

CITY OF PANAMA CITY, FLORIDA COMPREHENSIVE ANNUAL FINANCIAL REPORT



**FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2014**



City of Panama City, Florida

Comprehensive Annual Financial Report

For the fiscal year ended September 30, 2014

Prepared by:

The City of Panama City

Accounting Division

Cover photo: Panama City Marina

Photographer: Doug Dobos



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY OF PANAMA CITY, FLORIDA
FISCAL YEAR ENDED SEPTEMBER 30, 2014
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INTRODUCTORY SECTION

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- LETTER OF TRANSMITTAL
- PRINCIPAL OFFICIALS
- CITY ORGANIZATION CHART
- GFOA CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE
IN FINANCIAL REPORTING



***“Dedicated to Excellence . . .
People Serving People”***

March 26, 2015

Honorable Mayor and City Commission
City of Panama City
Panama City, Florida

I am pleased to present the Comprehensive Annual Financial Report of the City of Panama City (The City) for the fiscal year ended September 30, 2014. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City’s financial activities have been included.

The September 30, 2014, financial statements comply with the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments* (GASB 34). Management’s Discussion and Analysis beginning on page 4 provides an in-depth explanation of the method of reporting and financial condition of the City.

Independent Audit Chapter 11.45 of the Florida Statutes requires an independent certified public accountant financial audit for fiscal year ended September 30, 2014, and the opinion of the independent auditor has been included in this report on page 1. In addition to meeting the requirements set forth in the Florida State Statutes, the audit was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government’s internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the single audit section beginning on page 161.

The Reporting Entity and Its Services

The City of Panama City was incorporated on March 12, 1926 and covers an area of approximately thirty-four square miles. The population of the City for 2014 was estimated to be 35,773. The City is the county seat of Bay County. The City has a commission-manager form of government and provides a full range of municipal services including general government, public safety, public improvements, planning and zoning, and related general and administrative services. In addition, the City operates three enterprise activities – water and sewer, solid waste, and marina.

Criteria considered in concluding which related activities (component units) should be included in the City's combined financial statements are as follows:

- Financial accountability;
- Appointment of a voting majority;
- Imposition of will;
- Financial benefit to or burden on a primary government; and
- Financial accountability as a result of fiscal dependency.

The following component units were included, by discrete presentation for 2014, based upon the criteria noted above:

- Panama City Downtown Improvement Board
- Panama City Port Authority

The Panama City Community Redevelopment Agency is included as a blended component unit in the City's financial statements.

Relevant Financial Policies

The City adopted a fund balance policy during fiscal year 2011 in accordance with Governmental Accounting Standards Board Statement No. 54. The policy applies to governmental funds only. Due to the City's coastal location, which is subject to hurricane activity, the City authorized a committed fund balance in the General Fund with a target balance of 30% of annual budgeted operating expenditures. The City also targeted a balance of 20% as unassigned fund balance to meet general operating expenditures. The fiscal year ended 2014 fund balance adequately meets the targets adopted in the policy.

Economic Condition and Outlook

The City continues to be financially sound and some improvement has occurred in the local economy in the aftermath of the recent national recession. Tax revenue increased by 5%, mostly due to the increase in merchant license fee revenue for the fourth consecutive year. The fees are remitted by merchants and represent 1% of retail sales. City Officials are closely monitoring these conditions and are committed to working with community groups to attract businesses and tourists to Panama City.

During 2014, the Citizens of Panama City voted to approve a tourist development tax. Annual revenue generated by this tax approximates \$1.4 million. These funds will be collected by Bay County and given to the Panama City Community Development Council, Inc. to promote tourist-related business activities.

Two military bases, Tyndall Air Force Base and the Naval Support Activity, provide approximately 10,000 military and civilian jobs and 15,000 retirees have chosen to remain in the Panama City-Bay County area. The annual economic impact of the two bases totals over \$1.2 billion.

The Panama City Port Authority Intermodal Distribution Center (IDC) is complete and ready to support port-related distribution and to attract large scale manufacturing activity. The City provided a low interest loan in the amount of \$1.8 million to prepare the fifty acre “construction ready” site. Over the next five years, the Port plans to increase cargo tonnage to over 2.1 million tons and has committed to \$35 million in improvements.

A Panama City shipping company, Linea Peninsular, welcomed a new larger 330 foot container ship as the final three fleet upgrade. The Company sends shipments back and forth from Port Panama City to Port of Progreso, Mexico.

The Northwest Florida Beaches International Airport has announced two new airline services for the area commencing during 2015. United Airlines will offer year-round service to the airline’s largest passenger hub at Houston’s George Bush International Airport. Silver Airways will begin their intra-Florida service with new nonstop flights to Orlando International Airport and Tampa International Airport.

Bay County published reports confirm that sales tax collections were up by 7.5%, residential real estate closings were up by 20%, and building permits were up by 22%.

Major Initiatives

During fiscal year 2013, the City borrowed \$12.9 million and began construction on Phases I and II of the downtown marina renovation. During 2014, construction continues with the Civic Plaza improvements and repairs to the marina seawalls.

A thirty year planned unit development agreement was entered into between the City and St. Andrew Bay Land Company for development of the old airport property. Plans are to construct 3,200 dwellings and 700,000 gross square feet of non-residential units in the 700+ acre waterfront area that is now called SweetBay. Phase I development order was approved for 274 residential dwellings on 66 acres, which will be called Academy Park.

The CRA continues a grant program which allows for commercial and residential improvement incentives. In addition, a new paint voucher program was created as well as a job creation incentive credit program. These programs were created to attract investment and reverse blight and have been responsible for creating new jobs.

Storm water treatment remains a high priority of the City. Grants provided by the Northwest Florida Water Management System supplied the funding for the projects. Fourteen facilities were constructed during fiscal year 2014, for an approximate cost of \$950,000. Of which, one large storm water treatment facility provides flood control and aesthetic elements including a walking path.

For the Future

During 2015, the City expects to contract with a Company to redevelop the Panama City Marina. It is reasonable to expect the project to become a lucrative part of the City that sustains investment returns through sales and property taxes. The City will consider tax-increment financing, concessions for impact fees and funding for infrastructure improvements. Also, the City is considering the relocation of City Hall and the purchase of waterfront property adjacent to the Marina which could be used as part of the Marina project.

During fiscal year 2013, the Downtown CRA area was extended for another 20 years. The new revised plan includes continuing community policing efforts, improving the streetscape, encouraging increased economic and tourism based activities, and increasing the grants program.

Plans for downtown include a sidewalk café/flexible streets program that allows restaurants to extend the sidewalk area from beyond existing curbs into public rights of way and parking areas. A group of local citizens are also promoting a vision to turn downtown into a Music and Arts Corridor. Their ultimate goal is to make downtown a destination for both locals and tourists.

Design work is underway for widening one mile on the north end of a major corridor from two lanes to five lanes. Total cost of the project is \$5 million and includes purchasing parcels for construction of storm water treatment facilities.

The City is considering adding a natural gas station and purchasing natural gas-powered vehicles. The station is estimated to have a maximum cost of \$1.8 million. The cost savings in fuel and maintenance would be immediate. The savings during a 20-year period could be as much as \$2.9 million according to the feasibility study.

A construction upgrade of the St. Andrews Waste Water Treatment Facility was permitted through Florida Department of Environmental Protection which would increase the permitted treatment capacity (average daily flow) from 5 MGD to 10 MGD upon completion of the three phases of construction. The plant expansion will create a more advanced treatment process allowing for greater nutrient removal from the treated effluent. The permit dates for Phase I are October 15, 2015 to July 18, 2016 with an estimated cost of \$31.6 million.

Accounting System and Internal Control

The City's accounting, budgetary, and financial reporting systems have been designed to conform to the standards set forth by the American Institute of Certified Public Accountants, the Governmental Accounting Standards Board, the Office of Management and Budget, and the State of Florida.

In developing and altering the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding:

The safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability of assets.

The concept of reasonable assurance recognizes that:

- The cost of a control should not exceed the benefits likely to be derived, and
- The evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. We believe the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

As a recipient of federal and state financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

As part of the government's single audit, tests are made to determine the adequacy of the internal control structure including that portion related to federal financial assistance programs, as well as to determine that the government has complied with applicable laws and regulations.

In conformance with the City Charter and Florida Statutes, budgetary control is maintained through constant review by the accounting division. Detailed monthly budget reports are prepared for each department, documenting revenues and expenditures.

Budgetary Controls

The City maintains budgetary controls to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the General Fund, Utilities Fund, Solid Waste Fund, Marina Fund, Debt Service Fund, Medical Self-Insurance Fund, Community Planning and Development Fund, State Housing Initiative Partnership City, State Housing Initiative Partnership County, General Grants Fund, and the Community Redevelopment Agency areas are included in the appropriated annual budget. The

City also maintains an encumbrance accounting system as one technique in accomplishing budgetary controls. Encumbered amounts lapse at the year end. Encumbrances are generally re-appropriated as part of the following year's budget.

