2014	\$ 89,322,737
Restatement adjustment	
Net pension liability (measurement date of September 30, 2014)	(2,073,621)
Net deferred outflows 2014	4,761,441
Net deferred inflows 2014	(181,955)
Total restatement adjustment	2,505,865
Net position, as restated at September 30, 2014	\$ 91,828,602

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

NOTE 21 – CHANGE IN ACCOUNTING PRINCIPLE (CONTINUED)

Net position as of September 31, 2014, has been restated as follows for the implementation of GASB Statement 68, as amended by GASB Statement 71, for business-type activities:

	Utility Fund	Pier Fund	Aquatic Fund	Total Business-type Activities
Net position, as previously reported at September 30, 2014	\$ 126,999,014	\$ 10,205,990	\$ 2,986,220	\$ 140,191,224
Restatement adjustment				
Net pension liability (measurement date of September 30, 2014)	(84,554)	(4,917)	(3,236)	(92,707)
Net deferred outflows 2014	1,612,256	93,755	61,698	1,767,709
Total restatement adjustment	1,527,702	88,838	58,462	1,675,002
Prior period adjustment (see note 22)	(3,458,325)	-	-	(3,458,325)
Net position, as restated at September 30, 2014	\$ 125,068,391	\$ 10,294,828	\$ 3,044,682	\$ 138,407,901

NOTE 22 – PRIOR PERIOD ADJUSTMENT

Subsequent to the issuance of the prior year audited financial statements, the City determined that certain assets being maintained on the books had been disposed of in prior years. The effect of this error was an overstatement of assets net of accumulated depreciation in the utility fund and business-type net position of \$3,458,325. As a result, a decrease in the beginning net position of the utility fund and business-type activities, as of September 30, 2014, has been reflected in these financial statements.

NOTE 23 – SUBSEQUENT EVENT

On April 14, 2016, the City approved Resolution 16-68 which authorized the City to issue \$24,180,000 Utility Revenue Refunding Bond, Series 2016, to finance the cost of refunding certain outstanding obligations and pledging the pledged revenues of the utility system of the City and certain other legally available funds of the City for the payment of the Series 2016 bond. Interest is payable semi-annually each June 1 and December 1 at a fixed rate of 2.73% for twenty (20) years. The refunding is intended to provide the City with approximately \$3,127,000 present value savings on future debt service.

Required Supplementary Information

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

Year ended September 30,	2015	2014
Total pension liability		
Service cost	\$ -	\$ 1,040,681
Interest	2,488,143	864,624
Differences between expected and actual experiences	157,575	1,874,051
Benefit payments, including refunds of member contributions	(1,255,002)	(1,285,877)
DROP adjustment	534,139	-
Net change in total pension liability	1,924,855	2,493,479
Total pension liability - beginning	29,416,370	26,922,891
Total pension liability - ending (a)	31,341,225	29,416,370
Plan fiduciary net position		
Contributions - employer	995,644	1,095,319
Contributions - member	538,751	548,921
Net investment income (loss)	(476,994)	2,943,006
Benefit payments, including refunds of member contributions	(1,255,002)	(1,285,877)
Administrative expense	(103,110)	(73,809)
DROP adjustment	534,139	-
Net change in plan fiduciary net position	233,428	3,227,560
Plan fiduciary net position - beginning	29,259,242	26,031,682
Plan fiduciary net position - ending (b)	29,492,670	29,259,242
Net pension liability - ending (a) - (b)	\$ 1,848,555	\$ 157,128
Plan fiduciary net position as a percentage of the total pension liability		
	94.10%	99.47%
Covered-employee payroll	6,238,976	5,500,368
Net pension liability as a percentage of covered-employee payroll	29.63%	2.86%

Notes to Schedule:

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

Changes in assumptions: There have been no changes in assumptions since 2014 which is the first available year of this comparison.

See Independent Auditor's Report.

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

Year ended September 30,	2015	2014
Actuarially determined contribution	\$ 766,892	\$ 1,013,264
Contributions in relation to the actuarially determined contribution	995,644	1,095,319
Contribution deficiency (excess)	\$ (228,752)	\$ (82,055)
Covered-employee payroll	\$ 6,238,976	\$ 5,500,368
Contributions as a percentage of covered-employee payroll	15.96%	19.91%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	6%
Investment rate of return	8.00%, net of pension plan investment expenses, including inflation
Retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table with generational projection using scale AA

See Independent Auditor’s Report.

