

City of **Panama City Beach**



For Fiscal Year Ended September 30, 2016



Annual Financial Statements

City of Panama City Beach, Florida

FINANCIAL STATEMENTS

September 30, 2016



CRI CARR
RIGGS &
INGRAM

CPAs and Advisors

CRIcpa.com

City of Panama City Beach, Florida
Table of Contents
September 30, 2016

Independent Auditor’s Report	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	22
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	23
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – Community Redevelopment Fund	25
Statement of Net Position – Proprietary Funds	26
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	28
Statement of Cash Flows – Proprietary Funds	29
Statement of Fiduciary Net Position – Fiduciary Funds	31
Statement of Changes in Fiduciary Net Position – Fiduciary Funds	32
Notes to Basic Financial Statements	33

City of Panama City Beach, Florida
Table of Contents
September 30, 2016

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios – General Employees’ Pension Plan	84
Schedule of Contributions – General Employees’ Pension Plan	85
Schedule of Investment Returns – General Employees’ Pension Plan	86
Schedule of Changes in Net Pension Liability and Related Ratios – Police Officers’ Pension Plan	87
Schedule of Contributions – Police Officers’ Pension Plan	88
Schedule of Investment Returns – Police Officers’ Pension Plan	89
Schedule of Changes in Net Pension Liability and Related Ratios – Firefighters’ Pension Plan	90
Schedule of Contributions – Firefighters’ Pension Plan	91
Schedule of Investment Returns – Firefighters’ Pension Plan	92
Schedules of Other Postemployment Benefits (OPEB)	93

Combining Financial Statements

Combining Balance Sheet – Nonmajor Governmental Funds	94
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	95
Combining Statement of Net Position – Nonmajor Proprietary Funds	96
Combining Statement of Revenues, Expenses, and Changes in Net Position – Nonmajor Proprietary Funds	97
Combining Statement of Cash Flows – Nonmajor Proprietary Funds	98
Combining Statement of Fiduciary Net Position – Fiduciary Funds	100
Combining Statement of Changes in Fiduciary Net Position – Fiduciary Funds	101



City of Panama City Beach, Florida
Table of Contents
September 30, 2016

Compliance Section

Independent Auditor's Management Letter	102
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 <i>Government Auditing Standards</i>	105
Independent Accountant's Report	107



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

(850) 784- 6733
(850) 784-4866 (fax)
www.cricpa.com

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, 2016, 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, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America and the respective budgetary comparison for the General Fund and the Community Redevelopment Fund.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16 and the required supplementary information on pages 84 through 93, 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 combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements

themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2017, 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
September 18, 2017

Management's Discussion and Analysis

Management's Discussion and Analysis

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

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

Financial Highlights

- Total assets of the City exceeded total liabilities by \$250,855,231 (net position). Of this amount, \$15,544,951 is unrestricted net position for governmental activities and \$56,280,402 is unrestricted net position for business-type activities, while \$17,786,198 is restricted net position for governmental activities and \$10,895,996 is restricted net position for business-type activities.
- Total net position increased by \$16,148,075. Of this amount, \$9,982,557 is attributable to governmental activities and \$6,165,518 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 (FBRCA) and the capital improvements to Frank Brown Park donated to the City. Current year tax increment revenue received by the FBRCA was used to reduce the principal amount of debt outstanding. Capital improvements of approximately \$3,660,000 were donated to the City by the Panama City Beach Convention and Visitors Bureau. Improvements to the City's recreational facilities located at Frank Brown Park included new ballfields, fencing, dugouts and a new walking path. The increase in net position of business-type activities is the result of several factors, including the collection of \$1,686,970 in impact fees and net income from operations, before amortization and depreciation, of \$11,944,543.
- As of September 30, 2016, the general fund's unassigned fund balance was \$9,715,857 or 37 percent of total general fund expenditures. Unassigned fund balance in the general fund decreased by \$2,464,746. The decrease is attributable to capital expenditures including the construction of a new police station, a new public services building and several new roads.
- Governmental activities revenues increased 17 percent to \$35,404,927, while governmental activities expenditures decreased 14 percent to \$25,470,370. Business-type activities revenues increased 2 percent to \$35,033,760, while business-type activities expenditures decreased 6 percent to \$28,820,242.

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, 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 resources, liabilities, deferred inflows of resources and net position of the City. At the end of fiscal year 2016, 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. In addition, certain reclassifications have been made to the September 30, 2015 data to conform to the September 30, 2016 presentation.

Net Position

	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
<i>September 30,</i>						
Current and other assets	\$ 44,119,225	\$ 43,253,516	\$ 84,349,718	\$ 85,084,330	\$ 128,468,943	\$ 128,337,846
Capital assets	111,014,367	102,874,161	123,745,651	120,720,216	234,760,018	223,594,377
Total assets	155,133,592	146,127,677	208,095,369	205,804,546	363,228,961	351,932,223
Deferred outflows of resources	5,629,467	6,488,955	4,265,303	2,215,995	9,894,770	8,704,950
Current liabilities	3,764,020	3,430,907	4,762,614	4,450,932	8,526,634	7,881,839
Long-term liabilities	53,687,222	56,560,253	58,811,532	61,336,071	112,498,754	117,896,324
Total liabilities	57,451,242	59,991,160	63,574,146	65,787,003	121,025,388	125,778,163
Deferred inflows of resources	855,642	151,854	387,470	-	1,243,112	151,854
Net position						
Net investment in						
capital assets	69,125,026	59,006,321	81,222,658	76,350,810	150,347,684	135,357,131
Restricted	17,786,198	18,049,127	10,895,996	12,581,642	28,682,194	30,630,769
Unrestricted	15,544,951	15,418,170	56,280,402	53,301,086	71,825,353	68,719,256
Total net position	\$ 102,456,175	\$ 92,473,618	\$ 148,399,056	\$ 142,233,538	\$ 250,855,231	\$ 234,707,156

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 (60 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 11 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*, \$71,825,353 may be used to help meet the government's ongoing obligations to citizens and creditors.

Net investment in capital assets increased \$14,990,553 (or 11%). Net investment in capital assets in the governmental activities increased \$10,118,705 while net investment in capital assets of the business-type activities increased by \$4,871,848. 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, an allocated portion of a new public works/administration building and the construction of several new roads. All of these projects were either completed or well underway in fiscal year 2016. Significant capital projects were also underway or completed in the business-type activities.

Restricted net position decreased \$1,948,575 (or 6%). Restricted net position in the governmental activities decreased by \$262,929 and restricted net position in the business-type activities decreased by \$1,685,646. The decrease in business-type activities restricted net position resulted primarily from the use of impact fees to fund eligible capital projects during the year.

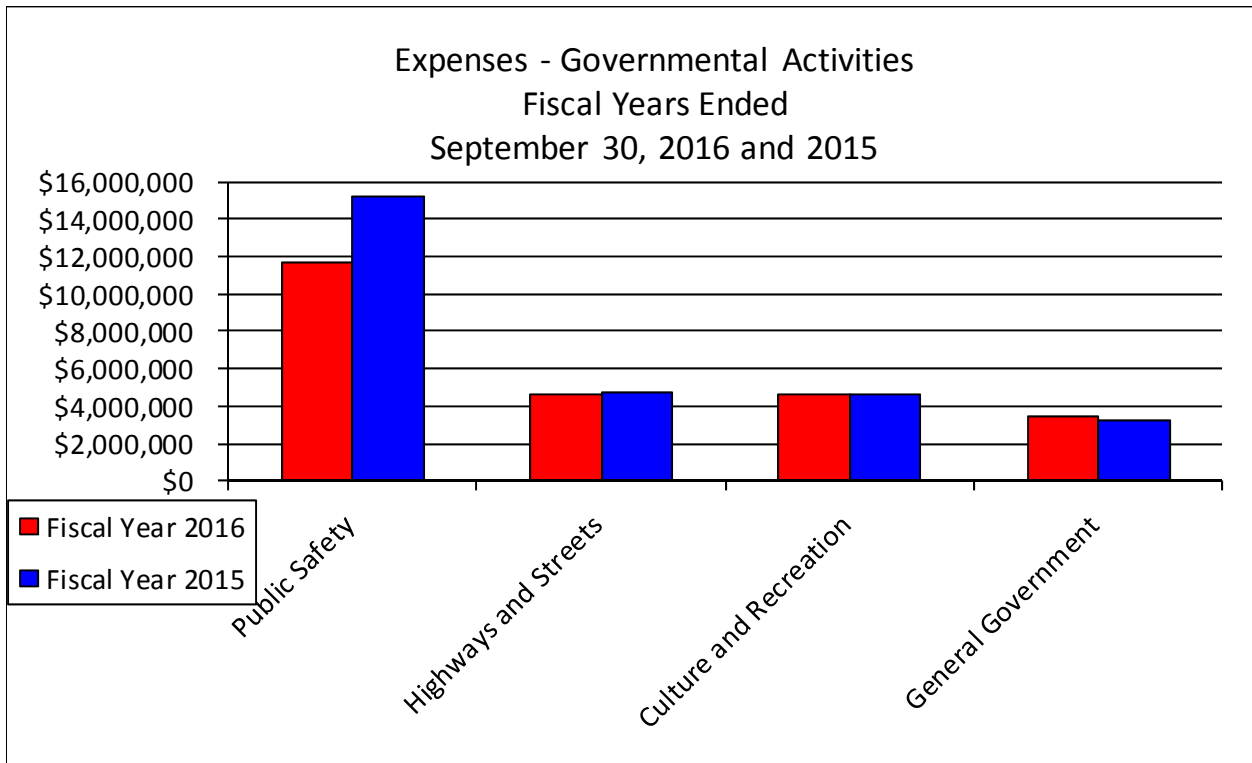
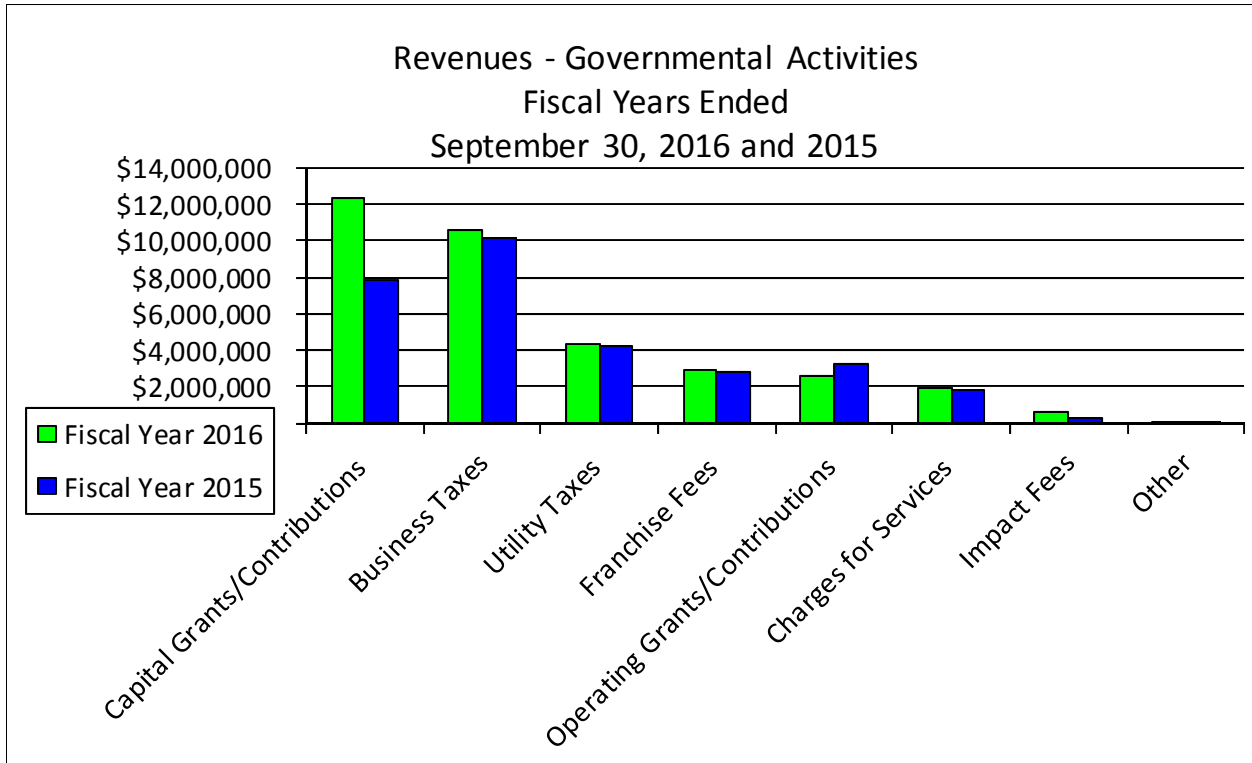
The increase in net position, unrestricted was \$3,106,097 (or 5%). The governmental activities' increase was \$126,781 while the business-type activities' increase was \$2,979,316. The increase in unrestricted net position in business-type activities primarily resulted from operating profits from the 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, 2016 and 2015:

Changes in Net Position

<i>Year Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Program revenues						
Charges for services	\$ 1,989,121	\$ 1,823,454	\$ 33,062,769	\$ 32,569,086	\$ 35,051,890	\$ 34,392,540
Operating grants/contributions	2,615,550	3,240,601	119,900	36,930	2,735,450	3,277,531
Capital grants/contributions	12,330,862	7,892,127	104,514	86,413	12,435,376	7,978,540
General revenues						
Business taxes	10,541,781	10,093,445	-	-	10,541,781	10,093,445
Utility taxes	4,371,362	4,206,220	-	-	4,371,362	4,206,220
Franchise fees	2,897,932	2,774,281	-	-	2,897,932	2,774,281
Impact fees	634,790	329,955	1,686,970	1,493,746	2,321,760	1,823,701
Penalties on delinquent business taxes	28	252	-	-	28	252
Interest earnings	23,501	11,921	59,607	78,835	83,108	90,756
Total revenues	35,404,927	30,372,256	35,033,760	34,265,010	70,438,687	64,637,266
Expenses						
General government	3,297,628	3,314,819	-	-	3,297,628	3,314,819
Public safety	11,787,814	15,129,714	-	-	11,787,814	15,129,714
Highways and streets	4,573,381	4,769,998	-	-	4,573,381	4,769,998
Culture and recreation	4,599,768	4,649,059	-	-	4,599,768	4,649,059
Interest on long- term debt	1,211,779	1,725,976	2,202,718	2,388,681	3,414,497	4,114,657
Utility - water	-	-	13,524,824	14,494,707	13,524,824	14,494,707
Utility - waste water	-	-	10,254,469	10,791,537	10,254,469	10,791,537
Utility - storm water	-	-	802,084	770,873	802,084	770,873
Pier	-	-	1,099,820	1,143,608	1,099,820	1,143,608
Aquatic center	-	-	936,327	987,641	936,327	987,641
Total expenses	25,470,370	29,589,566	28,820,242	30,577,047	54,290,612	60,166,613
Increase in net position before transfers	9,934,557	782,690	6,213,518	3,687,963	16,148,075	4,470,653
Transfers	48,000	(137,674)	(48,000)	137,674	-	-
Increase in net position	\$ 9,982,557	\$ 645,016	\$ 6,165,518	\$ 3,825,637	\$ 16,148,075	\$ 4,470,653

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



Governmental activities revenues exceeded expenses by \$9,934,557 while business-type activities revenues exceeded expenses by \$6,213,518. Total revenues increased \$5,801,421 from the previous year. The change in total revenues from business-type activities was an increase of \$768,750 while the change in governmental activities was an increase of \$5,032,671. Charges for services increased \$659,350, operating grants and contributions decreased \$542,081, capital grants and contributions increased \$4,456,836, and impact fees increased \$498,059 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 growth in the City's customer base.

The decrease in operating grants and contributions was \$542,081 with governmental activities decreasing \$625,051 and business-type activities increasing \$82,970. The primary reason for the decrease in the governmental activities was as a result of a grant from the Assistance to Firefighters Program in the amount of \$719,431 being received by the City in the prior year with no such grant being received in the current year.

Capital grants and contributions increased a total of \$4,456,836 with governmental activities experiencing an increase of \$4,438,735 while business-type activities experienced an increase of \$18,101. The increase in capital grants and contributions in governmental activities resulted primarily from an increase in the FBRCRA tax increment funds and a \$3,660,289 capital contribution from the Panama City Beach Convention and Visitors Bureau (PCBCVB) for improvements to the City's recreational facilities located at Frank Brown Park.

Impact fees increased \$498,059 in total with \$304,855 of the increase attributable to governmental activities and \$193,224 of the increase attributable to business-type activities. Continued growth, both commercial and residential, resulted in an increase in impact fees in both governmental business-type activities in the current year.

Total expenses in governmental activities decreased \$4,119,196 from the previous year. Public safety expenditures decreased \$3,565,206, the remainder of the decrease was fairly evenly distributed between general government, highways and streets and culture and recreation. The decrease in public safety expenditures was attributable to decreases in personnel costs, primarily GASB 68 pension expense in both the police and fire departments.

Business-type activities expenses decreased \$1,756,805 in total, primarily from a decrease in water expenses of \$969,883 and a decrease in waste water expenses of \$537,068. Additionally, both water and waste water expenses experienced a decrease in personnel costs from the GASB 68 pension expense.

35% of the revenues for governmental activities were generated by capital grants and contributions, 30% by business taxes, and 21% from utility taxes and franchise fees. Capital grants and contributions as a percentage of total revenues for governmental activities increased by 9% from the prior year. As previously noted, the City received increased tax increment funds in the current year attributable to the FBRCRA. Business taxes as a percent of total revenues for

governmental activities decreased 3%. Although the business taxes from year to year actually increased, the aforementioned increase in capital grants and contributions decreased the impact of business taxes relative to total revenues. Most of the governmental resources are expended for public safety (46%), culture and recreation (18%), and highways and streets (18%).

Charges for services provide 94% of the revenues for business-type activities, while 5% 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, 2016, total assets were \$21,411,220 and total liabilities were \$1,670,100. At the end of fiscal year 2016, unassigned fund balance of the general fund was \$9,715,857 while total fund balance equaled \$19,741,120. Total fund balance decreased \$1,261,688 (6%). Restricted fund balance decreased \$1,790,969 (49%), committed fund balance decreased \$1,216,909 (41%), assigned fund balance increased \$4,223,786 (196%) and nonspendable fund balance decreased \$12,850 (27%). Unassigned fund balance decreased \$2,464,746 (20%). Fiscal year 2016 expenditures in the general fund exceeded revenues by \$4,339,153.

The primary reason for the decrease in the restricted fund balance was the use of police impact fees in the current year to partially fund the construction of a new police station. Committed fund balance decreased because funds were committed at the end of the 2015 year to fund 2016 budgeted expenditures in excess of budgeted revenues. Assigned fund balance increased for several reasons. The City continues to set aside funds to be utilized for capital projects to be constructed or acquired over the next several years. Additionally, funds are being set aside to pay accrued compensated absences to employees scheduled to retire in the next five years.

The general fund budget was amended during the year to reflect increases in available revenues as well as decreases in current expenditures and decreases in capital outlay expenditures. The increase in total budgeted revenues was \$906,062 which represented a change from the original to the amended budget of 4%. Approximately 26% of the increase was attributable to an increase in municipal services impact fees and an additional 26% of the increase was attributable to licenses and permits. Budgeted expenditures for current expenditures decreased from the original to the final amounts by \$304,780 while the budget for capital outlay expenditures decreased by \$640,740. The decrease in capital outlay expenditures was attributable to delays in the construction of a new public works/administration building, a portion of which is allocable to the general fund and to delays in the construction of several new trails by the recreation department. It was anticipated that construction of the building would occur more quickly in fiscal year 2016 resulting in greater expenditures in fiscal year 2016. Due to a slower schedule than anticipated in the budget process, expenditures were deferred until fiscal year 2017. Likewise, the City anticipated an expansion of its

trail system with the construction of several new trails; however, construction was deferred until fiscal year 2017 or later.

Community Redevelopment Fund

The other major governmental fund of the City is the community redevelopment fund. As of September 30, 2016, total assets were \$21,742,014 and total liabilities were \$51,930. At the end of fiscal year 2016, the assigned fund balance of the community redevelopment fund was \$234,920, while the total fund balance equaled \$21,690,084. Total fund balance increased \$3,437,493.

Nonmajor Governmental Funds

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

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

Proprietary Funds

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

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

Fund	2016 Unrestricted Net Position	2015 Unrestricted Net Position
Utility	\$ 55,003,716	\$ 52,000,308
Pier	1,277,517	1,249,250
Aquatic Center	(831)	51,528
Total	\$ 56,280,402	\$ 53,301,086

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 \$193,224 or 13% compared to the prior year. Operating revenues increased \$440,914 or 1% in 2016 compared to 2015 primarily as a result of 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 \$41,267. Personal services and depreciation expense accounted for a significant portion of operating expenses, 36% and 39%, respectively. Pier fund operations generated positive cash flows in 2016. Combined with significant cash flows generated in prior years from operations, the City was able to transfer funds in the amount of \$450,000 to the City's aquatic center fund to help subsidize its operating shortfall.

The *aquatic center fund* is being used to account for the operation of an aquatic center located at Frank Brown Park. For 2016, operating expenses exceeded operating revenues by \$597,031. 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, 2016, was \$234,760,018 (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 \$356,800 was expended in fiscal year 2016 on water expansion and rehabilitation projects. None of the projects were completed during fiscal year 2016.
- During the year, the City expended approximately \$4,200,000 on various waste water capital projects. A new regional lift station located on Nautilus Street was completed in the current year at a total cost of approximately \$2,546,000. The City also completed construction of a new lift station and force main to serve the West Bay area at an approximate cost of \$1,734,000. Approximately \$1,241,000 was expended in fiscal year 2016 on waste water expansion and rehabilitation projects which remained under construction at September 30, 2016.
- At September 30, 2016, approximately \$43.9 million dollars is reflected in construction in progress and land for various road projects within the FBRCRA. Planned improvements include expansion of road widths, additional turn lanes, burying utilities, and aesthetic improvements. No major construction projects were completed in fiscal year 2016; however, engineering studies and right-of-way acquisition is ongoing for various roads within the project area.
- The City continued construction in fiscal year 2016 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 police station was

completed in the spring of 2016 at a total cost of approximately \$4.8 million dollars. As of September 30, 2016, the public works/administration building was substantially complete with expenditures through September 30, 2016 of approximately \$4.7 million dollars.

**Capital Assets
(net of depreciation)**

<i>September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2016	2015	2016	2015	2016	2015
Land	\$ 47,359,894	\$ 47,215,236	\$ 7,580,002	\$ 7,360,192	\$ 54,939,896	\$ 54,575,428
Construction in progress	11,637,790	9,625,153	5,191,574	2,501,715	16,829,364	12,126,868
Intangible assets	-	-	194,788	194,788	194,788	194,788
Buildings	9,628,427	5,334,553	22,216,911	23,149,274	31,845,338	28,483,827
Improvements	38,533,170	37,542,014	78,308,346	77,024,695	116,841,516	114,566,709
Machinery and equipment	3,855,086	3,157,205	10,254,030	10,489,552	14,109,116	13,646,757
Total	\$ 111,014,367	\$ 102,874,161	\$ 123,745,651	\$ 120,720,216	\$ 234,760,018	\$ 223,594,377

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 \$88,526,303. 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	
	2016	2015	2016	2015	2016	2015
Revenue bonds	\$ 44,399,372	\$ 46,544,264	\$ 44,126,931	\$ 45,137,953	\$ 88,526,303	\$ 91,682,217

Total outstanding bond debt decreased by \$3,155,914 in the current fiscal year. Principal payments totaled \$3,635,000 in the current year and were adjusted by amortization of deferred costs and premiums. On April 22, 2016, the City partially refunded the Utility Revenue Bonds, Series 2009. The net present value savings resulting from the refunding is expected to be \$3,079,410. The City's Utility System Bonds currently maintain an "AA-" rating from Standard & Poor's and "AA" rating from Fitch.

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 increase in building construction and redevelopment activity as well as increasing 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 J. White, Finance Director.