Reporting Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Panama City, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2013. This was the twentieth consecutive year that the City has received this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

I thank the City Commission members for their commitment to planning and conducting the financial operations of the City in a highly responsible and conservative manner. The completion of this Comprehensive Annual Financial Report on a timely basis was made possible by the dedicated efforts of the entire Accounting Division. Sincere appreciation is extended to the firm of Tipton, Marler, Garner and Chastain, for its professional approach and high standards in the conduct of the firm's independent audit of the City's financial records and transactions.

Respectfully submitted,



T. D. Hachmeister, CPA, CFE
City Clerk-Treasurer



City of Panama City Officials

Commission - Manager Form of Government

City Commission

Greg Brudnicki, Mayor

Ward I

John Kady

Ward II

Kenneth Brown

Ward III

Billy Rader

Ward IV

Mike Nichols

City Manager

Jeffrey E. Brown

City Attorney

Nevin Zimmerman

City Clerk - Treasurer

Darlene Hachmeister

Independent Auditors

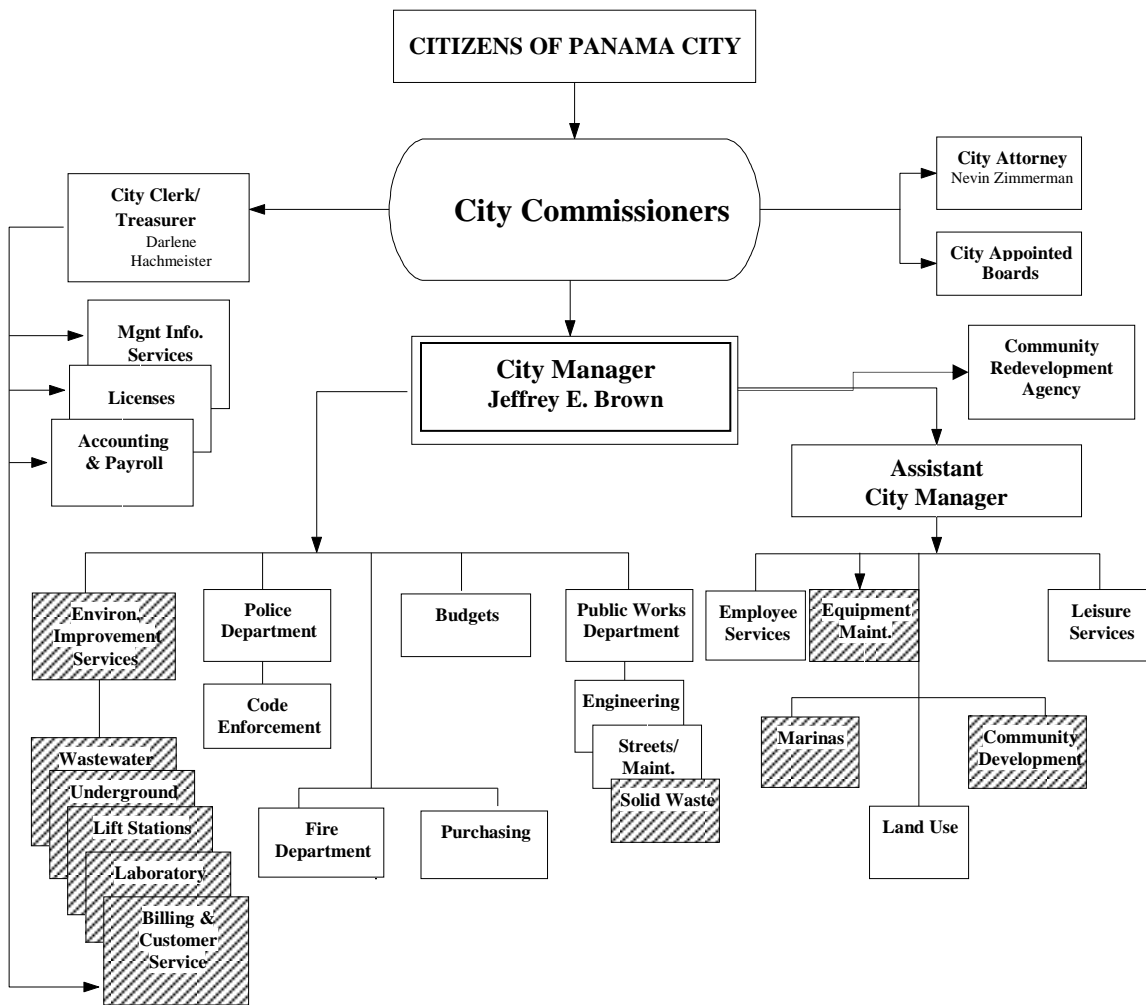
Tipton, Marler, Garner & Chastain


Fiscal Year


October 1, 2013 - September 30, 2014

ORGANIZATIONAL CHART

Fiscal Year 2014



 **Non-General Fund**

 **General Fund**

Dedicated to Excellence ~ People Serving People



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Panama City
Florida**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2013

Executive Director/CEO



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FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

- INDEPENDENT AUDITOR'S REPORT
- MANAGEMENT DISCUSSION AND ANALYSIS
- BASIC FINANCIAL STATEMENTS
- REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN
MANAGEMENT DISCUSSION AND ANALYSIS
- COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS
- SUPPLEMENTAL INFORMATION



INDEPENDENT AUDITOR'S REPORT

Honorable Mayor, City Commissioners,
and City Manager
City of Panama City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Panama City, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Panama City, Florida'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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Panama City, Florida, as of September 30, 2014, 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.

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 budget to actual comparison – major funds (general fund) on page 97 and pension and other post employment schedules on pages 98 through 108 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 of Panama City, Florida's basic financial statements. The introductory section, combining and individual financial statements and schedules, and statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state projects, and schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, as listed in the table of contents, are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Chapter 10.550 *State of Florida Rules of the Auditor General*, and are also not a required part of the basic financial statements.

The combining and individual financial statements and schedules, schedule of expenditures of federal awards and state projects, schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, 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 financial statements and schedules, the schedule of expenditures of federal awards and state projects, schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2015, on our consideration of the City of Panama City, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Panama City, Florida's internal control over financial reporting and compliance.



Panama City, Florida
March 26, 2015

City of Panama City, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2014

The City of Panama City's Management Discussion and Analysis provides an overview of the City's financial activities for the fiscal year ended September 30, 2014 and offers a comparative analysis between fiscal years 2014 and 2013. It serves as an introduction to the City's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This discussion should be read in conjunction with the City's financial statements, which begin on page 17, and the Letter of Transmittal, located in the Introductory Section.