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

<u>Year Ended September 30,</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-1.60%	10.60%

Notes to Schedule:

Only fiscal year's 2014 and 2015 data was available. The City will continue to present information for years available until a full 10-year trend is compiled.

See Independent Auditor’s Report.

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

Year Ended September 30,	2015	2014
Total pension liability		
Service cost	\$ 520,894	\$ 479,598
Interest	1,525,052	304,873
Differences between expected and actual experiences	(181,955)	1,536,515
Benefit payments, including refunds of member contributions	(926,647)	(1,037,205)
Net change in total pension liability	937,344	1,283,781
Total pension liability - beginning	18,078,928	16,795,147
Total pension liability - ending (a)	19,016,272	18,078,928
Plan fiduciary net position		
Contributions - employer	589,810	646,023
Contributions - member	325,235	307,896
Contributions - state	117,870	111,257
Net investment income (loss)	(232,058)	1,757,729
Benefit payments, including refunds of member contributions	(926,647)	(1,037,205)
Administrative expense	(69,185)	(52,988)
Net change in plan fiduciary net position	(194,975)	1,732,712
Plan fiduciary net position - beginning	16,539,181	14,806,469
Plan fiduciary net position - ending (b)	16,344,206	16,539,181
Net pension liability - ending (a) - (b)	\$ 2,672,066	\$ 1,539,747
Plan fiduciary net position as a percentage of the total pension liability	85.95%	91.48%
Covered-employee payroll	2,967,537	2,732,684
Net pension liability as a percentage of covered-employee payroll	90.04%	56.35%

Notes to Schedule:

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

Changes in assumptions: There have been no changes in assumptions since 2014 which is the first available year of this comparison.

See Independent Auditor's Report.

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

Year Ended September 30,	2015	2014
Actuarially determined contribution	\$ 523,418	\$ 615,147
Contributions in relation to the actuarially determined contribution	589,810	646,023
Contribution deficiency (excess)	\$ (66,392)	\$ (30,876)
Covered-employee payroll	\$ 2,967,537	\$ 2,732,684
Contributions as a percentage of covered-employee payroll	19.88%	23.64%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	6%
Investment rate of return	8.00%, net of pension plan investment expenses, including inflation
Retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table with generational projection using scale AA

See Independent Auditor’s Report.

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

Year Ended September 30,	2015	2014
Annual money-weighted rate of return, net of investment expense	-1.40%	10.40%

Notes to Schedule:

Only fiscal year's 2014 and 2015 data was available. The City will continue to present information for years available until a full 10-year trend is compiled.

See Independent Auditor’s Report.

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

Year Ended September 30,	2015	2014
Total pension liability		
Service cost	\$ 239,906	\$ 264,424
Interest	1,108,633	577,530
Differences between expected and actual experiences	614,707	392,824
Benefit payments, including refunds of member contributions	(461,582)	(428,064)
DROP adjustment	765,571	-
Net change in total pension liability	2,267,235	806,714
Total pension liability - beginning	13,387,222	12,580,508
Total pension liability - ending (a)	15,654,457	13,387,222
Plan fiduciary net position		
Contributions - employer	416,807	501,112
Contributions - member	86,266	146,638
Contributions - state	187,733	206,650
Net investment income (loss)	(170,283)	1,273,642
Benefit payments, including refunds of member contributions	(461,582)	(428,064)
Administrative expense	(69,185)	(62,200)
DROP adjustment	765,571	-
Net change in plan fiduciary net position	755,327	1,637,778
Plan fiduciary net position - beginning	12,917,770	11,279,992
Plan fiduciary net position - ending (b)	13,673,097	12,917,770
Net pension liability - ending (a) - (b)	\$ 1,981,360	\$ 469,452
Plan fiduciary net position as a percentage of the total pension liability	87.34%	96.49%
Covered-employee payroll	1,460,571	1,285,641
Net pension liability as a percentage of covered-employee payroll	135.66%	36.52%

Notes to Schedule:

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

Changes in assumptions: There have been no changes in assumptions since 2014 which is the first available year of this comparison.

See Independent Auditor's Report.