City of Panama City Beach, Florida
Statement of Net Position
September 30, 2016

Primary Government			
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 16,836,032	\$ 54,198,934	\$ 71,034,966
Accounts receivable, net	248,631	5,990,482	6,239,113
Taxes and fees receivable	597,210	-	597,210
Grants receivable	16,453	-	16,453
Accrued interest receivable	523	2,386	2,909
Due from other governments	304,884	8,997	313,881
Inventory	12,796	587,474	600,270
Prepays	32,203	10,150	42,353
Prepaid bond insurance, current	4,824	9,541	14,365
Prepaid bond insurance, noncurrent	-	15,896	15,896
Restricted assets			
Cash and cash equivalents	26,065,669	23,516,608	49,582,277
Accounts receivable, net	-	12	12
Accrued interest receivable	-	1,067	1,067
Grants receivable	-	6,880	6,880
Notes receivable	-	1,291	1,291
Capital assets			
Nondepreciable	58,997,684	12,966,364	71,964,048
Depreciable, net	52,016,683	110,779,287	162,795,970
Total assets	155,133,592	208,095,369	363,228,961
Deferred outflows of resources			
Deferred outflows related to pensions	3,119,436	1,066,694	4,186,130
Deferred loss on refunding	2,510,031	3,198,609	5,708,640
Total deferred outflows of resources	5,629,467	4,265,303	9,894,770

(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, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 933,685	\$ 1,677,192	\$ 2,610,877
Accrued expenses and deposits	2,270,613	1,449,858	3,720,471
Accrued interest payable	522,219	558,187	1,080,406
Due to other governments	32,895	836,319	869,214
Internal balances	3,178	(3,178)	-
Unearned revenue	1,430	244,236	245,666
Long-term liabilities			
Due within one year			
Revenue certificates payable	-	2,248,139	2,248,139
Accrued compensated absences	782,151	425,000	1,207,151
Notes payable	-	1,146,948	1,146,948
Revenue bonds payable, net	2,214,372	1,815,677	4,030,049
Due in more than one year			
Accrued compensated absences	2,160,361	909,116	3,069,477
Net pension liability	4,885,003	1,215,792	6,100,795
Net OPEB obligation	1,460,335	897,462	2,357,797
Notes payable	-	7,842,144	7,842,144
Revenue bonds payable, net	42,185,000	42,311,254	84,496,254
Total liabilities	57,451,242	63,574,146	121,025,388
Deferred inflows of resources			
Deferred inflows related to pensions	855,642	387,470	1,243,112
Total deferred inflows of resources	855,642	387,470	1,243,112
Net position			
Net investment in capital assets	69,125,026	81,222,658	150,347,684
Restricted for			
Law enforcement	16,854	-	16,854
Beach access public parking	559,149	-	559,149
Impact fees	1,842,968	7,758,817	9,601,785
Reforestation	5,381	-	5,381
Debt service	5,941,791	1,708,356	7,650,147
Community redevelopment	9,420,055	-	9,420,055
Storm water	-	1,428,823	1,428,823
Unrestricted	15,544,951	56,280,402	71,825,353
Total net position	\$ 102,456,175	\$ 148,399,056	\$ 250,855,231

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, 2016

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	\$ 3,297,628	\$ 1,017,536	\$ 2,031,624	\$ -	\$ (248,468)	\$ -	\$ (248,468)
Public safety	11,787,814	196,904	219,214	26,532	(11,345,164)	-	(11,345,164)
Highways and streets	4,573,381	342,382	230,156	8,639,455	4,638,612	-	4,638,612
Culture and recreation	4,599,768	432,299	134,556	3,664,875	(368,038)	-	(368,038)
Interest on long-term debt	1,211,779	-	-	-	(1,211,779)	-	(1,211,779)
Total governmental activities	25,470,370	1,989,121	2,615,550	12,330,862	(8,534,837)	-	(8,534,837)
Business-type activities							
Utility							
Water	13,524,824	18,045,176	-	542	-	4,520,894	4,520,894
Waste water	10,254,469	12,583,760	-	1,946	-	2,331,237	2,331,237
Storm water	802,084	1,035,984	-	80,026	-	313,926	313,926
Pier	1,099,820	1,058,553	119,400	22,000	-	100,133	100,133
Aquatic center	936,327	339,296	500	-	-	(596,531)	(596,531)
Interest on long-term debt	2,202,718	-	-	-	-	(2,202,718)	(2,202,718)
Total business-type activities	28,820,242	33,062,769	119,900	104,514	-	4,466,941	4,466,941
Total primary government	\$ 54,290,612	\$ 35,051,890	\$ 2,735,450	\$ 12,435,376	(8,534,837)	4,466,941	(4,067,896)
General revenues							
Business taxes					10,541,781	-	10,541,781
Utility taxes					4,371,362	-	4,371,362
Franchise fees					2,897,932	-	2,897,932
Impact fees					634,790	1,686,970	2,321,760
Penalties on delinquent business taxes					28	-	28
Total general revenues					18,445,893	1,686,970	20,132,863
Interest earnings					23,501	59,607	83,108
Transfers					48,000	(48,000)	-
Total general revenues, interest earnings and transfers					18,517,394	1,698,577	20,215,971
Change in net position					9,982,557	6,165,518	16,148,075
Net position - beginning					92,473,618	142,233,538	234,707,156
Net position - ending					\$ 102,456,175	\$ 148,399,056	\$ 250,855,231

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

City of Panama City Beach, Florida
Balance Sheet
Governmental Funds
September 30, 2016

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Assets				
Cash and cash equivalents	\$ 16,550,625	\$ 241,566	\$ 43,841	\$ 16,836,032
Accounts receivable, net	59,459	600	-	60,059
Taxes and fees receivable	597,210	-	-	597,210
Grants receivable	16,108	-	-	16,108
Accrued interest receivable	523	-	-	523
Due from other governments	304,884	-	-	304,884
Due from other funds	8,446	-	-	8,446
Inventory	12,796	-	-	12,796
Prepays	22,667	1,705	7,831	32,203
Cash and cash equivalents - restricted	3,838,502	21,498,143	729,024	26,065,669
Total assets	\$ 21,411,220	\$ 21,742,014	\$ 780,696	43,933,930
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 884,093	\$ 45,483	\$ 4,109	933,685
Accrued expenses and deposits	741,006	5,499	-	746,505
Due to other governments	32,759	136	-	32,895
Due to other funds	11,312	312	-	11,624
Unearned revenue	930	500	-	1,430
Total liabilities	1,670,100	51,930	4,109	1,726,139
Fund balances				
Nonspendable	35,463	1,705	7,831	44,999
Restricted	1,849,358	21,453,459	728,903	24,031,720
Committed	1,766,334	-	-	1,766,334
Assigned	6,374,108	234,920	39,853	6,648,881
Unassigned	9,715,857	-	-	9,715,857
Total fund balances	19,741,120	21,690,084	776,587	42,207,791
Total liabilities and fund balances	\$ 21,411,220	\$ 21,742,014	\$ 780,696	
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.				188,917
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				111,014,367
Long-term liabilities, including bonds and self insurance payable, are not due and payable in the current period and, therefore, are not reported in the funds.				(55,728,725)
Deferred outflows and inflows are not financial statement resources or liabilities and, therefore, are not reported in the funds.				4,773,825
Net position of governmental activities				\$ 102,456,175

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, 2016

	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Revenues				
Taxes				
Business taxes	\$ 10,541,781	\$ -	\$ -	\$ 10,541,781
Utility taxes	4,371,362	-	-	4,371,362
Tax increment funds	-	9,102,872	-	9,102,872
Franchise fees	2,897,932	-	-	2,897,932
Intergovernmental	1,962,218	-	-	1,962,218
Municipal services impact fees	433,690	201,100	-	634,790
Nuisance abatement assessments	-	117,030	-	117,030
Licenses and permits	703,629	-	136,240	839,869
Fines and forfeitures	111,855	149,118	39,570	300,543
Contributions and donations	242,619	-	23,974	266,593
Grants	91,901	-	-	91,901
Rents	177,151	5,379	-	182,530
Interest	13,817	9,651	33	23,501
Other fees and miscellaneous	568,971	67,226	-	636,197
Total revenues	22,116,926	9,652,376	199,817	31,969,119
Expenditures				
Current				
General government	2,615,503	564,936	-	3,180,439
Public safety	10,657,710	-	33,512	10,691,222
Highways and streets	1,572,087	532,643	-	2,104,730
Culture and recreation	3,190,724	-	-	3,190,724
Debt service				
Principal	-	2,095,000	-	2,095,000
Interest	-	1,301,927	-	1,301,927
Capital outlay				
General government	1,324,033	-	-	1,324,033
Public safety	5,253,821	-	60,947	5,314,768
Highways and streets	1,492,545	494,007	-	1,986,552
Culture and recreation	349,656	-	-	349,656
Total expenditures	26,456,079	4,988,513	94,459	31,539,051
Excess (deficiency) of revenues over (under) expenditures	(4,339,153)	4,663,863	105,358	430,068
Other financing sources (uses)				
Transfers in	1,326,370	-	-	1,326,370
Transfers out	(52,000)	(1,226,370)	-	(1,278,370)
Grants and aid	(144,338)	-	-	(144,338)
Proceeds from disposal of assets	423,325	-	20,465	443,790
Total other financing sources (uses)	1,553,357	(1,226,370)	20,465	347,452
Net change in fund balances	(2,785,796)	3,437,493	125,823	777,520
Fund balances - beginning (as originally stated)	21,002,808	18,252,591	650,764	39,906,163
Restatement adjustment	1,524,108	-	-	1,524,108
Fund balances - beginning (as restated)	22,526,916	18,252,591	650,764	41,430,271
Fund balances - ending	\$ 19,741,120	\$ 21,690,084	\$ 776,587	\$ 42,207,791

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, 2016

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

Net change in fund balances - total governmental funds (page 21)	\$ 777,520
Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current period.	5,015,385
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net position.	3,124,821
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.	(607,483)
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.	(251,139)
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.	1,923,453
Change in net position of governmental activities (page 19)	\$ 9,982,557

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, 2016

	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	\$ 10,380,107	\$ 10,480,107	\$ 51,126	\$ 10,531,233	\$ 10,548	\$ 10,541,781
Utility taxes	4,278,000	4,333,000	16,185	4,349,185	22,177	4,371,362
Franchise fees	2,842,000	2,893,000	(1,107)	2,891,893	6,039	2,897,932
Intergovernmental	1,866,579	1,944,259	2,567	1,946,826	15,392	1,962,218
Municipal services impact fees	198,600	430,752	15,222	445,974	(12,284)	433,690
Licenses and permits	417,850	652,325	51,304	703,629	-	703,629
Fines and forfeitures	121,000	93,225	5,135	98,360	13,495	111,855
Contributions and donations	110,150	235,947	6,672	242,619	-	242,619
Grants	75,000	77,214	41	77,255	14,646	91,901
Rents	224,145	204,253	8,200	212,453	(35,302)	177,151
Interest	9,100	13,565	345	13,910	(93)	13,817
Other fees and miscellaneous	485,452	556,398	(1,390)	555,008	13,963	568,971
Total revenues	21,007,983	21,914,045	154,300	22,068,345	48,581	22,116,926
Expenditures						
Current						
General government						
Legislative	219,266	218,426	5,394	213,032	(261)	212,771
Administration	798,489	853,320	19,080	834,240	(3,223)	831,017
Comprehensive planning	297,748	274,539	20,002	254,537	188	254,725
Protective services	894,923	969,477	59,377	910,100	62,206	972,306
Legal	450,000	375,000	33,968	341,032	3,652	344,684
Total general government	2,660,426	2,690,762	137,821	2,552,941	58,910	2,615,503
Public safety						
Police	7,187,658	6,955,912	205,359	6,750,553	48,298	6,798,851
Fire	3,896,934	3,866,890	107,445	3,759,445	99,414	3,858,859
Total public safety	11,084,592	10,822,802	312,804	10,509,998	147,712	10,657,710
Highways and streets	2,073,295	1,983,886	521,247	1,462,639	109,448	1,572,087
Culture and recreation						
Library	211,525	209,425	6,998	202,427	471	202,898
Recreation	3,028,448	3,046,631	88,031	2,958,600	29,226	2,987,826
Total culture and recreation	3,239,973	3,256,056	95,029	3,161,027	29,697	3,190,724
Total current	19,058,286	18,753,506	1,066,901	17,686,605	345,767	18,036,024

(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, 2016

	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	\$ 75,000	\$ -	\$ (3,029)	\$ 3,029	\$ -	3,029
Comprehensive planning	252,000	202,600	16,402	186,198	12,927	199,125
Protective services	1,426,000	1,143,050	93,416	1,049,634	72,245	1,121,879
Total general government	1,753,000	1,345,650	106,789	1,238,861	85,172	1,324,033
Public safety						
Police	4,781,000	4,663,710	87,243	4,576,467	(266,811)	4,309,656
Fire	100,500	973,000	28,835	944,165	-	944,165
Total public safety	4,881,500	5,636,710	116,078	5,520,632	(266,811)	5,253,821
Highways and streets	2,805,000	2,431,000	1,244,923	1,186,077	306,468	1,492,545
Culture and recreation						
Recreation	1,060,000	445,400	119,774	325,626	24,030	349,656
Total capital outlay	10,499,500	9,858,760	1,587,564	8,271,196	148,859	8,420,055
Total expenditures	29,557,786	28,612,266	2,654,465	25,957,801	498,278	26,456,079
Excess (deficiency) of revenues over (under) expenditures	(8,549,803)	(6,698,221)	2,808,765	(3,889,456)	(449,697)	(4,339,153)
Other financing sources (uses)						
Transfers in	1,076,150	1,326,370	-	1,326,370	-	1,326,370
Transfers out	-	(52,000)	-	(52,000)	-	(52,000)
Grants and aid	(144,500)	(144,500)	162	(144,338)	-	(144,338)
Proceeds from sale of assets	50,000	393,850	15,150	409,000	(14,325)	423,325
Total other financing sources (uses)	981,650	1,523,720	15,312	1,539,032	(14,325)	1,553,357
Net change in fund balances	(7,568,153)	(5,174,501)	2,824,077	(2,350,424)	(435,372)	(2,785,796)
Fund balances - beginning (as originally stated)	20,262,527	20,689,865	798,865	21,488,730	(485,922)	21,002,808
Restatement adjustment	-	-	-	-	1,524,108	1,524,108
Fund balances - beginning	20,262,527	20,689,865	798,865	21,488,730	1,038,186	22,526,916
Fund balances - ending (as restated)	\$ 12,694,374	\$ 15,515,364	\$ 3,622,942	\$ 19,138,306	\$ 602,814	\$ 19,741,120