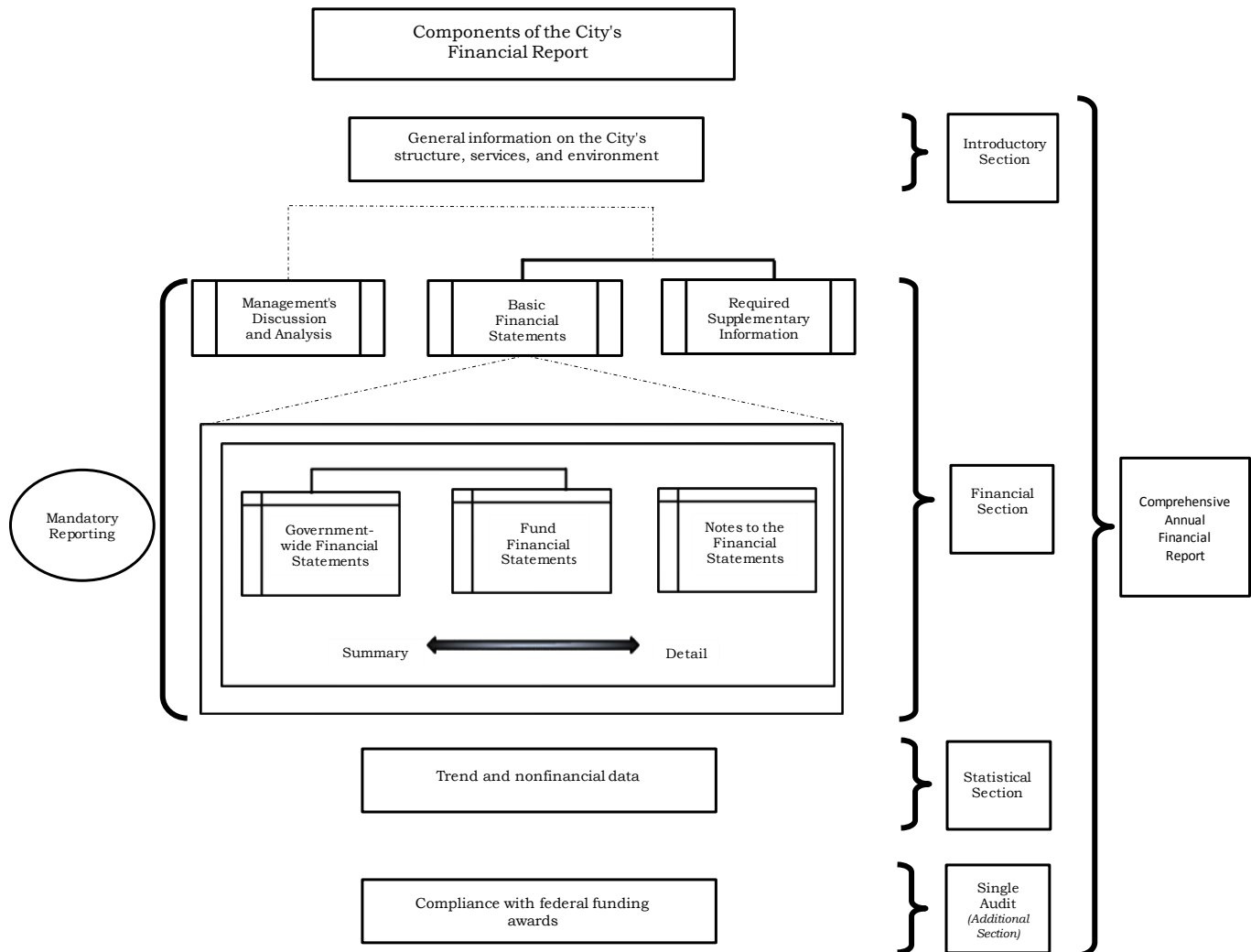
Financial Highlights

- The City's assets exceeded its liabilities (net position) as of September 30, 2014 by \$177,778,262. Of this amount, \$67,677,306 (unrestricted net position) represents the portion of total net assets which may be used to meet the government's ongoing obligations to citizens, customers, and creditors. \$104,175,531 of total net position is invested in capital assets (net of related debt) and the remaining \$5,925,425 is restricted.
- Total net position, for the City, increased \$6,814,866 (4.0%) over fiscal year 2013 ending net position of \$170,963,396. Governmental activities had increased by 3.0% (\$2,970,402) at the end of fiscal year 2014 and accounted for \$101,705,231 of the City's total net position. Business-type activities increased 5.3% (\$3,844,464) over the previous fiscal year to \$76,073,031. Unrestricted net position for governmental activities equaled \$42,197,973 and restricted equaled \$2,415,183. Business-type activities reported net positions of \$25,479,333 unrestricted and \$3,510,242 restricted.
- Capital assets increased 1.9% from fiscal year 2013 to \$124,185,818 at the close of fiscal year 2014. Total assets and deferred outflows for the City equaled \$218,286,405 on September 30, 2014.
- The General Fund reported a total fund balance of \$24,586,713 on September 30, 2014, an increase of \$2,156,692 (9.6%) over fiscal year 2013. The general fund ending balance represents over 50% of general fund expenditures and transfers out for fiscal year 2014.
- Total debt for fiscal year 2014 decreased 8.6% from fiscal year 2013. The decrease of \$3,382,837 was primarily due to debt service payments on existing bonds. During fiscal year 2014, the City refunded 2004 water and sewer bond with new bank notes to take advantage of lower interest rates.

Overview of the financial statements

This comprehensive annual financial report was prepared in conformity with the Governmental Accounting Standards Board's Statement (GASB) No. 34. The report contains other supplementary information in addition to the basic financial statements themselves. The basic financial statements provide information on both the City as a whole (government-wide) and its major individual funds. Both perspectives (government-wide and fund financial) allow the user to address relevant questions, broaden a basis for comparison (year to year) and enhance the

City's accountability. The following illustration presents the components of the financial report.



Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Panama City's finances, in a manner similar to a private-sector business. They are prepared using the accrual basis of accounting, which accounts for all of the current year's revenues and expenses regardless of when cash is paid or received.

The *statement of net position* presents information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as *net position*. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long term obligations. Over time, increases and decreases in net position may serve as a useful indicator of whether the City's financial position is improving or deteriorating. Assets, liabilities, deferred inflows/outflows of resources, and net

position is reported separately for *governmental activities* and *business-type activities*.

The *statement of activities* reports all of the City's revenues, expenses, and changes in net position for the most recent fiscal year. Both governmental and business-type activities are presented to summarize the gross and net cost of various City functions. Governmental activities include general government, public safety, physical environment, transportation, economic environment, human services, and culture/recreation. Costs of governmental activities are principally supported by taxes and intergovernmental revenues. Business-type activities include water and sewer utilities, solid waste, and marina operations. Costs of business-type activities are supported by user charges and fees.

The government-wide financial statements include not only the City of Panama City and its *blended component unit* (The Panama City Community Redevelopment Agency), but also *discretely-presented component units* for which the City is financially accountable. The Panama City Downtown Improvement Board and the Panama City Port Authority are legally separate entities over which the City, as the *primary government*, may exercise influence or may be obligated to provide financial subsidy. The information for these two *discretely-presented component units* is presented in separate columns in the government-wide financial statements. Component unit financial statements may be requested by contacting that entity at the address listed on page 30 and 31 in the Notes to the Financial Statements.

Fund Financial Statements

The financial activities of the City are recorded in separate *funds*. Funds are groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City of Panama City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide statement, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate a comparison between *governmental funds* and *governmental activities*.

The City of Panama City maintains sixteen governmental funds. The General Fund, Capital Projects Fund, and the Capital Projects 2013 Fund are considered to be major funds. Therefore, a balance sheet and statement of revenues, expenditures, and changes in fund balances are presented beginning on page 20. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor

governmental funds is provided in the form of combining statements elsewhere in this report.

The City of Panama City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 20 through 22 of this report.

Proprietary fund financial statements can be found beginning on page 23. The City of Panama City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. They include the Utilities Fund, Solid Waste Fund, and the Marina Fund. All are considered to be major funds of the City. *Internal service funds* account for the financing of goods or services provided by one department to other departments of the City. The funds maintained by the City include the Equipment Maintenance, Medical, and Dental Insurance funds. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

Financial statements of proprietary funds provide the same type of information as the government-wide financial statements, only in greater detail. The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in the report.

It is important to recognize that, while the total column on the business-type fund financial statement may be the same as the business-type column on the government-wide financial statement, the governmental funds total column requires a reconciliation because of the different measurement focus utilized (current financial resources versus total economic resources). The related reconciliations are included for examination.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Panama City's own programs. The accounting for those funds is much like that used for proprietary funds. The City's fiduciary funds include Police, Fire, and Senior Management Supplemental Pension Funds, and can be found beginning on page 27.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 29 through 96 of this report.

Other information, in addition to the basic financial statements and accompanying notes, includes Police, Fire, and Senior Management Supplemental Pension funding obligations in the *required supplementary information* beginning on page

97. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information beginning on page 109.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position. In the case of the City of Panama City, assets exceeded liabilities by \$177,778,262 at the close of the most recent fiscal year.

The largest component of the City's net position (58.6%) is investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure) which is net of any related outstanding debt used to acquire those assets. The City of Panama City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. 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.

City of Panama City, Florida Summary Statement of Net Position As of September 30, 2014 AND 2013

	Governmental Activities		Business-type Activities		Total Primary Government	
	2014	2013	2014	2013	2014	2013
Current and Other assets	\$ 60,897,893	\$ 62,403,375	\$ 32,116,783	\$ 29,307,079	\$ 93,014,676	\$ 91,710,454
Capital assets	65,020,787	61,516,984	59,165,031	60,392,740	124,185,818	121,909,724
Total assets	125,918,680	123,920,359	91,281,814	89,699,819	217,200,494	213,620,178
Total deferred outflows of resources	-	-	1,085,911	1,256,761	1,085,911	1,256,761
Current and Other liabilities	5,174,232	6,489,411	1,392,078	2,694,671	6,566,310	9,184,082
Noncurrent liabilities	19,039,217	18,696,119	14,902,616	16,033,342	33,941,833	34,729,461
Total liabilities	24,213,449	25,185,530	16,294,694	18,728,013	40,508,143	43,913,543
Net position:						
Invested in capital assets, net of related debt	57,092,075	41,666,862	47,083,456	46,401,318	104,175,531	88,068,180
Restricted	2,415,183	1,842,298	3,510,242	5,038,071	5,925,425	6,880,369
Unrestricted	42,197,973	55,225,669	25,479,333	20,789,178	67,677,306	76,014,847
Total net position	\$ 101,705,231	\$ 98,734,829	\$ 76,073,031	\$ 72,228,567	\$ 177,778,262	\$ 170,963,396

Approximately 3.3% (\$5,925,425) of the City's net position, at September 30, 2014, are resources subject to external restrictions on how they may be used. The remaining 38.1% of total net position (\$67,677,306) is unrestricted and remain available to meet the City's ongoing obligations to citizens, creditors, and customers.

At the end of the current fiscal year, as in the prior year, the City is able to report positive balances in all three categories of net position as a whole, and individually, within the governmental and business-type activities.

The City's overall net position on September 30, 2014 increased \$6,814,866 (4.0%) from fiscal year 2013. Governmental activities increased 3.0% (\$2,970,402), as did business-type activities with an increase of \$3,844,464 (5.3%).