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

Year Ended September 30,	2015	2014
Actuarially determined contribution	\$ 314,947	\$ 396,234
Contributions in relation to the actuarially determined contribution	416,807	501,112
Contribution deficiency (excess)	\$ (101,860)	\$ (104,878)
Covered-employee payroll	\$ 1,460,571	\$ 1,285,641
Contributions as a percentage of covered-employee payroll	28.54%	38.98%

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal with frozen initial liability
Asset valuation method	Actuarial value - 5-year smoothed market value
IRS limit increases	4.5%
Projected salary increases	6%
Investment rate of return	8.00%, net of pension plan investment expenses, including inflation
Retirement date	The first day of the month coincident with or next following the earlier of (1) the date a participant attains age 50 and has completed at least 20 years of credited service or (2) the date he attains age 55 and has completed at least 10 years of credited service, or (3) if he has elected the 25 & Out Tier, the date he has completed at least 25 years of credited service regardless of age

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table with generational projection using scale AA

See Independent Auditor’s Report.

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

Year Ended September 30,	2015	2014
Annual money-weighted rate of return, net of investment expense	-1.20%	10.80%

Notes to Schedule:

Only fiscal year's 2014 and 2015 data was available. The City will continue to present information for years available until a full 10-year trend is compiled.

City of Panama City Beach, Florida
Schedules of Other Postemployment Benefits (OPEB)
Year Ended September 30, 2015

Schedule of Funding Progress for Retirees' 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)
9/30/2013	\$ -	\$ 2,586,381	\$ 2,586,381	0.0%	\$ 10,204,216	25.3%
9/30/2014	-	1,894,693	1,894,693	0.0%	9,976,829	19.0%
9/30/2015	-	2,115,447	2,115,447	0.0%	9,976,829	21.2%

Schedule of Employer Contributions for Retirees' Healthcare Plan (OPEB)

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2013	\$ 282,485	\$ 8,068	2.9%	\$ 1,695,071
9/30/2014	290,949	(10,592)	-3.6%	1,996,612
9/30/2015	263,664	142,375	54.0%	2,117,898

See Independent Auditor's Report.

Combining Financial Statements

City of Panama City Beach, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2015

	Special Revenue Funds					Total
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Safe Kids Fund		
Assets						
Cash and cash equivalents	\$ -	\$ 33,050	\$ -	\$ -	\$ -	\$ 33,050
Cash and cash equivalents - restricted	58,618	-	559,149	-	-	617,767
Total assets	\$ 58,618	\$ 33,050	\$ 559,149	\$ -	\$ -	\$ 650,817
Liabilities and fund balances						
Accounts payable	\$ -	\$ 53	\$ -	\$ -	\$ -	\$ 53
Total liabilities	-	53	-	-	-	53
Fund balances						
Restricted	58,618	-	559,149	-	-	617,767
Assigned	-	32,997	-	-	-	32,997
Total fund balances	58,618	32,997	559,149	-	-	650,764
Total liabilities and fund balances	\$ 58,618	\$ 33,050	\$ 559,149	\$ -	\$ -	\$ 650,817

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended September 30, 2015

	Special Revenue Funds				Total
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Safe Kids Fund	
Revenues					
Fines and forfeitures	\$ 15,038	\$ -	\$ -	\$ -	\$ 15,038
Contributions and donations	-	23,063	-	-	23,063
Interest	28	-	-	-	28
Total revenues	15,066	23,063	-	-	38,129
Expenditures					
Current					
Public safety	1,091	17,577	-	-	18,668
Total expenditures	1,091	17,577	-	-	18,668
Excess of revenues over expenditures	13,975	5,486	-	-	19,461
Other financing (uses)					
Transfers out	-	-	-	(1,170)	(1,170)
Total other financing (uses)	-	-	-	(1,170)	(1,170)
Net change in fund balances	13,975	5,486	-	(1,170)	18,291
Fund balances - beginning	44,643	27,511	559,149	1,170	632,473
Fund balances - ending	\$ 58,618	\$ 32,997	\$ 559,149	\$ -	\$ 650,764

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Net Position
Nonmajor Proprietary Funds
September 30, 2015