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, 2016

	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	\$ 9,095,721	\$ 9,102,872	\$ -	\$ 9,102,872	\$ -	\$ 9,102,872
Municipal services impact fees	140,000	201,100	-	201,100	-	201,100
Nuisance abatement assessments	-	117,000	30	117,030	-	117,030
Fines and forfeitures	1,000	148,115	843	148,958	160	149,118
Rents	4,800	5,379	(400)	4,979	400	5,379
Interest	-	9,625	26	9,651	-	9,651
Other fees and miscellaneous	40,025	75,639	(8,662)	66,977	249	67,226
Total revenues	9,281,546	9,659,730	(8,163)	9,651,567	809	9,652,376
Expenditures						
Current						
General government	837,415	590,694	25,313	565,381	(445)	564,936
Highways and streets	501,434	567,681	46,406	521,275	11,368	532,643
Total current	1,338,849	1,158,375	71,719	1,086,656	10,923	1,097,579
Debt service						
Principal	2,095,000	2,095,000	-	2,095,000	-	2,095,000
Interest	1,302,000	1,301,930	3	1,301,927	-	1,301,927
Total debt service	3,397,000	3,396,930	3	3,396,927	-	3,396,927
Capital outlay						
Highways and streets	9,293,000	1,280,100	294,706	985,394	(491,387)	494,007
Total capital outlay	9,293,000	1,280,100	294,706	985,394	(491,387)	494,007
Total expenditures	14,028,849	5,835,405	366,428	5,468,977	(480,464)	4,988,513
Excess (deficiency) of revenues over (under) expenditures	(4,747,303)	3,824,325	358,265	4,182,590	481,273	4,663,863
Other financing sources (uses)						
Transfers out	(976,150)	(1,226,370)	-	(1,226,370)	-	(1,226,370)
Total other financing sources (uses)	(976,150)	(1,226,370)	-	(1,226,370)	-	(1,226,370)
Net change in fund balances	(5,723,453)	2,597,955	358,265	2,956,220	481,273	3,437,493
Fund balances - beginning	18,364,375	16,838,120	1,993,844	18,831,964	(579,373)	18,252,591
Fund balances - ending	\$ 12,640,922	\$ 19,436,075	\$ 2,352,109	\$ 21,788,184	\$ (98,100)	\$ 21,690,084

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, 2016

	Business-type Activities/Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 52,666,691	\$ 1,532,243	\$ 54,198,934
Accounts receivable, net	5,971,105	19,377	5,990,482
Accrued interest receivable	2,386	-	2,386
Due from other funds	11,624	-	11,624
Due from other governments	8,997	-	8,997
Inventory	587,474	-	587,474
Prepays	1,627	8,523	10,150
Prepaid bond insurance	9,541	-	9,541
Total current assets	59,259,445	1,560,143	60,819,588
Noncurrent assets			
Prepaid bond insurance	15,896	-	15,896
Restricted assets			
Cash and cash equivalents	23,516,608	-	23,516,608
Accounts receivable, net	12	-	12
Accrued interest receivable	1,067	-	1,067
Grants receivable	6,880	-	6,880
Notes receivable	1,291	-	1,291
Capital assets			
Nondepreciable	12,958,864	7,500	12,966,364
Depreciable, net	99,412,882	11,366,405	110,779,287
Total noncurrent assets	135,913,500	11,373,905	147,287,405
Total assets	195,172,945	12,934,048	208,106,993
Deferred outflows of resources			
Deferred outflows related to pensions	976,815	89,879	1,066,694
Deferred loss on refunding	3,198,609	-	3,198,609
Total deferred outflows of resources	4,175,424	89,879	4,265,303

(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, 2016

	Business-type Activities/Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 1,649,579	\$ 27,613	\$ 1,677,192
Accrued expenses and deposits	1,424,818	25,040	1,449,858
Accrued interest payable	558,187	-	558,187
Due to other funds	8,438	8	8,446
Due to other governments	816,832	19,487	836,319
Unearned revenue	210,800	33,436	244,236
Revenue certificates payable	2,248,139	-	2,248,139
Accrued compensated absences	403,000	22,000	425,000
Notes payable	1,146,948	-	1,146,948
Revenue bonds payable, net	1,815,677	-	1,815,677
Total current liabilities	10,282,418	127,584	10,410,002
Noncurrent liabilities			
Accrued compensated absences	861,815	47,301	909,116
Net pension liability	1,114,541	101,251	1,215,792
Net OPEB obligation	838,735	58,727	897,462
Notes payable	7,842,144	-	7,842,144
Revenue bonds payable, net	42,311,254	-	42,311,254
Total noncurrent liabilities	52,968,489	207,279	53,175,768
Total liabilities	63,250,907	334,863	63,585,770
Deferred inflows of resources			
Deferred inflows related to pensions	348,997	38,473	387,470
Total deferred inflows of resources	348,997	38,473	387,470
Net position			
Net investment in capital assets	69,848,753	11,373,905	81,222,658
Restricted for			
Impact fees	7,758,817	-	7,758,817
Debt service	1,708,356	-	1,708,356
Storm water	1,428,823	-	1,428,823
Unrestricted	55,003,716	1,276,686	56,280,402
Total net position	\$ 135,748,465	\$ 12,650,591	\$ 148,399,056

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, 2016

	Business-type Activities/Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Operating revenues			
Charges for services			
Water and waste water sales	\$ 29,683,768	\$ -	\$ 29,683,768
Storm water assessments	1,015,814	-	1,015,814
Connection and reset fees	327,808	-	327,808
Administrative and review fees	56,320	-	56,320
Admissions and other fees	-	1,159,903	1,159,903
Rent	33,360	237,380	270,740
Miscellaneous	552,647	566	553,213
Total operating revenues	31,669,717	1,397,849	33,067,566
Operating expenses			
Personal services	5,780,607	820,016	6,600,623
Professional services	473,689	18,415	492,104
Office supplies	34,808	2,252	37,060
Contractual services	214,426	50,221	264,647
Insurance	186,827	41,610	228,437
Repairs and maintenance	1,264,547	105,843	1,370,390
Operating supplies	1,316,424	162,394	1,478,818
Communication services	97,574	15,368	112,942
Public utility services	10,100,225	156,185	10,256,410
Transportation	86,187	21	86,208
Rentals	58,288	61,795	120,083
Printing and binding	13,716	6,284	20,000
Miscellaneous	46,664	8,637	55,301
Amortization	11,547	-	11,547
Depreciation	4,918,827	587,106	5,505,933
Total operating expenses	24,604,356	2,036,147	26,640,503
Net operating income (loss)	7,065,361	(638,298)	6,427,063
Nonoperating revenues (expenses)			
Interest income	59,607	-	59,607
Grants and contributions	82,514	141,900	224,414
Gain on disposal of assets	18,182	-	18,182
Interest expense	(2,202,718)	-	(2,202,718)
Total nonoperating revenues (expenses)	(2,042,415)	141,900	(1,900,515)
Net income (loss) before impact fees and transfers	5,022,946	(496,398)	4,526,548
Impact fees	1,686,970	-	1,686,970
Transfers in	-	502,000	502,000
Transfers out	(100,000)	(450,000)	(550,000)
Total impact fees and transfers	1,586,970	52,000	1,638,970
Change in net position	6,609,916	(444,398)	6,165,518
Total net position - beginning	129,138,549	13,094,989	142,233,538
Total net position - ending	\$ 135,748,465	\$ 12,650,591	\$ 148,399,056

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, 2016

	Business-type Activities / Enterprise Funds		
	Utility Fund	Other Proprietary Funds	Total
Operating activities			
Receipts from customers and users	\$ 31,849,660	\$ 1,451,308	\$ 33,300,968
Payments to suppliers	(15,118,503)	(773,899)	(15,892,402)
Payments to employees	(4,010,305)	(625,182)	(4,635,487)
Net cash provided by operating activities	12,720,852	52,227	12,773,079
Noncapital financing activities			
Grants and contributions	-	119,900	119,900
Transfers (to) from other funds	(100,000)	52,000	(48,000)
Net cash (used) provided by noncapital financing activities	(100,000)	171,900	71,900
Capital and related financing activities			
Impact fees	1,073,606	-	1,073,606
Grants and contributions	28,561	22,000	50,561
Proceeds from issuance of revenue bonds	118,383	-	118,383
Principal paid on revenue certificates	(62,187)	-	(62,187)
Principal paid on notes	(1,113,534)	-	(1,113,534)
Interest paid on notes	(291,919)	-	(291,919)
Principal paid on revenue bonds	(1,540,000)	-	(1,540,000)
Interest paid on revenue bonds	(1,870,793)	-	(1,870,793)
Payment to refunding bonds escrow agent	(1,932,274)	-	(1,932,274)
Revenue bonds issuance cost	(108,557)	-	(108,557)
Proceeds from disposal of assets	18,182	-	18,182
Purchase of capital assets	(7,358,270)	(166,800)	(7,525,070)
Net cash (used) by capital and related financing activities	(13,038,802)	(144,800)	(13,183,602)
Investing activities			
Interest received	59,276	-	59,276
Net cash provided by investing activities	59,276	-	59,276
Net change in cash and cash equivalents	(358,674)	79,327	(279,347)
Cash and cash equivalents - beginning	76,541,973	1,452,916	77,994,889
Cash and cash equivalents - ending	\$ 76,183,299	\$ 1,532,243	\$ 77,715,542
Classified as			
Current assets - cash and cash equivalents	\$ 52,666,691	\$ 1,532,243	\$ 54,198,934
Restricted assets - cash and cash equivalents	23,516,608	-	23,516,608
Total	\$ 76,183,299	\$ 1,532,243	\$ 77,715,542

(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, 2016

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)	\$ 7,065,361	\$ (638,298)	\$ 6,427,063
Adjustments to reconcile net operating income (loss) to net cash provided (used) by operating activities			
Amortization	11,547	-	11,547
Depreciation	4,918,827	587,106	5,505,933
Bad debts	582	-	582
Expiration of revenue certificate	(13,517)	-	(13,517)
Professional services	4,964	-	4,964
(Increase) decrease in assets			
Accounts receivable, net	80,856	27,052	107,908
Due from other funds	(10,641)	-	(10,641)
Due from other governments	32,074	8,430	40,504
Inventory	(15,281)	-	(15,281)
Prepays	23,549	(799)	22,750
Accounts receivable, restricted	356	-	356
Decrease in deferred outflows related to pensions	311,524	34,342	345,866
Increase (decrease) in liabilities			
Accounts payable	92,052	5,044	97,096
Accrued expenses and deposits	121,081	4,518	125,599
Due to other funds	(313)	(869)	(1,182)
Due to other governments	35,512	13,598	49,110
Unearned revenue	6,908	4,323	11,231
Accrued compensated absences	80,982	13,794	94,776
Net OPEB obligation	74,916	5,064	79,980
Net pension liability	(449,484)	(49,551)	(499,035)
Increase in deferred inflows related to pensions	348,997	38,473	387,470
Total adjustments	5,655,491	690,525	6,346,016
Net cash provided by operating activities	\$ 12,720,852	\$ 52,227	\$ 12,773,079

Noncash financing, capital, and investing activities

Expiration of revenue certificate	\$ 13,517	\$ -	\$ 13,517
Land donated to the City	69,226	-	69,226
Utility Revenue Refunding Bond, Series 2016 was issued on April 22, 2016. Proceeds were transferred to the Refunding Bonds Escrow Agent to advance refund a portion of the City's outstanding Utility Refunding Bonds, Series 2009.	24,121,617	-	24,121,617

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, 2016

	Pension Trust Funds
Assets	
Cash and cash equivalents	\$ 740,428
Accounts receivable, net	12,509
Dividends receivable	25,208
Investments, at fair value	
Money market funds	1,196,953
Real estate investment trusts	1,711,544
Master limited partnership	2,033,468
Mutual funds	59,415,840
Total assets	65,135,950
Liabilities	
Accounts payable	63,868
Refunds payable	11,539
Total liabilities	75,407
Net position	
Restricted for pension benefits	\$ 65,060,543

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, 2016

	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 1,866,048
Plan members	981,429
Insurance premiums	330,334
Total contributions	3,177,811
Investment earnings	
Interest	887
Dividends	1,262,847
Master limited partnership earnings	31,012
Net increase in fair value of investments	3,867,679
Total investment earnings	5,162,425
Less investment expenses	(156,211)
Net investment earnings	5,006,214
Total additions	8,184,025
Deductions	
Benefits	2,434,108
Refunds of contributions	134,882
Administrative expenses	64,185
Total deductions	2,633,175
Change in net position	5,550,850
Net position - beginning	59,509,693
Net position - ending	\$ 65,060,543

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. Substantially all of the effect of interfund activity has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which 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 proprietary funds. The fiduciary statements include financial information for the agency funds. The agency funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or governments.

Governmental Funds

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

Basis of Presentation

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Major Funds

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

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

Proprietary Major Funds

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

Noncurrent Governmental Assets/Liabilities

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

Budgets

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, interest of \$100,297 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.

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 which 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, 2016, is \$37,168.

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, 2016, is \$24,039,551.