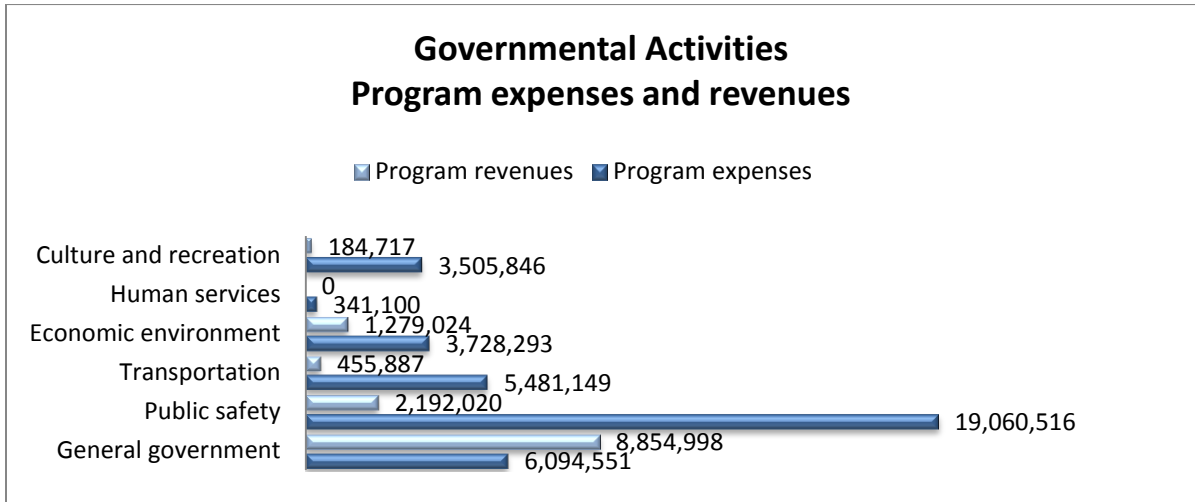
Key elements of the increases and decreases between 2013 and 2014 can be compared by examining changes in net position on the *Statement of Activities* (below). The Statement of Activities shows the governmental and business-type activities during the previous two fiscal years. The increase in net position for each year represents the extent to which revenues exceeded expenses during the year.

City of Panama City, Florida
Statement of Activities
Fiscal Years Ended September 30, 2014 AND 2013

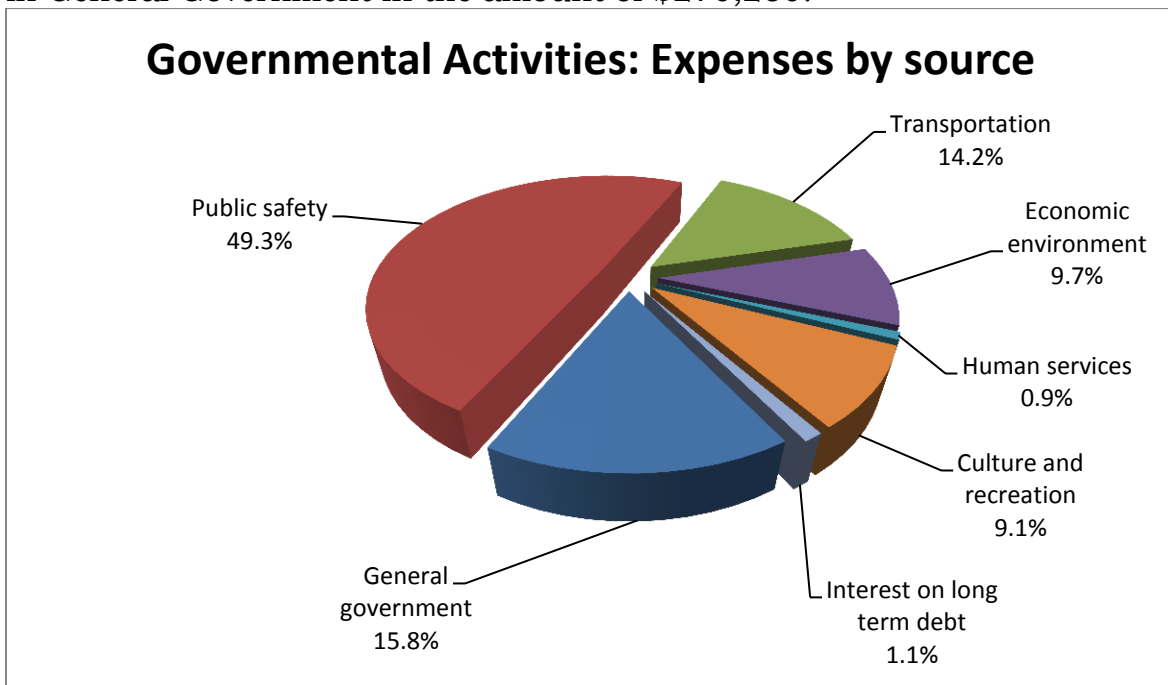
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues						
Program Revenues:						
Charges for services-governmental	\$ 10,498,108	\$ 9,832,433			\$ 10,498,108	\$ 9,832,433
Charges for services-utilities			\$ 17,861,187	\$ 17,409,907	17,861,187	17,409,907
Charges for services-solid waste			6,607,800	6,499,983	6,607,800	6,499,983
Charges for services-marinas			2,976,178	3,123,838	2,976,178	3,123,838
Operating grants and contributions	2,443,538	2,696,614			2,443,538	2,696,614
Capital grants and contributions	25,000	20,494	138,515	142,542	163,515	163,036
General Revenues:						
Taxes:						
Ad valorem	8,338,872	7,931,119			8,338,872	7,931,119
Tax increment	2,095,743	1,503,382			2,095,743	1,503,382
Gas tax	1,376,850	1,394,258			1,376,850	1,394,258
Franchise fees	4,149,648	4,066,491			4,149,648	4,066,491
Utility service taxes	3,879,713	3,479,637			3,879,713	3,479,637
Communications service taxes	1,713,347	1,945,790			1,713,347	1,945,790
State revenue sharing	1,355,933	1,344,526			1,355,933	1,344,526
Half cent sales tax	2,947,185	2,736,855			2,947,185	2,736,855
Investment earnings	346,393	225,263	99,797	90,477	446,190	315,740
Gain (loss) on sale of capital assets	14,930	16,980	3,145		18,075	16,980
Other general revenues	608,564	2,950,334	13,196	50,689	621,760	3,001,023
Total Revenues	39,793,824	40,144,176	27,699,818	27,317,436	67,493,642	67,461,612
Expenses						
General Government	6,094,551	6,364,801			6,094,551	6,364,801
Public Safety	19,060,516	18,443,729			19,060,516	18,443,729
Transportation	5,481,149	5,455,287			5,481,149	5,455,287
Economic Environment	3,728,293	3,309,023			3,728,293	3,309,023
Human Services	341,100	301,127			341,100	301,127
Culture and Recreation	3,505,846	3,470,268			3,505,846	3,470,268
Interest on long-term debt	415,035	462,930			415,035	462,930
Water and sewer utilities			13,575,865	14,032,601	13,575,865	14,032,601
Solid waste operations			5,450,759	5,591,570	5,450,759	5,591,570
Marinas operations			3,025,662	3,213,703	3,025,662	3,213,703
Total Expenses	38,626,490	37,807,165	22,052,286	22,837,874	60,678,776	60,645,039
Increase in net position before transfers	1,167,334	2,337,011	5,647,532	4,479,562	6,814,866	6,816,573
Transfers in (out)	1,803,068	1,774,122	(1,803,068)	(1,774,122)		
Increase in net position	2,970,402	4,111,133	3,844,464	2,705,440	6,814,866	6,816,573
Net position - beginning	98,734,829	94,623,696	72,228,567	69,523,127	170,963,396	164,146,823
Net position - ending	\$ 101,705,231	\$ 98,734,829	\$ 76,073,031	\$ 72,228,567	\$ 177,778,262	\$ 170,963,396