Business-type Activities/Enterprise Funds			
	Pier Fund	Aquatic Center Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,319,895	\$ 133,021	\$ 1,452,916
Accounts receivable, net	29,014	17,415	46,429
Due from other governments	8,430	-	8,430
Prepaid insurance	6,171	1,553	7,724
Total current assets	1,363,510	151,989	1,515,499
Noncurrent assets			
Capital assets			
Nondepreciable	-	7,500	7,500
Depreciable, net	8,603,555	3,183,156	11,786,711
Total noncurrent assets	8,603,555	3,190,656	11,794,211
Total assets	9,967,065	3,342,645	13,309,710
Deferred outflows of resources			
Deferred outflows related to pensions	74,919	49,302	124,221
Total deferred outflows of resources	74,919	49,302	124,221
Liabilities			
Current liabilities			
Accounts payable	4,574	17,995	22,569
Accrued expenses and deposits	15,474	5,048	20,522
Due to other funds	-	877	877
Due to other governments	5,188	701	5,889
Unearned revenue	4,722	24,391	29,113
Accrued compensated absences	12,000	11,000	23,000
Total current liabilities	41,958	60,012	101,970
Noncurrent liabilities			
Accrued compensated absences	27,039	5,468	32,507
Net pension liability	90,950	59,852	150,802
Net OPEB obligation	29,232	24,431	53,663
Total noncurrent liabilities	147,221	89,751	236,972
Total liabilities	189,179	149,763	338,942
Net position			
Net investment in capital assets	8,603,555	3,190,656	11,794,211
Unrestricted	1,249,250	51,528	1,300,778
Total net position	\$ 9,852,805	\$ 3,242,184	\$ 13,094,989

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds
Year Ended September 30, 2015

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Operating revenues			
Charges for services			
Admissions and other fees	\$ 800,287	\$ 301,225	\$ 1,101,512
Rent	220,678	22,834	243,512
Miscellaneous	570	789	1,359
Total operating revenues	1,021,535	324,848	1,346,383
Operating expenses			
Personal services	456,440	441,045	897,485
Professional services	11,338	9,197	20,535
Office supplies	1,148	1,000	2,148
Contractual services	37,649	5,634	43,283
Insurance	17,261	23,655	40,916
Repairs and maintenance	59,076	60,854	119,930
Operating supplies	45,488	122,567	168,055
Communication services	7,897	9,915	17,812
Public utility services	31,704	143,099	174,803
Transportation	-	15	15
Rentals	46,864	8,107	54,971
Printing and binding	677	3,025	3,702
Miscellaneous	1,342	5,619	6,961
Depreciation	426,724	153,909	580,633
Total operating expenses	1,143,608	987,641	2,131,249
Net operating (loss)	(122,073)	(662,793)	(784,866)
Nonoperating revenues (expenses)			
Grants and contributions	30,050	6,880	36,930
Interest expense	-	(16,585)	(16,585)
Total nonoperating revenues (expenses)	30,050	(9,705)	20,345
Net (loss) before transfers	(92,023)	(672,498)	(764,521)
Transfers in	-	870,000	870,000
Transfers out	(350,000)	-	(350,000)
Total transfers	(350,000)	870,000	520,000
Change in net position	(442,023)	197,502	(244,521)
Total net position - beginning (as originally stated)	10,205,990	2,986,220	13,192,210
Restatement adjustment	88,838	58,462	147,300
Total net position - beginning (as restated)	10,294,828	3,044,682	13,339,510
Total net position - ending	\$ 9,852,805	\$ 3,242,184	\$ 13,094,989

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended September 30, 2015

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Operating activities			
Receipts from customers and users	\$ 1,041,190	\$ 309,656	\$ 1,350,846
Payments to suppliers	(346,679)	(470,053)	(816,732)
Payments to employees	(261,952)	(311,265)	(573,217)
Net cash provided (used) by operating activities	432,559	(471,662)	(39,103)
Noncapital financing activities			
Grants and contributions	30,050	6,880	36,930
Transfers (to) from other funds	(350,000)	450,000	100,000
Net cash provided (used) by noncapital financing activities	(319,950)	456,880	136,930
Capital and related financing activities			
Principal paid on notes	-	(456,000)	(456,000)
Interest paid on notes	-	(25,421)	(25,421)
Proceeds from sale of assets	3,244	-	3,244
Purchase of capital assets	(41,233)	(30,826)	(72,059)
Transfers from other funds	-	420,000	420,000
Net cash (used) by capital and related financing activities	(37,989)	(92,247)	(130,236)
Net change in cash and cash equivalents	74,620	(107,029)	(32,409)
Cash and cash equivalents - beginning	1,245,275	240,050	1,485,325
Cash and cash equivalents - ending	\$ 1,319,895	\$ 133,021	\$ 1,452,916