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, 2016, is \$1,766,334.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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, 2016, is \$6,648,881.

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, 2016, is \$9,715,857.

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 September 18, 2017, 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

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

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

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

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

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states, "Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds." The details of this \$188,917 difference are as follows:

Accounts receivable, net	\$	188,572
Grants receivable		345
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	188,917
<hr/> <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 \$111,014,367 difference are as follows:

Cost of capital assets	\$	142,945,684
Less: accumulated depreciation		(31,931,317)
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	111,014,367
<hr/> <hr/>		

Another element of that reconciliation states, "Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(55,728,725) difference are as follows:

Bonds payable	\$	(44,395,000)
Unamortized premium costs		(4,372)
Less: prepaid bond insurance		4,824
OPEB liability		(1,460,335)
Net pension liability		(4,885,003)
Self insurance		(1,524,108)
Compensated absences		(2,942,512)
Accrued interest payable		(522,219)
<hr/>		
Net adjustment to decrease fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	(55,728,725)
<hr/> <hr/>		

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

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

Another element of that reconciliation explains, “Deferred outflows and inflows are not financial statement resources or liabilities and, therefore, are not reported in the funds.” The details of this \$4,773,825 difference are as follows:

Deferred change from net pension – deferred outflow	\$	3,119,436
Deferred change from net pension – deferred inflow		(855,642)
Deferred loss on refunding – deferred outflow		2,510,031
<hr/>		
Net adjustment to increase fund balance - total governmental funds to arrive at <i>net position of governmental activities</i>	\$	4,773,825
<hr/>		

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$5,015,385 difference are as follows:

Capital outlay expenditures	\$	8,975,009
Less: depreciation expense		(3,959,624)
<hr/>		
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	5,015,385
<hr/>		

Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase net position." The details of this \$3,124,821 difference are as follows:

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

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

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from sales increase financial resources. Thus, the change in net assets differs from the change in fund balances by the basis of the capital assets sold. \$ (562,417)

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. 3,687,238

Net adjustment to increase *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ 3,124,821

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 \$(607,483) difference are as follows:

Compensated absences	\$	(72,011)
Insurance		(4,100)
Various expenses		25,105
Interest		40,256
Pension expense		(436,814)
OPEB		(159,919)

Net adjustment to decrease *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ (607,483)

Another element of that reconciliation states, "Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds." The details of this \$(251,139) difference are as follows:

Intergovernmental	\$	(1,911)
Rents		(1,759)
Nuisance abatement assessments		(117,030)
Fines and forfeitures		(130,685)
Grants		(1,040)
Other fees and miscellaneous		1,286

Net adjustment to decrease *net change in fund balances – total governmental funds* to arrive at *change in net position of governmental activities* \$ (251,139)

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

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

Another element of that reconciliation states, "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$1,923,453 difference are as follows:

Principal repayments bonds	\$	2,095,000
Plus, amortization of bond premium costs		49,892
Less, amortization of prepaid bond insurance		(55,046)
Less, amortization of deferred loss on advance refunding		(166,393)
<hr/>		
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	1,923,453
<hr/>		

NOTE 4 – DEPOSITS AND INVESTMENTS

Deposits

\$78,837,138 of the City's deposits and \$740,428 of the fiduciary fund'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 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, 2016, the City held \$41,773,839 in deposits that were considered to be a custodial risk.

Investments - City

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

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Florida Statutes, Section 163.01.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes, Section 280.02.
- Direct obligations of the United States Treasury.

Investments – Fiduciary Funds

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

- Cash equivalents
- Obligations issued by the United States Government or obligations guaranteed as to principal and interest by the government of the United States.
- Foreign equities, including: convertible bonds, convertible preferred issues, and preferred stock.
- Equities - including publicly traded REITS, MLP, convertibles (convertible bonds, convertible preferred issues, and preferred stock. Convertible bonds, convertible preferred issues and preferred stock will be deemed as equity and shall not be held to the rating standards of fixed-income. Foreign securities convertibles are limited to those that settle in U. S. dollars and traded on one or more of the recognized national exchanges, NASDAQ or the OTC.
- Bonds or other evidences of indebtedness issued or guaranteed by a corporation organized under the laws of the United States or the District of Columbia provided the issues are traded over-the-counter (OTC) and shall hold a rating of Baa2/Mid BBB or above by Moody's and Standard & Poor's respectively. In the event of a split rating, the lower rating shall prevail. In the event of a downgrade, the Active Fixed Income Manager may hold up to 5% at market value of their total portfolio in bonds rated below Baa2/Mid BBB. The Active Fixed Income Manager shall notify Consultant in writing within ten (10) business days of any such downgrade. Convertible securities do not apply to these limitations, as they are classified as equities. Below investment grade bonds may not exceed 5% of the total Trust Fund(s).
- Commingled stock, bond or money market funds whose investments are restricted to securities meeting the criteria outlined in Section 3 of the investment policy statement.
 - Investments in equities shall not exceed 70% of the Fund's assets at market value.
 - Not more than 5% of the total Fund's assets at market value shall be invested in the common stock or capital stock of any one issuing company, nor shall the aggregate investment in any one issuing company exceed five percent (5%) of the outstanding capital stock of the company.
 - Foreign equity investments are limited to 25% of the total Fund's assets.
 - Investments in real estate are limited to real estate investment trusts (REITs).
 - Illiquid investments, as described in Chapter 215.47, Florida Statutes, are prohibited.
 - All repurchase agreement transactions shall adhere to the requirements of the Master Repurchase Agreement.

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

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

Custodial Credit Risks

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

Credit Risks

The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listed in Florida Statutes, Section 218.415. The fiduciary fund's investment policy, as list above, requires investments to meet the established approved requirements and to be monitored by the third party investment manager.

Interest Rate Risks

At September 30, 2016, the City did not hold any investments that were considered to be an interest rate risk. The City does not have a policy regarding interest rate risk.

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

NOTE 4 – DEPOSITS AND INVESTMENTS (CONTINUED)

Concentration of Credit Risk

At September 30, 2016, the City did not hold any investments that were considered to be a concentration of credit risk.

At September 30, 2016, the City's and fiduciary fund's deposits consisted of the following:

	Carrying Amount	Market Value
Demand deposits - City	\$ 56,253,171	\$ 56,253,171
Demand deposits - Fiduciary funds	65,098,233	65,098,233
Total deposits	\$ 121,351,404	\$ 121,351,404

At September 30, 2016, the city maintained cash on hand of \$6,267.

The fiduciary funds' categorized their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements); followed by quoted prices in inactive markets or for similar assets with observable inputs (Level 2 measurements); and the lowest priority to unobservable inputs (Level 3 measurements). The Pensions' have the following recurring fair value measurements as of September 30, 2016:

	Fair Value	Level 1	Level 2	Level 3
Investments, at fair value				
Money market funds	\$ 1,196,953	\$ 1,196,953	\$ -	\$ -
Real estate investment trusts	1,711,544	1,711,544	-	-
Master limited partnership	2,033,468	-	2,033,468	-
Mutual funds	59,415,840	59,415,840	-	-
Total investments, at fair value	\$ 64,357,805	\$ 62,324,337	\$ 2,033,468	\$ -

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

NOTE 5 – ACCOUNTS RECEIVABLE, NET

At September 30, 2016, accounts receivable in the governmental activities is summarized as follows:

Total accounts receivable	\$	248,631
Less: allowance for doubtful accounts		-
Accounts receivable, net	\$	248,631

At September 30, 2016, accounts receivable in the business-type activities is summarized as follows:

Billed accounts receivable	\$	266,749
Unbilled accounts receivable		5,906,735
Other receivables		22,790
Total accounts receivable		6,196,274
Less: allowance for doubtful accounts		(205,792)
Accounts receivable, net	\$	5,990,482

At September 30, 2016, restricted accounts receivable in the business-type activities is summarized as follows:

Total restricted accounts receivable	\$	12
Less: allowance for doubtful accounts		-
Restricted accounts receivable, net	\$	12

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, 2016 is as follows:

Receivable fund	Payable fund		
General fund	Utility fund	\$	8,438
General fund	Nonmajor proprietary funds		8
Utility fund	CRA fund		312
Utility fund	General fund		11,312

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

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

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

The City's routine transfers include transfers to other funds based on budgetary requirements. The composition of interfund transfers as of September 30, 2016 is as follows:

Transfers out	Transfers in			Total
	General fund	Utility fund	Nonmajor proprietary funds	
General fund	\$ -	\$ -	\$ 52,000	\$ 52,000
CRA fund	1,226,370	-	-	1,226,370
Utility fund	100,000	-	-	100,000
Nonmajor proprietary funds	-	-	450,000	450,000
Total	\$ 1,326,370	\$ -	\$ 502,000	\$ 1,828,370

NOTE 7 – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES

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

	September 30, 2015	Increases	Decreases	September 30, 2016
Capital assets, not being depreciated				
Land	\$ 47,215,236	\$ 144,658	\$ -	\$ 47,359,894
Construction in progress	9,625,153	6,873,014	(4,860,377)	11,637,790
Total capital assets, not being depreciated	56,840,389	7,017,672	(4,860,377)	58,997,684
Capital assets, being depreciated				
Buildings	8,353,259	4,589,101	(177,818)	12,764,542
Improvements	58,808,399	4,096,725	(710,199)	62,194,925
Machinery and equipment	8,773,182	1,819,126	(1,603,775)	8,988,533
Total capital assets, being depreciated	75,934,840	10,504,952	(2,491,792)	83,948,000
Accumulated depreciation				
Buildings	(3,018,706)	(272,112)	154,703	(3,136,115)
Improvements	(21,266,385)	(3,055,482)	660,112	(23,661,755)
Machinery and equipment	(5,615,977)	(632,030)	1,114,560	(5,133,447)
Total accumulated depreciation	(29,901,068)	(3,959,624)	1,929,375	(31,931,317)
Total capital assets, being depreciated, net of accumulated depreciation	46,033,772	6,545,328	(562,417)	52,016,683
Total governmental activities' capital assets – net	\$ 102,874,161	\$ 13,563,000	\$ (5,422,794)	\$ 111,014,367

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

NOTE 7 – CAPITAL ASSETS – GOVERNMENTAL ACTIVITIES (CONTINUED)

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

<u>Governmental activities</u>	
General government	\$ 47,733
Public safety	510,727
Highways and streets	2,173,476
Culture and recreation	1,227,688
Total depreciation expense – governmental activities	\$ 3,959,624

NOTE 8 – CAPITAL ASSETS – BUSINESS-TYPE ACTIVITIES

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

	September 30, 2015	Increases	Decreases	September 30, 2016
Capital assets, not being depreciated				
Land	\$ 7,360,192	\$ 219,810	\$ -	\$ 7,580,002
Intangible assets	194,788	-	-	194,788
Construction in progress	2,501,715	7,465,226	(4,775,367)	5,191,574
Total capital assets, not being depreciated	10,056,695	7,685,036	(4,775,367)	12,966,364
Capital assets, being depreciated				
Buildings	35,409,926	-	-	35,409,926
Improvements	107,681,227	4,327,886	-	112,009,113
Machinery and equipment	21,138,245	1,293,813	(100,044)	22,332,014
Total capital assets, being depreciated	164,229,398	5,621,699	(100,044)	169,751,053
Accumulated depreciation				
Buildings	(12,260,652)	(932,363)	-	(13,193,015)
Improvements	(30,656,532)	(3,044,235)	-	(33,700,767)
Machinery and equipment	(10,648,693)	(1,529,335)	100,044	(12,077,984)
Total accumulated depreciation	(53,565,877)	(5,505,933)	100,044	(58,971,766)
Total capital assets, being depreciated, net of accumulated depreciation	110,663,521	115,766	-	110,779,287
Total business-type activities' capital assets – net	\$ 120,720,216	\$ 7,800,802	\$ (4,775,367)	\$ 123,745,651

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

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

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

Business-type activities	
Utility fund	
Water	\$ 1,183,459
Waste water	3,585,378
Storm water	149,990
Pier fund	431,882
Aquatic center fund	155,224
Total depreciation expense – business-type activities	\$ 5,505,933

The following schedule summarizes the capital assets of the City's business-type activities at September 30, 2016:

	Utility Fund	Pier Fund	Aquatic Center Fund	Total
Land	\$ 7,580,002	\$ -	\$ -	\$ 7,580,002
Intangible assets	194,788	-	-	194,788
Buildings	31,252,907	1,943,959	2,213,060	35,409,926
Improvements	100,911,558	9,028,934	2,068,621	112,009,113
Machinery and equipment	21,641,578	240,440	449,996	22,332,014
Construction in progress	5,184,074	-	7,500	5,191,574
Total	166,764,907	11,213,333	4,739,177	182,717,417
Accumulated depreciation				
Buildings	(12,221,643)	(387,603)	(583,769)	(13,193,015)
Improvements	(30,451,764)	(2,500,481)	(748,522)	(33,700,767)
Machinery and equipment	(11,719,754)	(99,828)	(258,402)	(12,077,984)
Total accumulated depreciation	(54,393,161)	(2,987,912)	(1,590,693)	(58,971,766)
Total business-type activities' capital assets – net	\$ 112,371,746	\$ 8,225,421	\$ 3,148,484	\$ 123,745,651

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.