Governmental Activities

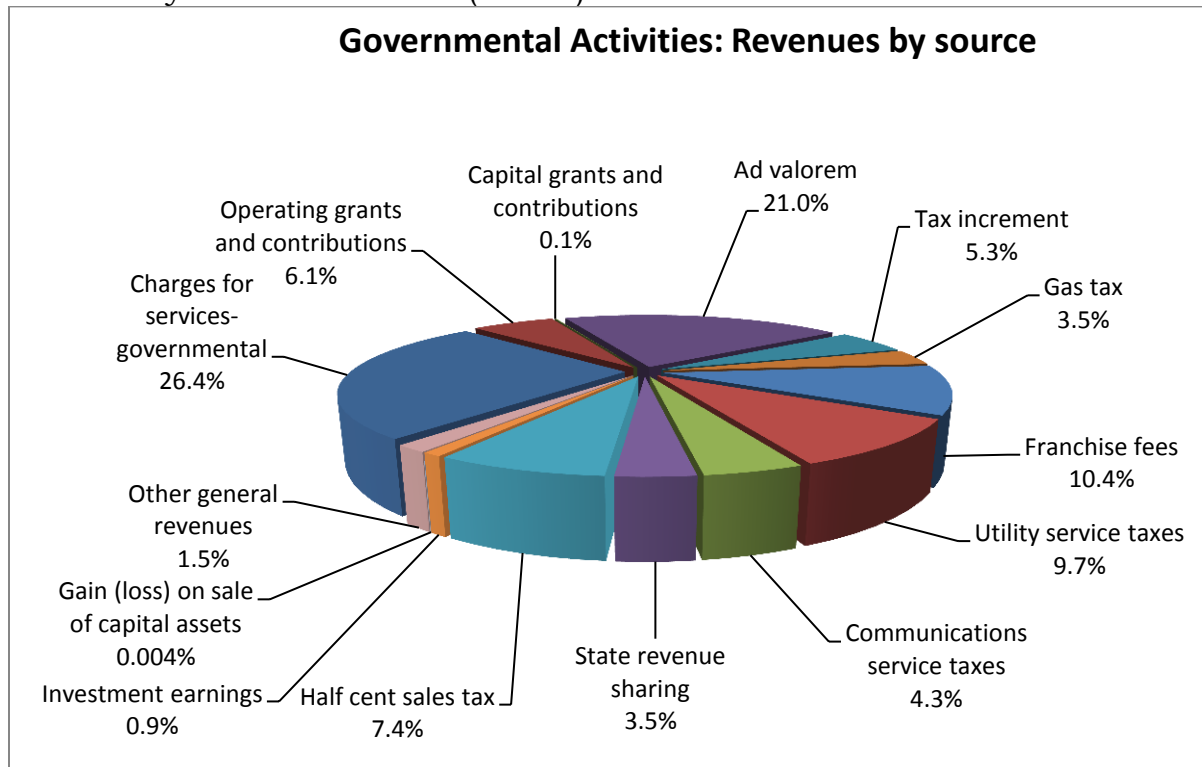
GASB Statement No. 34 reporting requires that functional expenses are matched with revenues that directly support the function. The bar chart below gives a clear indication of which functions are dependent on general revenues to support their operations. Public Safety, consisting of police and fire services, has the largest difference and is traditionally supported by taxes.



Expenses in the governmental activities are highest in the public safety category (49.3%) followed by general government (15.8%) and transportation (14.2%). Total governmental activity expenses increased slightly by 2.2% (\$819,325) in fiscal year 2014. The largest dollar increase in expenses occurred in the Public Safety category (\$616,787) and the greatest decrease in General Government in the amount of \$270,250.

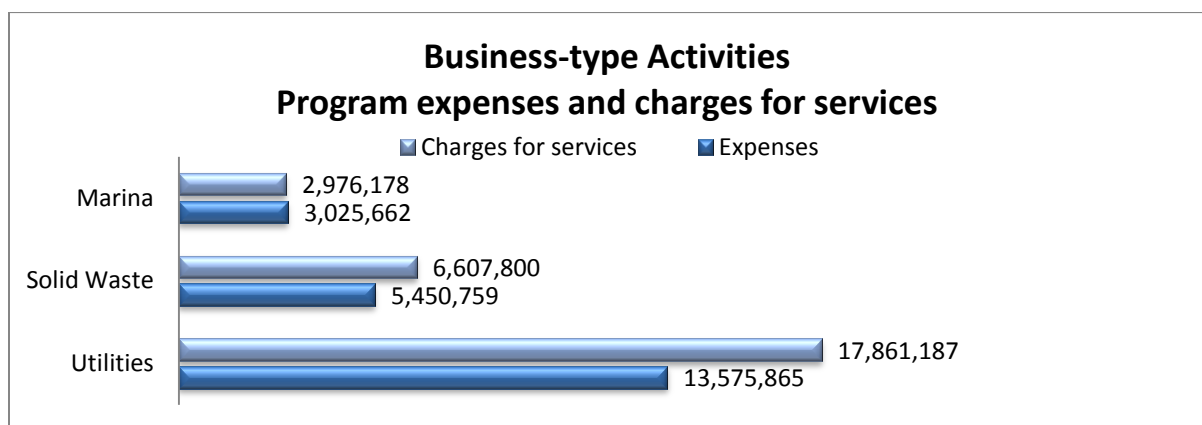


Revenues from governmental activities decreased \$350,352 from fiscal year 2013. This decrease is due to a combination of \$1,900,000 from the Deepwater Horizon Oil Spill received by the City of Panama City in fiscal year 2013 and increases and decreases in tax revenues. Charges for services continue to be the largest revenue source in governmental activities (26.4%), followed by ad valorem taxes (21.0%).

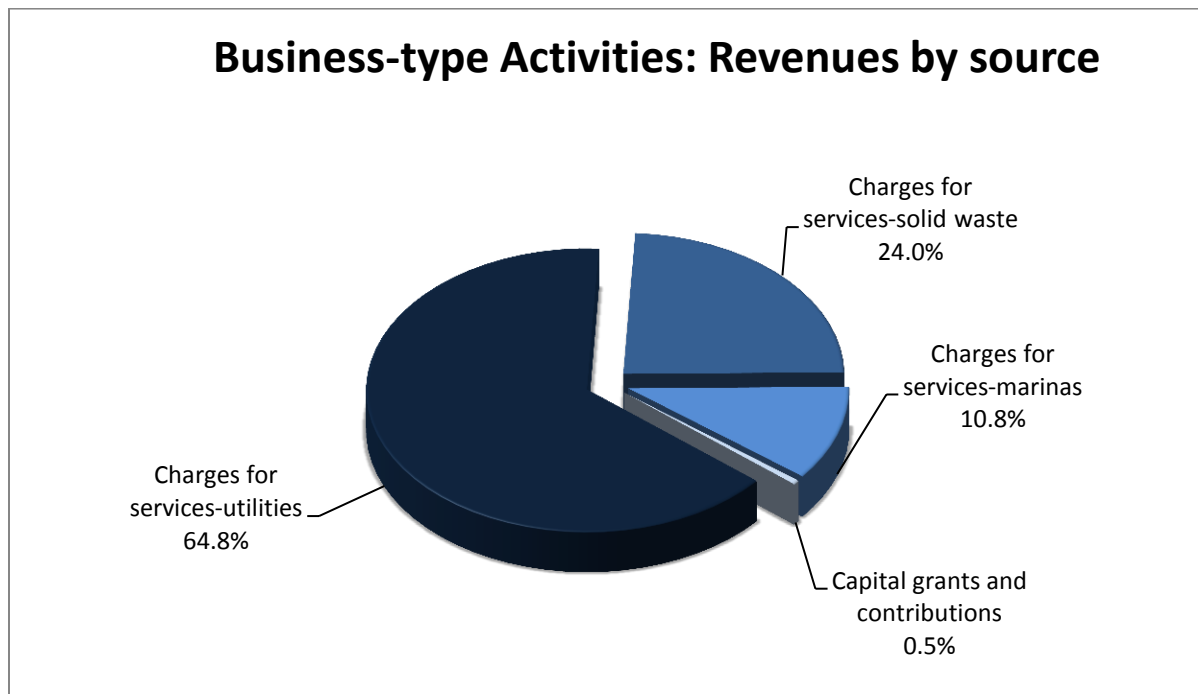


Business-type activities

All funds that provide business-type activities for the City of Panama City charge fees in order to cover the cost of operations during the fiscal year. The chart below compares the amount of program revenues received for “charges for services” to the amount of program expenses for each of the three business-type activities during fiscal year 2014.



Total expenses for business-type activities decreased 3.4%, \$785,588 in fiscal year 2014. Expenses for marina activities, utility activities and solid waste services had decreases of 5.8%, 3.3%, and 2.5%, respectively. Combined business-type expenses, for the fiscal year ended September 30, 2014, were \$22,052,286. Charges for services are the major source of revenue (99.1%) for business-type activities. These charges represent \$27,445,165 of revenue dollars utilized by the City to provide utility, solid waste, and marina services to citizens and customers. Revenues from all business-type activities sources increased \$382,382, 1.4%, over fiscal year 2013.



Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near term inflows, outflows, and balances of *spendable* resources. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Fund balances are the differences between assets and liabilities in a governmental fund. The non-spendable fund balance includes amounts that are not in spendable form (such as inventory), or amounts that are required to be maintained intact. Restricted fund balance includes amounts that can be spent only for the specific purposes that are stipulated by their providers, such as grant, bond, or higher levels of government. Committed fund balance includes amounts that can

be used only for the specific purposes that are determined by formal action of the government's highest level of decision making authority (City Commission). Assigned fund balance applies to amounts that are intended for specific purposes as expressed by the governing body or authorized official. Unassigned fund balance includes all amounts not contained in other classifications for the general fund, and deficit fund balances in any other governmental fund.

The City of Panama City's coastal location places a risk of natural disaster which could severely impair its ability to continue operations or services following the impact of such an event. In addition, the City recognizes that fluctuations in the economy can affect the resources available from year to year. As a measure to provide economic stability for the City and enable continued long term operations, the City established a committed fund balance which is subject to specified criteria as prescribed by the City Commission. Committed funds cannot be utilized for any purpose other than those established by the City Commission. Unassigned fund balance is maintained at a level sufficient to adequately provide for the annual operating expenditures of the City. Further information on fund balance and stabilization arrangements can be found in the notes to the financial statements.