(Continued)

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds (Continued)
Year Ended September 30, 2015

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Reconciliation of net operating (loss) to net cash provided (used) by operating activities			
Net operating (loss)	\$ (122,073)	\$ (662,793)	\$ (784,866)
Adjustments to reconcile net operating (loss) to net cash provided (used) by operating activities			
Depreciation	426,724	153,909	580,633
(Increase) decrease in assets			
Accounts receivable, net	20,171	(13,676)	6,495
Due from other funds	114	-	114
Due from other governments	(1,655)	-	(1,655)
Prepaid insurance	(819)	616	(203)
(Increase) decrease in deferred outflows	18,836	12,396	31,232
Increase (decrease) in liabilities			
Accounts payable	(3,439)	(18,658)	(22,097)
Accrued expenses and deposits	1,989	1,060	3,049
Due to other funds	-	(1,890)	(1,890)
Due to other governments	1,617	223	1,840
Unearned revenue	(249)	(1,344)	(1,593)
Accrued compensated absences	4,974	131	5,105
Net OPEB obligation	336	1,748	2,084
Net pension liability	86,033	56,616	142,649
Total adjustments	554,632	191,131	745,763
Net cash provided (used) by operating activities	\$ 432,559	\$ (471,662)	\$ (39,103)

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2015

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
Assets				
Cash and cash equivalents	\$ 1,772,802	\$ 1,079,561	\$ 679,823	\$ 3,532,186
Accounts receivable, net	-	117,870	187,733	305,603
Dividends receivable	40,495	21,584	18,413	80,492
Due from other funds	-	359,894	207,341	567,235
Investments, at fair value				
Money market funds	425,299	204,795	166,005	796,099
Real estate investment trusts	748,859	406,078	337,499	1,492,436
Master limited partnership	899,784	495,657	405,073	1,800,514
Equity mutual funds	26,203,965	13,716,733	11,686,284	51,606,982
Total assets	30,091,204	16,402,172	13,688,171	60,181,547
Liabilities				
Accounts payable	22,102	15,077	15,075	52,254
Refunds payable	50,483	390	-	50,873
Retirement benefits payable	1,492	-	-	1,492
Due to other funds	524,737	42,498	-	567,235
Total liabilities	598,814	57,965	15,075	671,854
Net position				
Restricted for pensions	\$ 29,492,390	\$ 16,344,207	\$ 13,673,096	\$ 59,509,693

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended September 30, 2015

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 995,644	\$ 589,810	\$ 416,807	\$ 2,002,261
Plan members	538,751	325,235	86,266	950,252
Insurance premiums	-	117,870	187,733	305,603
Total contributions	1,534,395	1,032,915	690,806	3,258,116
Investment earnings (loss)				
Interest	533	328	251	1,112
Dividends	694,210	379,850	316,743	1,390,803
Master limited partnership earnings	68,152	37,307	30,677	136,136
Net decrease in fair value of investments	(1,239,890)	(650,770)	(517,955)	(2,408,615)
Total investment earnings (loss)	(476,995)	(233,285)	(170,284)	(880,564)
Less investment expenses	(73,973)	(47,487)	(42,221)	(163,681)
Net investment earnings (loss)	(550,968)	(280,772)	(212,505)	(1,044,245)
Total additions	983,427	752,143	478,301	2,213,871
Deductions				
Benefits	1,083,883	826,245	418,825	2,328,953
Refunds of contributions	171,400	100,402	42,758	314,560
Administrative expenses	29,134	20,470	26,961	76,565
Total deductions	1,284,417	947,117	488,544	2,720,078
Change in net position	(300,990)	(194,974)	(10,243)	(506,207)
Net position - beginning	29,793,380	16,539,181	13,683,339	60,015,900
Net position - ending	\$ 29,492,390	\$ 16,344,207	\$ 13,673,096	\$ 59,509,693

See Independent Auditor's Report.

Compliance Section



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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Panama City Beach, Florida, (the City), as of and for the fiscal year ended September 30, 2015, and have issued our report thereon dated August 26, 2016.

Auditor's Responsibility

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 and Chapter 10.550, Rules of the Auditor General.