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, 2016 there were 14 retirees and 2 eligible dependents receiving postemployment health care benefits. For the fiscal year ended September 30, 2016, estimated benefits exceeded retiree premiums resulting in City contributions of \$42,944. 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	\$ 550
Retiree & Spouse	1,245

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

Description	Total
Annual required contribution of employer	\$ 268,724
Plus: interest on net OPEB obligation	84,716
Less: amortization of net OPEB obligation	(70,597)
Total annual OPEB cost	\$ 282,843
Beginning of year net OPEB obligation	\$ 2,117,898
Plus: actual annual OPEB cost	282,843
Less: employer contributions	(42,944)
End of year net OPEB obligation	\$ 2,357,797

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.

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

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

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, 2016, the City's OPEB actuarial valuation used the entry age normal cost actuarial method to estimate the unfunded actuarial liability and to determine the annual required contribution. Because the OPEB liability is currently unfunded, the actuarial assumptions included a 4.0 percent rate of return on invested assets. The actuarial assumptions also included a payroll growth rate of 4.0 percent per year, and an annual healthcare cost trend rate of 7.5 percent initially for the 2016 fiscal year, grading to an ultimate rate of 5.0 percent for the fiscal year ending September 30, 2030. 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, 2015	Additions	Deductions	Balance September 30, 2016	Due within One Year
Revenue bonds payable	\$ 46,490,000	\$ -	\$ (2,095,000)	\$ 44,395,000	\$ 2,210,000
Adjusted for deferred amounts for issuance premium	54,264	-	(49,892)	4,372	4,372
Total bonds payable	46,544,264	-	(2,144,892)	44,399,372	2,214,372
Accrued compensated absences	2,870,501	863,952	(791,941)	2,942,512	782,151
Net pension liability	5,845,072	-	(960,069)	4,885,003	-
Net OPEB obligation	1,300,416	159,919	-	1,460,335	-
Total	\$ 56,560,253	\$ 1,023,871	\$ (3,896,902)	\$ 53,687,222	\$ 2,996,523

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

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

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, 2016, totaled \$52,935,656. Current year principal and interest payments paid on the bond required 18% of the pledged revenues. Principal and interest payments paid for the current year were \$350,000 and \$1,166,802, respectively and the pledged revenues were \$8,632,890.

\$ 42,565,000

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, 2016 totaled \$1,830,000. Current year principal and interest payments on the bonds required the use of 22% of the pledged revenues. Principal and interest payments paid for the current year were \$1,745,000 and \$135,125, respectively and the pledged revenues were \$8,632,890.

1,830,000

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, 2016	\$ 44,395,000
Less: revenue bonds – current portion	(2,210,000)
<hr/>	
Revenue bonds – long-term at September 30, 2016	\$ 42,185,000
<hr/>	

Debt service requirements to maturity on the revenue bonds payable, payable at September 30, 2016 are as follows:

<u>Year Ending September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,505,000	922,672	3,427,672
2022-2026	13,610,000	3,533,576	17,143,576
2027-2031	15,565,000	1,545,248	17,110,248
2032	3,370,000	46,001	3,416,001
<hr/>			
Total	\$ 44,395,000	\$ 10,416,407	\$ 54,811,407
<hr/>			

The principal balance of the defeased debt outstanding for the Capital Improvement Revenue Bond, Series 2006, at September 30, 2016 is \$39,965,000.

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>2015</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 30,</u> <u>2016</u>	<u>Due within</u> <u>One Year</u>
Revenue bonds payable	\$ 43,970,000	\$ 24,240,000	\$ (24,755,000)	\$ 43,455,000	\$ 1,760,000
Adjusted for deferred amounts for issuance premium	1,167,953	-	(496,022)	671,931	55,677
<hr/>					
Total bonds payable	45,137,953	24,240,000	(25,251,022)	44,126,931	1,815,677 (continued)

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

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

	Balance September 30, 2015	Additions	Deductions	Balance September 30, 2016	Due within One Year
Revenue certificates payable	\$ 2,323,843	\$ -	\$ (75,704)	\$ 2,248,139	\$ 2,248,139
Notes payable	10,102,626	-	(1,113,534)	8,989,092	1,146,948
Accrued compensated balances	1,239,340	482,886	(388,110)	1,334,116	425,000
Net pension liability	1,714,827	-	(499,035)	1,215,792	-
Net OPEB obligation	817,482	79,980	-	897,462	-
Total	\$ 61,336,071	\$ 24,802,866	\$ (27,327,405)	\$ 58,811,532	\$ 5,635,764

Revenue Bonds Payable

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

The bonds are payable from and secured by a lien upon and pledge of (i) net revenues of the systems, (ii) sewer system development charges, (iii) water system development charges, (iv) until released, public service taxes, and (v) the moneys on deposit in the various funds and accounts created pursuant to the loan agreement and the original resolution, with the exception of the rebate fund. The remaining principal and interest payments on this debt as of September 30, 2016 totaled \$32,457,402. Current year principal and interest payments on the bond required 0.5% of pledged revenues. Current year principal and interest payments paid from pledged revenue were zero and \$73,003, respectively. For the year ended September 30, 2016, pledged revenues were \$15,604,139.

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

\$ 24,240,000

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

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 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.

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 Series 2009 Bonds are payable on a parity basis from the pledged revenues with the City's outstanding Utility Revenue Bonds, Series 2012. On April 22, 2016, the City advanced refunded the Utility Revenue Bonds, Series 2009 with the Utility Revenue Refunding Bond, Series 2016 reducing the principal outstanding to \$2,545,000. The remaining principal and interest payments on this debt as of September 30, 2016 totaled \$2,153,750. Current year principal and interest payments on the bond required 11% of pledged revenues. Current year principal and interest payments paid from pledged revenue were \$590,000 and \$1,143,143, respectively. For the year ended September 30, 2016, pledged revenues were \$15,604,139.

\$ 1,955,000

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

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, 2016 totaled \$23,094,288. Current year principal and interest payments on the bond required 10% of pledged revenue. Current year principal and interest payments paid from pledged revenue were \$950,000 and \$652,775, respectively. For the year ended September 30, 2016, pledged revenues were \$15,604,139.

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.

	\$	17,260,000
<hr/>		
Total revenue bonds at September 30, 2016		43,455,000
Less: revenue bonds – current portion		(1,760,000)
<hr/>		
Revenue bonds – long-term at September 30, 2016	\$	41,695,000
<hr/> <hr/>		

Debt service requirements to maturity on revenue bonds payable at September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 1,760,000	\$ 1,395,897	\$ 3,155,897
2018	1,600,000	1,323,445	2,923,445
2019	1,665,000	1,257,215	2,922,215
2020	2,020,000	1,197,457	3,217,457
2021	2,085,000	1,125,305	3,210,305
2022-2026	11,530,000	4,522,917	16,052,917
2027-2031	13,395,000	2,694,135	16,089,135
2032-2036	9,400,000	734,069	10,134,069
<hr/>			
Total	\$ 43,455,000	\$ 14,250,440	\$ 57,705,440
<hr/> <hr/>			

The principal balance of the defeased debt outstanding for the Water and Waste water Revenue Bonds, Series 1987A, at September 30, 2016 is \$100,000.

The principal balance of the defeased debt outstanding for the Utility Revenue Bonds, Series 2009, at September 30, 2016 is \$23,215,000.

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

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

Revenue Certificates

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

	Original Amount of Certificate	Balance at September 30, 2015	Net Changes During the Year	Balance at September 30, 2016
Wild Heron	\$ 431,834	\$ 139,010	\$ (55,061)	\$ 83,949
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	85,380	(109)	85,271
Magnolia Beach	100,000	79,951	(516)	79,435
TW Olson-Magnolia	490,500	392,150	(2,528)	389,622
St. Andrews Land Company	670,414	535,984	(3,455)	532,529
Ocean Park Pavilion	68,494	68,494	-	68,494
Ocean Park Pavilion	239,795	239,570	(316)	239,254
Karen Arrigo - Shasta Street	18,357	13,517	(13,517)	-
St. Andrews Land Company	212,496	199,315	(202)	199,113
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	\$ 2,323,843	\$ (75,704)	\$ 2,248,139

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%.

\$ 6,003,037

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.

	\$ 2,986,055
Total notes payable at September 30, 2016	8,989,092
Less: notes payable – current portion	(1,146,948)
Notes payable – long-term at September 30, 2016	\$ 7,842,144

Debt service requirements to maturity on notes payable at September 30, 2016 are as follows:

Year Ending September 30,	Principal	Interest	Total
2017	\$ 1,146,948	\$ 258,505	\$ 1,405,453
2018	1,181,365	224,088	1,405,453
2019	1,216,814	188,639	1,405,453
2020	1,253,327	152,125	1,405,452
2021	1,290,936	114,516	1,405,452
2022-2026	2,420,704	205,064	2,625,768
2027-2028	478,998	15,153	494,151
Total	\$ 8,989,092	\$ 1,158,090	\$ 10,147,182

NOTE 12 – ACCRUED COMPENSATED ABSENCES

Accrued compensated absences consist of the following at September 30, 2016:

	Accrued Vacation Leave	Accrued Sick Leave	Total Accrued Leave
Governmental activities			
General fund	\$ 733,857	\$ 2,181,504	\$ 2,915,361
Community Redevelopment fund	8,512	18,639	27,151
Total governmental activities	742,369	2,200,143	2,942,512

(Continued)

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	\$ 345,336	\$ 919,479	\$ 1,264,815
Pier fund	27,216	22,399	49,615
Aquatic Center fund	11,378	8,308	19,686
Total business -type activities	383,930	950,186	1,334,116
Total	\$ 1,126,299	\$ 3,150,329	\$ 4,276,628

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, 2016, the City's cost of water purchased from Bay County was \$8,196,097. The City did not meet its minimum purchase obligation for 2016 and as a result there was an amount due of \$252,457 at September 30, 2016. However, this liability was offset by \$216,823 representing Bay County's impact fees collected by the City in accordance with an interlocal agreement, and \$12,934 in other credits. The net amount due of \$22,599 has been recorded as a liability on the City's financial statements and is included in the total cost of water purchased above.

Construction Commitments

At September 30, 2016, the City had open construction contract commitments of approximately \$19.4 million dollars.

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 each of the plans follows.

Summary of Significant Accounting Policies and Plan Asset Matters

The City of Panama City Beach PERS financial statements are prepared on the accrual basis of accounting. Contributions from the City and the City's employees are recognized as revenue in the period in which employees provide services to the City. Investment income is recognized as earned by the pension plans. Investments held by the plans are recorded at market value in the basic financial statements. There are no investments in, loans to, or leases with parties related to the pension plans. ninety-one percent (91%) of the total assets held in trust for pension benefits are invested in equity mutual funds, three percent (3%) in master limited partnerships, three percent (3%) in real estate investment trusts, and the remaining balance of three percent (3%) 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.

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

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

Plan Descriptions and Contribution Information

Membership of each plan consisted of the following at September 30, 2016, the date of the latest actuarial valuation.

	General Employees'	Police Officers'	Fire- Fighters'
Retirees and beneficiaries receiving benefits	66	25	16
Terminated plan members entitled to but not yet receiving benefits	4	2	-
Active plan members	149	57	26
Total	219	84	42
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.

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 48 and has completed at least 10 years of credited service.
- Credited Service: Years and fractional parts of years of service as a general employee with the City while making employee contributions. (Credited service with another City plan is recognized for purposes of vesting and retirement eligibility only.)
- Accrued Benefit: The benefit using the formula for the normal retirement benefit, based upon the average final compensation and credited service as of the date of the calculation. The accrued benefit is payable at the normal retirement date in the normal form of benefit.
- Disability Benefit: A Participant who becomes totally and permanently disabled shall be eligible to receive a disability benefit in the form of an immediate monthly annuity for life with ten years certain as follows:
 - Job-Related Disability: Without regard to years of credited service, a benefit equal to the greater of his accrued benefit or 42% of average final compensation as of the date of disability.
 - Non-Job-Related Disability: With ten or more years of credited service, a benefit equal to his accrued benefit as of the date of disability.

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

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

Contributions - The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of October 1, 2015, the most recent actuarial study shows a deficit of \$2,037,954 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.

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

Police Officers' Pension Plan

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

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.

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

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

Contributions - The City's annual contribution to the pension trust is determined through the budgetary process and with reference to actuarial determined contributions. As of October 1, 2015, the most recent actuarial study shows a deficit of \$2,661,648 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

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

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.

- 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 October 1, 2015, the most recent actuarial study shows a deficit of approximately \$1,401,193 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, 2016 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, 2016.