The *general fund* is the chief operating fund of the City of Panama City. On September 30, 2014, the total fund balance in the general fund was \$24,586,713 of which \$212,444 was non-spendable, \$10,882,597 was committed, \$228,760 was assigned, and \$13,262,912 was unassigned. Compared to fiscal year 2013, the total fund balance increased \$2,156,692 (9.6%).

General revenue increased \$1,601,606 (4.8%) in fiscal year 2014. The greatest increase (10.8%) was a result of increased merchant license revenue in the amount of \$829,183. The most significant decrease was miscellaneous revenue in the amount of \$437,298 (45.1%). This decrease was the result of the sale of a City asset which occurred in the prior year, and the subsequent difference in recorded revenue in 2013 and 2014. Charges for services decreased by 6.2% mainly due to a decrease in federal forfeitures during 2014. Otherwise, all other general fund revenue categories had positive increases at September 30, 2014. General fund expenditures decreased in fiscal year 2014 by \$294,757 or 1%. Public safety activities increased 3.2% (\$502,593), which was the greatest increase of all the categories. The largest decrease occurred in general government by 6.4% compared to the previous fiscal year.

During fiscal year 2014, special revenue fund balances decreased \$522,031. Increases or decreases in special revenue funds are typically indicative of funding changes as activities are identified, initiated, or completed. The largest decrease occurred in the Panama City Community Redevelopment Agency Downtown North with a decrease of \$605,383. The City administers State Housing Initiative Partnership funds awarded to both the City and Bay County for housing initiatives, and additional funding was received in fiscal year 2014 to aid in housing stability programs. The SHIP City program increased by \$423,575 and the SHIP County decreased \$43,505. The Panama City Community Redevelopment Agency is a blended component unit of the City that utilizes tax increment dollars, from changes in assessed property values in target areas, to fund revitalization and redevelopment efforts in designated areas of the City. The amounts in the Special

Revenue Funds are restricted to accomplishing the various objectives of each specific program.

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term principal and interest for the City's general bonded debt. Principal and interest payment obligation were met in a timely manner during the fiscal year. Payments for general bonded debt are funded by transfers from the City's general fund.

The City utilizes two capital projects funds to account for projects in governmental activities costing over \$25,000. The total capital projects fund balance for projects on September 30, 2014 was \$19,448,304, a decrease of \$4,400,574 from fiscal year 2013. The available fund balance is assigned for pending capital projects. Capital projects are funded by transfers from the general fund, or other City funds, in addition to debt for related projects. The general fund transferred \$1,500,000 to the capital projects fund in fiscal year 2014.

Proprietary Funds

Proprietary fund statements provide the same type of information found in the government-wide financial statements, but in greater detail. The proprietary funds are composed of the *enterprise funds* and the *internal services funds*. Enterprise funds are utilized to report activities for which a fee is charged to *external* users for goods or services. The City's three enterprise funds are the Utility Fund, the Solid Waste Fund, and the Marina Fund. These enterprise funds are supported primarily through user charges. All of the City's enterprise funds are classified as major funds. Internal service funds are designed to recover the *internal* costs of general services provided to other city departments. Internal service funds are, for the most part, supported through charges to other City funds.

The Utility Fund had a total net position of \$57,404,705 at fiscal year end, an increase of \$3,785,604 over the prior fiscal year. Operating revenues increased \$451,280 in fiscal year 2014, and operating expenses decreased in the amount of \$544,615.

The Solid Waste Fund had a total net position of \$11,808,163 at the end of fiscal year 2014. Total net position increased by \$267,854. Operating revenues increased \$107,817, and operating expenses decreased \$76,658.

The Marina Fund had a total net position of \$6,735,330 in fiscal year 2014, which was a decrease of \$266,223, from the prior fiscal year. Operating revenues decreased \$147,660, for the Marina Fund, as well as expenses in the amount of \$186,006.

A comparison of the operating income (loss) for the most current and previous fiscal years for the City's enterprise funds is available in the following table.

		Operating Income (Loss)	
		2014	2013
Utility Fund	\$	5,631,835	\$ 4,635,940
Solid Waste Fund		1,504,144	1,319,669
Marina Fund		5,034	-33,312
Total	\$	<u>7,141,013</u>	<u>\$ 5,922,297</u>

Note: Includes depreciation, other post employment benefits, and bad debt expense.

All of the enterprise funds had operating revenues that exceeded operating expenses before transfers.

The individual internal service funds are reported on pages 128-131.

General Fund Budgetary Highlights

A budget to actual statement is provided for the General Fund on page 97. Columns for both the original budget, adopted in fiscal year 2014, as well as the final budget are presented. Estimated budgeted amounts are adjusted throughout the year to more closely reflect the actual final amounts that occur. Compared to the original fiscal year 2014 budget of \$32,632,961, the general fund realized additional revenue of \$2,361,419 at the end of fiscal year 2014. Total actual revenues exceeded budgeted revenues for fiscal year 2014. Original budgeted expenditures for fiscal year 2014 were \$30,245,517, amended in the amount of \$791,743, to a final fiscal year 2014 budget of \$31,037,260. Actual expenditures for fiscal year 2014, however, totaled \$30,040,011 which was \$997,249 less than the final budget. Expenditures for general government, transportation, human services, and culture/recreation had final expenditures less than the final budget due to the City's conservative spending practices. The total amount carried forward from fiscal year 2014 budget to fiscal year 2015 budget was \$569,259. Overall, revenues exceeded actual expenditures for fiscal year 2014.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, as of September 30, 2014, was \$124,185,818 (net of accumulated depreciation). This is an increase of \$2,276,094 over fiscal year 2013. Investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and drainage systems. Governmental activities accounted for \$65,020,787 and business-type activities \$59,165,031 of total capital assets of the City of Panama City on September 30, 2014. Capital assets held by the City at the end of the most current and previous fiscal years are summarized in the table below.

Additional information regarding the City's capital assets may be found in the notes to the financial statements beginning on page 48.

City of Panama City, Florida
Capital assets
(net of depreciation)
Fiscal Years Ended September 30, 2014 AND 2013

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$ 17,027,816	\$ 16,845,863	\$ 419,295	\$ 373,622	\$ 17,447,111	\$ 17,219,485
Construction in progress			3,078,727	2,259,531	3,078,727	2,259,531
Buildings	11,384,049	11,843,067	1,061,675	1,094,706	12,445,724	12,937,773
Improvements other than buildings	6,242,579	3,931,427	50,187,383	52,326,639	56,429,962	56,258,066
Machinery and equipment	3,242,812	3,854,967	4,417,951	4,338,242	7,660,763	8,193,209
Infrastructure	27,123,531	25,041,660			27,123,531	25,041,660
Total	\$ 65,020,787	\$ 61,516,984	\$ 59,165,031	\$ 60,392,740	\$ 124,185,818	\$ 121,909,724

Debt Management

At the end of the fiscal year, the City had total bonded debt outstanding of \$30,547,000. All of the City's debt maintains a "AAA" rating from Standard & Poor's and a "Aaa" rating from Moody's Investors Services. Additional information regarding the activities of the City's bonded debt during fiscal year 2014 may be found in the notes to the financial statements beginning on page 53.

Outstanding Bonded Debt As Of September 30, 2014 AND 2013

Governmental Activities		Business-type Activities		Total	
2014	2013	2014	2013	2014	2013
17,418,000	\$ 18,605,000	\$ 13,129,000	\$ 15,202,000	\$ 30,547,000	\$ 33,807,000

Economic Factors

The City of Panama City, in 2014, had an unemployment rate of 5.8%. This was a decrease of 2.0% from the prior fiscal year.

Taxable property values, in Panama City, increased 1.2% from \$2,224,722 in 2013 to \$2,250,946 in 2014.

This report was prepared by the Accounting Division of the City of Panama City under the direction of the City Clerk-Treasurer. Questions concerning this report or requests for additional information should be addressed to T.D. Hachmeister, City Clerk-Treasurer, P.O. Box 1880, Panama City, Florida 32402-1880.