Other Reports and Schedule

We have issued our 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*; Independent Auditor's Report on Compliance for Each Major Federal Program and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; Independent Accountant's Report on examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated August 26, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. Finding 14-01 and 13-01 reported in the two preceding audit reports was not corrected as noted in the schedule of findings and questioned costs and is repeated this year as finding 2015-001. Recommendation 14-02 was not corrected, see Section 10.554(1)(i)2.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City of Panama City Beach 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.

Financial Condition

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

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we communicated the following.

2015-002 Accounting Policies (prior years 14-02 and 13-02)

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)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants

the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of This Letter

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

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

Certified Public Accountants
Panama City Beach, Florida
August 26, 2016

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated August 26, 2016.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be material weakness.

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

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

Compliance and Other Matters

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

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

We have included management's response to the finding identified in our audit in the Schedule of Findings and Questioned Costs. We did not audit the response and accordingly, express no opinion on it.

Purpose of this Report

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

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

Certified Public Accountants
Panama City Beach, Florida
August 26, 2016



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the City of Panama City Beach, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

In our opinion, the City complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2015.

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

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

Certified Public Accountants
Panama City Beach, Florida
August 26, 2016

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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

Report on Compliance for Each Major Federal Program

We have audited the City of Panama City Beach, Florida’s (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City’s major federal programs for the year ended September 30, 2015. The City’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

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

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for each of the City’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
August 26, 2016

City of Panama City Beach, Florida
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2015

Federal Agency	CFDA No.	Contract/ Grant No.	Expenditures
U.S. Department of Justice			
Passed through Florida Department of Law Enforcement			
Justice Assistance Grant	16.738	2015-JAGC-BAY-4-R3-058	\$ 21,015
Justice Assistance Grant	16.738	2015-JADG-BAY-3-R1-106	8,925
Bulletproof Vest Partnership Program	16.607	-----	5,885
Total U.S. Department of Justice			35,825
U.S. Department of Homeland Security			
Passed through Florida Department of Emergency Management			
Assistance to Firefighters Grant	97.044	EMW-2013-FR-00460	719,431
Hazard Mitigation Grant	97.039	15HM-9J-01-13-02-359	86,413
Total U.S. Department of Homeland Security			805,844
Total Expenditures of Federal Awards			\$ 841,669

Note:

Basis of Presentation: The schedule of expenditures of federal awards represents amounts expended from federal programs during the fiscal year as determined based on the modified accrual basis of accounting. The amounts reported on the schedule have been reconciled to and are in material agreement with amounts recorded in the City's accounting records from which the basic financial statements have been reported.

City of Panama City Beach, Florida
Schedule of Findings and Questioned Costs
Year Ended September 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified	
Internal control over financial reporting		
Material weaknesses identified?	<input checked="" type="checkbox"/> yes	<input type="checkbox"/> no
Significant deficiency identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Federal Awards

Internal control over major programs		
Material weaknesses identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditors' report issued on compliance for major federal projects:	Unmodified	
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.044	Assistance to Firefighters Grant

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
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Auditee qualified as low-risk auditee?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
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(Continued)

City of Panama City Beach, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2015

Section II - Financial Statement Findings

2015-001 Segregation of Duties (Prior Years 14-01 and 13-01)(initially reported in 2010)

This condition is the result of limited accounting staff at the City. 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.

Recommendation

We recommend that the City segregate incompatible duties as much as possible and implement appropriate mitigating controls to reduce the risk of misappropriation of assets or fraud.

Management's Response

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

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

Although the City's finance director currently has the ability to both approve and issue cash disbursements as well as reconciles cash accounts, every attempt is made to have another responsible staff member, City Manager, department head, etc., approve invoices for payment. Additionally, very few checks are processed manually and although the finance director can access the cash disbursement portion of the City's accounting system, the finance director has not been trained on that portion of the system and currently is unable to issue checks due to this lack of training. The City has added an additional accounting position in the fiscal year 2016 budget and is currently attempting to fill this position. The addition of another person will not totally eliminate the issue of the lack of segregation of duties; however, the City believes a much greater segregation of duties will be achieved with one additional employee and greater compensating controls will be put into place to overcome the lack of segregation of duties. One of the first tasks assigned to this employee will be to update the City's existing accounting policies handbook to reflect current laws and circumstances.

Section III – Federal Awards Findings and Questioned Costs

There were no findings or questioned costs.

SECTION IV – OTHER ISSUES

No summary schedule of prior audit findings is required because there were no prior audit findings related to federal programs.