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, 2016 is summarized below:

	General Employees'	Police Officers'	Firefighters'
Money-weighted rate of return	8.7%	8.6%	8.5%

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, 2016, are as follows:

	General Employees'	Police Officers'	Firefighters'	Total
Total pension liability	\$ 34,420,283	\$ 20,504,731	\$ 16,236,327	\$ 71,161,341
Plan fiduciary net position	(32,382,329)	(17,843,083)	(14,835,134)	(65,060,546)
City's net pension liability	\$ 2,037,954	\$ 2,661,648	\$ 1,401,193	\$ 6,100,795
Plan fiduciary net position as a percentage of the total pension liability	94%	87%	91%	

At September 30, 2016, the City reported a liability of \$2,037,954 for the pension liability for the general employees’ retirement plan. The net pension liability is measured as of September 30, 2016. The net pension liability was allocated to each of the activities benefited by the plan.

At September 30, 2016, the City reported a liability of \$2,661,648 for the pension liability for the police officers’ retirement plan. The net pension liability is measured as of September 30, 2016. The net pension liability was reported in the governmental activities.

At September 30, 2016, the City reported a liability of \$1,401,193 for the pension liability for the firefighters’ retirement plan. The net pension liability is measured as of September 30, 2016. 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, 2016, the City recognized pension expense of \$407,780, \$104,942, and \$158,393 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, 2016, 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 actual and expected experience	\$ 89,096	\$ 497,578
Net difference between expected and actual earnings on pension plan investments	1,703,116	176,775
Total	\$ 1,792,212	\$ 674,353

At September 30, 2016, 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 actual and expected experience	\$ 265,099	\$ 121,754
Net difference between expected and actual earnings on pension plan investments	1,006,745	74,978
Total	\$ 1,271,844	\$ 196,732

At September 30, 2016, 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 actual and expected experience	\$ 377,815	\$ 307,261
Net difference between expected and actual earnings on pension plan investments	744,259	64,766
Total	\$ 1,122,074	\$ 372,027

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
2017	\$ 412,713	\$ 339,299	\$ 277,175	\$ 1,029,187
2018	412,713	339,299	277,175	1,029,187
2019	399,006	339,299	277,175	1,015,480
2020	(106,573)	3,717	(66,846)	(169,702)
2021	-	51,394	(14,632)	36,762
Thereafter	-	2,104	-	2,104
Total	\$ 1,117,859	\$ 1,075,112	\$ 750,047	\$ 2,943,018

Actuarial Assumptions

The total pension liability by pension plan was determined by an actuarial valuation as of October 1, 2016 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 Healthy Annuitant/Non Annuitant Mortality Table for Males or Females, as appropriate, with generational projections for mortality improvements based on 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.

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

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

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

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

Maximum Compensation: Compensation is limited to \$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, 2016 (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

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

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

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

Sensitivity of the Net Pension Liability

The following table presents the net pension liability of the City for each pension plan, calculated using the current discount rate of 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 percent) or 1-percentage-point higher (9 percent) than the current rate.

	1% Decrease	Current Discount Rate	1% Increase
City's net pension liability -			
general employees' pension	\$ 6,064,599	\$ 2,037,954	\$ (1,339,165)
City's net pension liability - police officers' pension	5,207,082	2,661,648	419,548
City's net pension liability - firefighters' pension	3,471,093	1,401,193	(299,493)

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 \$1,511,822 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, 2016, 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.

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

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, 2016, the change in the claims liability was as follows:

Claims liability, October 1, 2015	\$	1,524,108
Total transfers into the claims account from premiums, rebates, and other		1,671,561
Total transfers out of the claims account for claims, reinsurance fees, and other		(1,227,225)
<hr/>		
Claims liability, September 30, 2016	\$	1,968,444

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 lease expired on April 12, 2016 and a new lease was signed on June 7, 2016. The new lease was for one year at a rate of \$37,080 annually. The rental income for the year ended September 30, 2016 was \$33,360.

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, 2016, was \$24,772 and \$11,517 for Frank Brown Park and the Aquatic Center, respectively. Subsequent to year end, a new lease is signed with an initial term of eleven months commencing on February 1, 2017. The new lease is for the concession stand located within Frank Brown Park only and the annual rent was \$65,700 payable in three installments.

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

NOTE 17 – LEASES (CONTINUED)

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2016:

Year Ending September 30,	Total
2017	\$ 56,775
2018	16,425
Total	\$ 73,200

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, 2016 was \$220,556.

Pier Beachfront Lease

Future minimum lease receipts due under this operating lease consist of the following at September 30, 2016:

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

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.

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, 2016, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$469,982. 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, 2016 were \$2,200,258. Under the terms of the amended PIPA, \$1,820,151 was remitted to the CDD and \$380,107 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, 2016.

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.

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

NOTE 19 – NET ASSET RESTRICTIONS (CONTINUED)

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

Restriction for 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.

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, 2016:

Governmental activities		
Law enforcement	\$	16,854
Beach access public parking		559,149
Impact fees		1,842,968
Reforestation		5,381
Debt service		5,941,791
Community redevelopment		9,420,055
<hr/>		
Total	\$	17,786,198
<hr/>		

Business-type Activities

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

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

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

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

NOTE 19 – NET ASSET RESTRICTIONS (CONTINUED)

Summary

Specific restrictions of net assets are summarized below as of September 30, 2016:

Business-type activities		
Impact fees	\$	7,758,817
Debt service		1,708,356
Storm water		1,428,823
<hr/>		
Total	\$	10,895,996
<hr/>		

For the fiscal year ending September 30, 2016, the reported net position in governmental activities and business-type activities assets restricted by enabling legislation was \$26,688,841.

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
<hr/>				
Nonspendable				
Prepays	\$ 22,667	\$ 1,705	\$ 7,831	\$ 32,203
Inventory	12,796	-	-	12,796
Total nonspendable	35,463	1,705	7,831	44,999
<hr/>				
Restricted				
Debt service	-	6,464,010	-	6,464,010
Community redevelopment	-	14,617,262	-	14,617,262
Reforestation	5,381	-	-	5,381
Impact fees	1,836,717	372,187	-	2,208,904
Public safety	7,260	-	33,514	40,774
Public parking	-	-	695,389	695,389
Total restricted	1,849,358	21,453,459	728,903	24,031,720
<hr/>				
Committed				
Construction	1,766,334	-	-	1,766,334
Total committed	1,766,334	-	-	1,766,334
<hr/>				

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	\$ 4,850,000	\$ -	\$ -	\$ 4,850,000
Self insurance	1,524,108	-	-	1,524,108
Community redevelopment	-	12,796	-	12,796
Public safety	-	-	39,853	39,853
Sidewalk construction	-	222,124	-	222,124
Total assigned	6,374,108	234,920	39,853	6,648,881
Unassigned	9,715,857	-	-	9,715,857
Total fund balances	\$ 19,741,120	\$ 21,690,084	\$ 776,587	\$ 42,207,791

NOTE 21 – SUBSEQUENT EVENT

On May 11, 2017, the City approved Resolution 17-90 which authorized the payoff of SRF loan CS12069403P (SRF #1) in full on June 15, 2017 in the amount of \$5,075,270. Future interest payments in the amount of \$426,600 were eliminated by virtue of the early payoff of this note.

NOTE 22 – RESTATEMENT ADJUSTMENT

Subsequent to the issuance of the prior year audited financial statements, the City determined that certain liabilities recorded at the fund level did not require the use of current financial resources and therefore should not be recorded at the fund level as current liabilities. Instead they should be recorded as assigned funds for the General Fund. The effect of this restatement was an overstatement of accrued expenses and deposits of \$1,524,108 at the fund level for the General Fund. As a result, an increase in the assigned fund balance for the General Fund, as of September 30, 2015, has been reflected in these financial statements.

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,	2016	2015	2014
Total pension liability			
Service cost	\$ 1,015,477	\$ 1,057,919	\$ 1,040,681
Interest	2,715,866	2,488,143	864,624
Differences between expected and actual experiences	(642,786)	157,575	1,874,051
Benefit payments, including refunds of member contributions	(1,067,418)	(1,255,002)	(1,285,877)
DROP adjustment	-	534,139	-
Net change in total pension liability	2,021,139	2,982,774	2,493,479
Total pension liability - beginning	32,399,144	29,416,370	26,922,891
Total pension liability - ending (a)	34,420,283	32,399,144	29,416,370
Plan fiduciary net position			
Contributions - employer	892,284	995,644	1,095,319
Contributions - member	563,913	538,751	548,921
Net investment income (loss)	2,525,763	(550,968)	2,892,762
Benefit payments, including refunds of member contributions	(1,067,418)	(1,255,002)	(1,285,877)
Administrative expense	(24,884)	(29,135)	(23,565)
DROP adjustment	-	534,139	-
Net change in plan fiduciary net position	2,889,658	233,429	3,227,560
Plan fiduciary net position - beginning	29,492,671	29,259,242	26,031,682
Plan fiduciary net position - ending (b)	32,382,329	29,492,671	29,259,242
Net pension liability - ending (a) - (b)	\$ 2,037,954	\$ 2,906,473	\$ 157,128
Plan fiduciary net position as a percentage of the total pension liability	94.08%	91.03%	99.47%
Covered-employee payroll	6,483,319	6,238,976	5,500,368
Net pension liability as a percentage of covered-employee payroll	31.43%	46.59%	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,	2016	2015	2014
Actuarially determined contribution	\$ 672,608	\$ 766,892	\$ 1,013,264
Contributions in relation to the actuarially determined contribution	892,284	995,644	1,095,319
Contribution deficiency (excess)	\$ (219,676)	\$ (228,752)	\$ (82,055)
Covered-employee payroll	\$ 6,483,319	\$ 6,238,976	\$ 5,500,368
Contributions as a percentage of covered-employee payroll	13.76%	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 income (loss), 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

Year Ended September 30,	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	8.70%	-1.60%	10.60%

Notes to Schedule:

Only fiscal year's 2014, 2015, and 2016 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,	2016	2015	2014
Total pension liability			
Service cost	\$ 546,733	\$ 520,895	\$ 479,598
Interest	1,528,848	1,525,052	304,873
Differences between expected and actual experiences	317,692	(181,955)	1,536,515
Benefit payments, including refunds of member contributions	(904,815)	(926,647)	(1,037,205)
Net change in total pension liability	1,488,458	937,345	1,283,781
Total pension liability - beginning	19,016,273	18,078,928	16,795,147
Total pension liability - ending (a)	20,504,731	19,016,273	18,078,928
Plan fiduciary net position			
Contributions - employer	590,606	589,810	646,023
Contributions - member	338,561	325,235	307,896
Contributions - state	137,097	117,870	111,257
Net investment income (loss)	1,355,563	(280,772)	1,723,373
Benefit payments, including refunds of member contributions	(904,815)	(926,647)	(1,037,205)
Administrative expense	(18,136)	(20,470)	(18,632)
Net change in plan fiduciary net position	1,498,876	(194,974)	1,732,712
Plan fiduciary net position - beginning	16,344,207	16,539,181	14,806,469
Plan fiduciary net position - ending (b)	17,843,083	16,344,207	16,539,181
Net pension liability - ending (a) - (b)	\$ 2,661,648	\$ 2,672,066	\$ 1,539,747
Plan fiduciary net position as a percentage of the total pension liability	87.02%	85.95%	91.48%
Covered-employee payroll	3,078,788	2,967,537	2,732,684
Net pension liability as a percentage of covered-employee payroll	86.45%	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,	2016	2015	2014
Actuarially determined contribution	\$ 626,841	\$ 523,418	\$ 615,147
Contributions in relation to the actuarially determined contribution	590,606	589,810	646,023
Contribution deficiency (excess)	\$ 36,235	\$ (66,392)	\$ (30,876)
Covered-employee payroll	\$ 3,078,788	\$ 2,967,537	\$ 2,732,684
Contributions as a percentage of covered-employee payroll	19.18%	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 income (loss), 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,	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	8.60%	-1.40%	10.40%

Notes to Schedule:

Only fiscal year's 2014, 2015 and 2016 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,	2016	2015	2014
Total pension liability			
Service cost	\$ 261,854	\$ 239,906	\$ 264,424
Interest	1,297,175	1,108,633	577,530
Differences between expected and actual experiences	(380,401)	614,707	392,824
Benefit payments, including refunds of member contributions	(596,757)	(461,583)	(428,064)
DROP adjustment	-	765,571	-
Net change in total pension liability	581,871	2,267,234	806,714
Total pension liability - beginning	15,654,456	13,387,222	12,580,508
Total pension liability - ending (a)	16,236,327	15,654,456	13,387,222
Plan fiduciary net position			
Contributions - employer	383,158	416,807	501,112
Contributions - member	78,955	86,266	146,638
Contributions - state	193,237	187,733	206,650
Net investment income (loss)	1,124,888	(212,505)	1,243,226
Benefit payments, including refunds of member contributions	(596,757)	(461,583)	(428,064)
Administrative expense	(21,443)	(26,963)	(31,784)
DROP adjustment	-	765,571	-
Net change in plan fiduciary net position	1,162,038	755,326	1,637,778
Plan fiduciary net position - beginning	13,673,096	12,917,770	11,279,992
Plan fiduciary net position - ending (b)	14,835,134	13,673,096	12,917,770
Net pension liability - ending (a) - (b)	\$ 1,401,193	\$ 1,981,360	\$ 469,452
Plan fiduciary net position as a percentage of the total pension liability	91.37%	87.34%	96.49%
Covered-employee payroll	1,524,460	1,460,571	1,285,641
Net pension liability as a percentage of covered-employee payroll	91.91%	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,	2016	2015	2014
Actuarially determined contribution	\$ 223,668	\$ 314,947	\$ 396,234
Contributions in relation to the actuarially determined contribution	383,158	416,807	501,112
Contribution deficiency (excess)	\$ (159,490)	\$ (101,860)	\$ (104,878)
Covered-employee payroll	\$ 1,524,460	\$ 1,460,571	\$ 1,285,641
Contributions as a percentage of covered-employee payroll	25.13%	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 income (loss), 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,	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	8.50%	-1.20%	10.80%

Notes to Schedule:

Only fiscal year's 2014, 2015 and 2016 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, 2016

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)
9/30/2014	\$ -	\$ 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%
9/30/2016	-	1,653,180	1,653,180	0.0%	11,967,650	13.8%

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

Fiscal Year Ending	Annual OPEB Cost	Actual Contribution	Percentage Contributed	Net OPEB Obligation
9/30/2014	\$ 290,949	\$ (10,592)	-3.6%	\$ 1,996,612
9/30/2015	263,664	142,375	54.0%	2,117,898
9/30/2016	282,843	42,944	15.2%	2,357,797

See Independent Auditor's Report.