BASIC FINANCIAL STATEMENTS

THIS SUBSECTION CONTAINS THE FOLLOWING:

- GOVERNMENT-WIDE FINANCIAL STATEMENTS
- FUND FINANCIAL STATEMENTS
- NOTES TO FINANCIAL STATEMENTS



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**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF NET POSITION
SEPTEMBER 30, 2014**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Downtown Improvement Board	Panama City Port Authority
ASSETS					
Cash and cash equivalents	\$ 27,724,363	\$ 18,647,616	\$ 46,371,979	\$ 68,729	\$ 2,846,228
Investments	20,565,978	4,947,705	25,513,683		4,000,567
Receivables (net)					
Accounts	331,765	2,983,014	3,314,779		819,306
Special assessments	81,308	35,091	116,399		
Other					12,406
Internal balances	(112,805)	112,805			
Prepaid items	161,985	125	162,110	399	239,196
Net pension asset	504,763		504,763		
Due from other governmental unit	1,547,259		1,547,259		
Inventories	2,130,254	252,892	2,383,146		
Restricted assets:					
Cash and cash equivalents		5,137,535	5,137,535		
Notes receivable	7,963,023		7,963,023		
Capital assets					
Non-depreciable	17,027,816	3,498,022	20,525,838	786,160	17,625,484
Depreciable (net)	47,992,971	55,667,009	103,659,980	454,149	70,513,128
Total assets	125,918,680	91,281,814	217,200,494	1,309,437	96,056,315
DEFERRED OUTFLOWS OF RESOURCES					
Deferred outflows from hedging					830,860
Deferred charges on debt refundings		1,085,911	1,085,911		
Total deferred outflows of resources		1,085,911	1,085,911		830,860
LIABILITIES					
Accounts payable	1,432,651	431,448	1,864,099	7,939	737,037
Due to other governmental entities	342,026		342,026		
Accrued salaries	782,844	209,690	992,534		
Accrued taxes payable		8,573	8,573		
Unearned revenue		130,821	130,821	10,900	
Deposits	2,881		2,881		
Accrued interest payable		81,493	81,493	122,074	
Accrued other liabilities	43,286		43,286	15,109	286,783
Noncurrent liabilities					
Due within one year					
Claims and judgments					23,207
Compensated absences	357,075	106,356	463,431		68,439
Bonds, notes, and loans payable	2,213,469	423,697	2,637,166	10,526	2,347,244
Due in more than one year					
Deposits		1,162,481	1,162,481		
Claims and judgments					405,059
Compensated absences	1,071,226	319,066	1,390,292		
Net OPEB obligation	1,927,720	677,280	2,605,000		
Bonds, notes, and loans payable	16,040,271	12,743,789	28,784,060	99,488	9,835,266
Interest rate swap agreement-net					830,860
Total liabilities	24,213,449	16,294,694	40,508,143	266,036	14,533,895
NET POSITION					
Invested in capital assets, net of related debt	57,092,075	47,083,456	104,175,531	1,140,821	75,956,102
Restricted for:					
Debt service		3,510,242	3,510,242		
Self-insurance	2,312,342		2,312,342		
Other purposes	102,841		102,841		
Unrestricted (deficit)	42,197,973	25,479,333	67,677,306	(97,420)	6,397,178
Total net position	\$ 101,705,231	\$ 76,073,031	\$ 177,778,262	\$ 1,043,401	\$ 82,353,280

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Program Revenues

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 6,094,551	\$ 8,854,998		
Public safety	19,060,516	1,002,506	\$ 1,189,514	
Transportation	5,481,149	455,887		
Economic environment	3,728,293		1,254,024	\$ 25,000
Culture and recreation	3,505,846	184,717		
Human services	341,100			
Interest on long-term debt	415,035			
Total governmental activities	<u>38,626,490</u>	<u>10,498,108</u>	<u>2,443,538</u>	<u>25,000</u>
Business-type activities:				
Utilities	13,575,865	17,861,187		138,515
Solid Waste	5,450,759	6,607,800		
Marina	3,025,662	2,976,178		
Total business-type activities	<u>22,052,286</u>	<u>27,445,165</u>		<u>138,515</u>
Total primary government	<u>\$ 60,678,776</u>	<u>\$ 37,943,273</u>	<u>\$ 2,443,538</u>	<u>\$ 163,515</u>
Component units:				
Panama City Downtown Improvement Board	446,174	254,336	31,250	
Panama City Port Authority	13,192,365	12,939,972		3,483,465
Total component units	<u>\$ 13,638,539</u>	<u>\$ 13,194,308</u>	<u>\$ 31,250</u>	<u>\$ 3,483,465</u>
General revenues:				
Taxes:				
Ad valorem taxes				
Tax Increment Ad valorem taxes				
Gas tax				
Franchise fees				
Utility service tax				
Communications service tax				
Unrestricted state revenue sharing				
Half-cent sales tax				
Unrestricted investment earnings				
Gain on sale of capital assets				
Miscellaneous				
Transfers:				
Total general revenues and transfers				
Change in net position				
Net position -- beginning of year				
Net position -- end of year				

See the accompanying notes.

**Net (Expense) Revenue and
Changes in Net Position**

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Panama City Downtown Improvement Board	Panama City Port Authority
\$ 2,760,447		\$ 2,760,447		
(16,868,496)		(16,868,496)		
(5,025,262)		(5,025,262)		
(2,449,269)		(2,449,269)		
(3,321,129)		(3,321,129)		
(341,100)		(341,100)		
(415,035)		(415,035)		
(25,659,844)		(25,659,844)		
	\$ 4,423,837	4,423,837		
	1,157,041	1,157,041		
	(49,484)	(49,484)		
	5,531,394	5,531,394		
(25,659,844)	5,531,394	(20,128,450)		
			\$ (160,588)	
			(160,588)	\$ 3,231,072
				3,231,072
8,338,872		8,338,872	161,774	
2,095,743		2,095,743		
1,376,850		1,376,850		
4,149,648		4,149,648		
3,879,713		3,879,713		
1,713,347		1,713,347		
1,355,933		1,355,933		
2,947,185		2,947,185		
346,393	99,797	446,190	33	7,739
14,930	3,145	18,075		(31,396)
608,564	13,196	621,760	919	
1,803,068	(1,803,068)			
28,630,246	(1,686,930)	26,943,316	162,726	(23,657)
2,970,402	3,844,464	6,814,866	2,138	3,207,415
98,734,829	72,228,567	170,963,396	1,041,263	79,145,865
\$ 101,705,231	\$ 76,073,031	\$ 177,778,262	\$ 1,043,401	\$ 82,353,280

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

	General	Capital Projects	Capital Projects 2013	Non-Major Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 10,256,423	\$ 4,427,504	\$ 5,518,828	\$ 5,679,659	\$ 25,882,414
Investments	10,965,339	3,888,801	4,806,200	3,711	19,664,051
Receivables, net					
Accounts	73,412	23,090			96,502
Special assessments	81,308				81,308
Due from other funds	1,864,795	549,907		1,755	2,416,457
Receivables from other governments	598,669	300,000		642,322	1,540,991
Prepaid items	102,841			5,565	108,406
Inventories	107,953			1,953,323	2,061,276
Notes receivable	1,748,533	1,800,000		4,414,490	7,963,023
Total assets	<u>\$ 25,799,273</u>	<u>\$ 10,989,302</u>	<u>\$ 10,325,028</u>	<u>\$ 12,700,825</u>	<u>\$ 59,814,428</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 419,943	\$ 47,400	\$ 6,775	\$ 178,162	\$ 652,280
Due to other funds	14	1,811,851		568,067	2,379,932
Due to other governmental entities				342,026	342,026
Accrued wages payable	746,436			22,307	768,743
Accrued other liabilities	43,286				43,286
Deposits	2,881				2,881
Total liabilities	<u>1,212,560</u>	<u>1,859,251</u>	<u>6,775</u>	<u>1,110,562</u>	<u>4,189,148</u>
Fund balances:					
Non-Spendable	212,444			166,328	378,772
Spendable:					
Restricted				9,664,348	9,664,348
Committed	10,882,597			1,759,587	12,642,184
Assigned	228,760	9,130,051	10,318,253		19,677,064
Unassigned	13,262,912				13,262,912
Total fund balances	<u>24,586,713</u>	<u>9,130,051</u>	<u>10,318,253</u>	<u>11,590,263</u>	<u>55,625,280</u>
Total liabilities and fund balances	<u>\$ 25,799,273</u>	<u>\$ 10,989,302</u>	<u>\$ 10,325,028</u>	<u>\$ 12,700,825</u>	
Amounts reported for governmental activities in the statement of net position are different because:					
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.					64,935,994
The net pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.					504,763
Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment maintenance, to individual funds. The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net position.					2,173,653
Net other post employment benefits (OPEB) liability, as required by Governmental Accounting Standards Statement No. 45, are not due and payable in the current period and, therefore, are not reported in the governmental funds.					(1,875,620)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.					
Governmental long term debt					(18,253,740)
Compensated absences					(1,405,099)
Net position of governmental activities					<u>\$ 101,705,231</u>

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Projects 2013</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 19,458,430				\$ 19,458,430
Licenses and permits	8,657,993				8,657,993
Intergovernmental	5,059,338			\$ 4,564,281	9,623,619
Charges for services	1,175,095				1,175,095
Investment earnings	227,543	\$ 55,909	\$ 51,612	11,562	346,626
Miscellaneous	415,981	250		115,831	532,062
Total revenues	<u>34,994,380</u>	<u>56,159</u>	<u>51,612</u>	<u>4,691,674</u>	<u>39,793,825</u>
EXPENDITURES					
Current:					
General government	4,928,462				4,928,462
Public safety	16,362,023				16,362,023
Transportation	3,852,140				3,852,140
Economic environment	1,112,127			2,570,348	3,682,475
Human services	313,463				313,463
Culture and recreation	2,447,613				2,447,613
Debt service:					
Capital lease principal	395,642				395,642
Capital lease interest	10,070				10,070
Principal retirement				1,187,000	1,187,000
Interest and other charges				418,705	418,705
Capital outlay	618,471	3,873,054	1,842,131	964,876	7,298,532
Total expenditures	<u>30,040,011</u>	<u>3,873,054</u>	<u>1,842,131</u>	<u>5,140,929</u>	<u>40,896,125</u>
Excess (deficiency) of revenues over expenditures	<u>4,954,369</u>	<u>(3,816,895)</u>	<u>(1,790,519)</u>	<u>(449,255)</u>	<u>(1,102,300)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	3,336,661	2,246,840		2,195,311	7,778,812
Transfers out	(6,134,338)	(1,040,000)		(1,684,579)	(8,858,917)
Total other financing sources (uses)	<u>(2,797,677)</u>	<u>1,206,840</u>		<u>510,732</u>	<u>(1,080,105)</u>
Net change in fund balances	<u>2,156,692</u>	<u>(2,610,055)</u>	<u>(1,790,519)</u>	<u>61,477</u>	<u>(2,182,405)</u>
Fund Balances:					
Beginning of year	22,430,021	11,740,106	12,108,772	11,528,786	57,807,685
End of year	<u>\$ 24,586,713</u>	<u>\$ 9,130,051</u>	<u>\$ 10,318,253</u>	<u>\$ 11,590,263</u>	<u>\$ 55,625,280</u>