Combining Financial Statements

City of Panama City Beach, Florida
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2016

Special Revenue Funds					
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Total	
Assets					
Cash and cash equivalents	\$ -	\$ 43,841	\$ -	\$ 43,841	
Prepays	7,831	-	-	7,831	
Cash and cash equivalents - restricted	33,635	-	695,389	729,024	
Total assets	\$ 41,466	\$ 43,841	\$ 695,389	\$ 780,696	
Liabilities and fund balances					
Accounts payable	\$ 121	\$ 3,988	\$ -	\$ 4,109	
Total liabilities	121	3,988	-	4,109	
Fund balances					
Nonspendable	7,831	-	-	7,831	
Restricted	33,514	-	695,389	728,903	
Assigned	-	39,853	-	39,853	
Total fund balances	41,345	39,853	695,389	776,587	
Total liabilities and fund balances	\$ 41,466	\$ 43,841	\$ 695,389	\$ 780,696	

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, 2016

	Special Revenue Funds			Total
	Law Enforcement Trust Fund	Cops and Kids Fund	Beach Access Public Parking Fund	
Revenues				
Licenses and permits	\$ -	\$ -	\$ 136,240	\$ 136,240
Fines and forfeitures	39,570	-	-	39,570
Contributions and donations	-	23,974	-	23,974
Interest	33	-	-	33
Total revenues	39,603	23,974	136,240	199,817
Expenditures				
Current				
Public safety	16,394	17,118	-	33,512
Capital outlay				
Public safety	60,947	-	-	60,947
Total expenditures	77,341	17,118	-	94,459
Excess (deficiency) of revenues over (under) expenditures	(37,738)	6,856	136,240	105,358
Other financing sources				
Proceeds from disposal of assets	20,465	-	-	20,465
Total other financing sources	20,465	-	-	20,465
Net change in fund balances	(17,273)	6,856	136,240	125,823
Fund balances - beginning	58,618	32,997	559,149	650,764
Fund balances - ending	\$ 41,345	\$ 39,853	\$ 695,389	\$ 776,587

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Net Position
Nonmajor Proprietary Funds
September 30, 2016

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,432,500	\$ 99,743	\$ 1,532,243
Accounts receivable, net	6,819	12,558	19,377
Prepays	6,815	1,708	8,523
Total current assets	1,446,134	114,009	1,560,143
Noncurrent assets			
Capital assets			
Nondepreciable	-	7,500	7,500
Depreciable, net	8,225,421	3,140,984	11,366,405
Total noncurrent assets	8,225,421	3,148,484	11,373,905
Total assets	9,671,555	3,262,493	12,934,048
Deferred outflows of resources			
Deferred outflows related to pensions	56,105	33,774	89,879
Total deferred outflows of resources	56,105	33,774	89,879
Liabilities			
Current liabilities			
Accounts payable	13,077	14,536	27,613
Accrued expenses and deposits	18,897	6,143	25,040
Due to other funds	-	8	8
Due to other governments	18,802	685	19,487
Unearned revenue	8,250	25,186	33,436
Accrued compensated absences	12,000	10,000	22,000
Total current liabilities	71,026	56,558	127,584
Noncurrent liabilities			
Accrued compensated absences	37,615	9,686	47,301
Net pension liability	63,804	37,447	101,251
Net OPEB obligation	31,200	27,527	58,727
Total noncurrent liabilities	132,619	74,660	207,279
Total liabilities	203,645	131,218	334,863
Deferred inflows of resources			
Deferred inflows related to pensions	21,077	17,396	38,473
Total deferred inflows of resources	21,077	17,396	38,473
Net position			
Net investment in capital assets	8,225,421	3,148,484	11,373,905
Unrestricted	1,277,517	(831)	1,276,686
Total net position	\$ 9,502,938	\$ 3,147,653	\$ 12,650,591

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, 2016

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Operating revenues			
Charges for services			
Admissions and other fees	\$ 837,525	\$ 322,378	\$ 1,159,903
Rent	220,856	16,524	237,380
Miscellaneous	172	394	566
Total operating revenues	1,058,553	339,296	1,397,849
Operating expenses			
Personal services	394,128	425,888	820,016
Professional services	9,380	9,035	18,415
Office supplies	941	1,311	2,252
Contractual services	39,458	10,763	50,221
Insurance	19,763	21,847	41,610
Repairs and maintenance	56,392	49,451	105,843
Operating supplies	52,724	109,670	162,394
Communication services	8,313	7,055	15,368
Public utility services	30,665	125,520	156,185
Transportation	2	19	21
Rentals	52,485	9,310	61,795
Printing and binding	1,723	4,561	6,284
Miscellaneous	1,964	6,673	8,637
Depreciation	431,882	155,224	587,106
Total operating expenses	1,099,820	936,327	2,036,147
Net operating (loss)	(41,267)	(597,031)	(638,298)
Nonoperating revenues (expenses)			
Grants and contributions	141,400	500	141,900
Total nonoperating revenues (expenses)	141,400	500	141,900
Net income (loss) before transfers	100,133	(596,531)	(496,398)
Transfers in	-	502,000	502,000
Transfers out	(450,000)	-	(450,000)
Total transfers	(450,000)	502,000	52,000
Change in net position	(349,867)	(94,531)	(444,398)
Total net position - beginning	9,852,805	3,242,184	13,094,989
Total net position - ending	\$ 9,502,938	\$ 3,147,653	\$ 12,650,591

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds
Year Ended September 30, 2016

	Business-type Activities/Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Operating activities			
Receipts from customers and users	\$ 1,106,330	\$ 344,978	\$ 1,451,308
Payments to suppliers	(346,724)	(427,175)	(773,899)
Payments to employees	(284,653)	(340,529)	(625,182)
Net cash provided (used) by operating activities	474,953	(422,726)	52,227
Noncapital financing activities			
Grants and contributions	119,400	500	119,900
Transfers (to) from other funds	(450,000)	502,000	52,000
Net cash provided (used) by noncapital financing activities	(330,600)	502,500	171,900
Capital and related financing activities			
Grants and contributions	22,000	-	22,000
Purchase of capital assets	(53,748)	(113,052)	(166,800)
Net cash (used) by capital and related financing activities	(31,748)	(113,052)	(144,800)
Net change in cash and cash equivalents	112,605	(33,278)	79,327
Cash and cash equivalents - beginning	1,319,895	133,021	1,452,916
Cash and cash equivalents - ending	\$ 1,432,500	\$ 99,743	\$ 1,532,243

(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, 2016

	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)	\$ (41,267)	\$ (597,031)	\$ (638,298)
Adjustments to reconcile net operating (loss) to net cash provided (used) by operating activities			
Depreciation	431,882	155,224	587,106
(Increase) decrease in assets			
Accounts receivable, net	22,195	4,857	27,052
Due from other governments	8,430	-	8,430
Prepaid expenses, other	(644)	(155)	(799)
Decrease in deferred outflows related to pensions	18,814	15,528	34,342
Increase (decrease) in liabilities			
Accounts payable	8,503	(3,459)	5,044
Accrued expenses and deposits	3,423	1,095	4,518
Due to other funds	-	(869)	(869)
Due to other governments	13,614	(16)	13,598
Unearned revenue	3,528	795	4,323
Accrued compensated absences	10,576	3,218	13,794
Net OPEB obligation	1,968	3,096	5,064
Net pension liability	(27,146)	(22,405)	(49,551)
Increase in deferred inflows related to pensions	21,077	17,396	38,473
Total adjustments	516,220	174,305	690,525
Net cash provided (used) by operating activities	\$ 474,953	\$ (422,726)	\$ 52,227

See Independent Auditor's Report.

City of Panama City Beach, Florida
Combining Statement of Fiduciary Net Position
Fiduciary Funds
September 30, 2016

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
Assets				
Cash and cash equivalents	\$ 217,003	\$ 272,565	\$ 250,860	\$ 740,428
Accounts receivable, net	-	-	12,509	12,509
Dividends receivable	12,581	6,940	5,687	25,208
Investments, at fair value				
Money market funds	659,369	358,755	178,829	1,196,953
Real estate investment trusts	858,800	465,695	387,049	1,711,544
Master limited partnership	1,017,282	558,596	457,590	2,033,468
Mutual funds	29,649,563	16,198,816	13,567,461	59,415,840
Total assets	32,414,598	17,861,367	14,859,985	65,135,950
Liabilities				
Accounts payable	28,508	17,894	17,466	63,868
Refunds payable	3,764	390	7,385	11,539
Total liabilities	32,272	18,284	24,851	75,407
Net position				
Restricted for pension benefits	\$ 32,382,326	\$ 17,843,083	\$ 14,835,134	\$ 65,060,543

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, 2016

	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 892,284	\$ 590,606	\$ 383,158	\$ 1,866,048
Plan members	563,913	338,561	78,955	981,429
Insurance premiums	-	137,097	193,237	330,334
Total contributions	1,456,197	1,066,264	655,350	3,177,811
Investment earnings				
Interest	428	292	167	887
Dividends	632,293	342,827	287,727	1,262,847
Master limited partnership earnings	15,498	8,537	6,977	31,012
Net increase in fair value of investments	1,945,043	1,050,577	872,059	3,867,679
Total investment earnings	2,593,262	1,402,233	1,166,930	5,162,425
Less investment expenses	(67,499)	(46,670)	(42,042)	(156,211)
Net investment earnings	2,525,763	1,355,563	1,124,888	5,006,214
Total additions	3,981,960	2,421,827	1,780,238	8,184,025
Deductions				
Benefits	1,022,044	849,305	562,759	2,434,108
Refunds of contributions	45,374	55,510	33,998	134,882
Administrative expenses	24,606	18,136	21,443	64,185
Total deductions	1,092,024	922,951	618,200	2,633,175
Change in net position	2,889,936	1,498,876	1,162,038	5,550,850
Net position - beginning	29,492,390	16,344,207	13,673,096	59,509,693
Net position - ending	\$ 32,382,326	\$ 17,843,083	\$ 14,835,134	\$ 65,060,543

See Independent Auditor's Report.

Compliance Section



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

(850) 784- 6733
(850) 784-4866 (fax)
www.cricpa.com

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, 2016, and have issued our report thereon dated September 18, 2017.

Auditor’s Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and 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* and 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 September 18, 2017, 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 2015-01 and 14-01 reported in the two preceding audit reports was not corrected and is repeated this year as finding 2016-001, see 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*. Recommendation 2015-02 and 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, 2016, 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, 2016. 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.

2016-002 Accounting Policies (prior years 2015-02 and 14-02)

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

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

Certified Public Accountants
Panama City Beach, Florida
September 18, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and have issued our report thereon dated September 18, 2017.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the 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, we identified the following deficiency in internal control that we consider to be material weakness.

2016-001 Segregation of Duties (Prior Years 15-01 and 14-01)(initially reported in 2010)

The city does not have proper segregation of accounting duties. 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. This condition is the result of limited accounting staff at the City.

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.

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

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

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

Although the City's finance director currently has the ability to both approve and issue cash disbursements as well as reconciles cash accounts, every attempt is made to have another responsible staff member, City Manager, department head, etc., approve invoices for payment. Additionally, very few checks are processed manually and although the finance director can access the cash disbursement portion of the City's accounting system, the finance director has not been trained on that portion of the system and currently is unable to issue checks due to this lack of training. The City added an additional accounting position in the fiscal year 2016 budget and filled this position in January of 2017. 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.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal

control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Certified Public Accountants
Panama City Beach, Florida
September 18, 2017



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

(850) 784- 6733
(850) 784-4866 (fax)
www.cricpa.com

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, 2016. 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, 2016.

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
September 18, 2017