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

Net change in fund balances - total governmental funds	\$	(2,182,405)
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Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Expenditures for capital assets	7,298,532	
Less current year depreciation	<u>(3,804,446)</u>	3,494,086

The net pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.	13,887
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The issuance of long-term debt 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 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.	1,596,381
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued compensated absences	(62,223)
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Annual other post employment benefits (OPEB) cost, as required by Governmental Accounting Standards Statement No. 45, does not require the use of current financial resources, therefore, it is not reported as an expenditure in governmental funds.	(176,400)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.	<u>287,076</u>
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Change in net position of governmental activities	\$	<u>2,970,402</u>
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See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2014**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 11,151,271	\$ 4,942,737	\$ 2,553,608	\$ 18,647,616	\$ 1,841,949
Investments	2,295,901	2,651,804		4,947,705	901,927
Due from other governmental unit					6,266
Due from other funds	360,484	1,223,886		1,584,370	
Receivables, net					
Accounts	2,059,128	881,854	42,032	2,983,014	
Special assessments		35,091		35,091	
Inventories			252,892	252,892	68,978
Prepaid items	125			125	53,581
Total current assets	15,866,909	9,735,372	2,848,532	28,450,813	2,872,701
Noncurrent assets:					
Restricted cash and cash equivalents:					
Impact fee account	1,627,293			1,627,293	
Revenue bond - future debt reserve accounts	851,583			851,583	
Revenue bond contingency (renewal and replacement) account	2,658,659			2,658,659	
Capital assets:					
Land	162,382	211,240	45,673	419,295	
Buildings	1,005,600	23,657	302,372	1,331,629	
Improvements other than buildings		11,538	14,164,791	14,176,329	
Machinery and equipment	5,375,859	6,768,737	3,023,320	15,167,916	349,235
Utility system	89,565,181			89,565,181	
Less accumulated depreciation	(47,645,858)	(3,593,380)	(13,334,808)	(64,574,046)	(264,444)
Construction work in progress	3,078,727			3,078,727	
Total noncurrent assets	56,679,426	3,421,792	4,201,348	64,302,566	84,791
Total assets	72,546,335	13,157,164	7,049,880	92,753,379	2,957,492
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on debt refunding	1,085,911			1,085,911	
LIABILITIES					
Current liabilities:					
Accounts payable	197,687	163,295	70,466	431,448	780,371
Due to other funds	1,237,274	358,110	1,014	1,596,398	
Accrued salaries	138,486	53,894	17,310	209,690	14,101
Compensated absences	73,234	26,509	6,613	106,356	5,800
Accrued taxes payable			8,573	8,573	
Current portion of bonds payable	423,697			423,697	
Accrued interest payable	81,493			81,493	
Unearned revenue			130,821	130,821	
Total current liabilities	2,151,871	601,808	234,797	2,988,476	800,272
Noncurrent liabilities:					
Compensated absences	219,701	79,527	19,838	319,066	17,402
Net OPEB obligation	424,595	192,770	59,915	677,280	52,100
Deposits	687,585	474,896		1,162,481	
Bonds, notes, and loans payable	12,743,789			12,743,789	
Total noncurrent liabilities	14,075,670	747,193	79,753	14,902,616	69,502
Total liabilities	16,227,541	1,349,001	314,550	17,891,092	869,774
NET POSITION					
Invested in capital assets, net of related debt	39,460,316	3,421,792	4,201,348	47,083,456	84,791
Restricted for:					
Debt service	3,510,242			3,510,242	
Claims					2,312,342
Unrestricted	14,434,147	8,386,371	2,533,982	25,354,500	(98,649)
Total net position	\$ 57,404,705	\$ 11,808,163	\$ 6,735,330	75,948,198	\$ 2,298,484
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				124,833	
Net position of business-type activities				\$ 76,073,031	

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
Operating revenues:					
Charges for services	\$ 17,500,870	\$ 6,600,009	\$ 2,645,160	\$ 26,746,039	\$ 1,318,687
Connection and hydrant fees	336,827			336,827	
Contributions					2,556,363
Miscellaneous	23,490	7,791	331,018	362,299	111,311
Total operating revenues	<u>17,861,187</u>	<u>6,607,800</u>	<u>2,976,178</u>	<u>27,445,165</u>	<u>3,986,361</u>
Operating expenses:					
Personal services	3,259,646	1,375,644	452,906	5,088,196	392,887
Operating expenses	6,658,993	3,237,602	2,052,432	11,949,027	2,520,586
Insurance claims and expenses					4,684,337
Depreciation	2,310,713	490,410	465,806	3,266,929	7,704
Total operating expenses	<u>12,229,352</u>	<u>5,103,656</u>	<u>2,971,144</u>	<u>20,304,152</u>	<u>7,605,514</u>
Operating income (loss)	<u>5,631,835</u>	<u>1,504,144</u>	<u>5,034</u>	<u>7,141,013</u>	<u>(3,619,153)</u>
Nonoperating revenues (expenses):					
Investment earnings	45,073	52,804	1,920	99,797	10,823
Insurance proceeds					
Interest expense	(520,473)			(520,473)	
Other debt service costs	(221,663)			(221,663)	
Scrap sales	5,363	7,833		13,196	6,235
Gain on sale/disposal of asset	3,145			3,145	
Total nonoperating revenues (expenses)	<u>(688,555)</u>	<u>60,637</u>	<u>1,920</u>	<u>(625,998)</u>	<u>17,058</u>
Income (loss) before contributions and transfers	<u>4,943,280</u>	<u>1,564,781</u>	<u>6,954</u>	<u>6,515,015</u>	<u>(3,602,095)</u>
Contributions and transfers:					
Capital contributions	138,515			138,515	
Transfers in	232,100			232,100	4,015,809
Transfers out	(1,528,291)	(1,296,927)	(273,177)	(3,098,395)	(69,409)
Total contributions and transfers	<u>(1,157,676)</u>	<u>(1,296,927)</u>	<u>(273,177)</u>	<u>(2,727,780)</u>	<u>3,946,400</u>
Change in net position	<u>3,785,604</u>	<u>267,854</u>	<u>(266,223)</u>	<u>3,787,235</u>	<u>344,305</u>
Net position - beginning of year	<u>53,619,101</u>	<u>11,540,309</u>	<u>7,001,553</u>		<u>1,954,179</u>
Net position - end of year	<u>\$ 57,404,705</u>	<u>\$ 11,808,163</u>	<u>\$ 6,735,330</u>		<u>\$ 2,298,484</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				57,229	
Change in net position of business-type activities				<u>\$ 3,844,464</u>	

See the accompanying notes.



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CITY OF PANAMA CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 17,758,580	\$ 7,090,535	\$ 3,101,597	\$ 27,950,712	\$ 1,317,216
Payments to suppliers	(7,646,818)	(3,130,874)	(2,077,718)	(12,855,410)	(1,039,076)
Payments to employees	(3,226,495)	(1,345,826)	(438,899)	(5,011,220)	(389,523)
Cash received for insurance contributions					2,431,142
Claims paid					(5,780,839)
Net cash provided by (used in) operating activities	<u>6,885,267</u>	<u>2,613,835</u>	<u>584,980</u>	<u>10,084,082</u>	<u>(3,461,080)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	232,100			232,100	4,015,809
Transfers out	(1,528,291)	(1,296,927)	(273,177)	(3,098,395)	(69,409)
Net cash provided by (used in) noncapital financing activities	<u>(1,296,191)</u>	<u>(1,296,927)</u>	<u>(273,177)</u>	<u>(2,866,295)</u>	<u>3,946,400</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,193,889)	(714,057)	(131,274)	(2,039,220)	(17,421)
Proceeds from refunding bonds	7,758,000			7,758,000	
Proceeds from sales of capital assets	8,508	7,833		16,341	6,235
Principal paid on capital debt	(9,831,000)			(9,831,000)	
Interest and other debt service costs paid on capital debt	(578,983)			(578,983)	
Impact fees	138,515			138,515	
Net cash provided by (used in) capital and related financing activities	<u>(3,698,849)</u>	<u>(706,224)</u>	<u>(131,274)</u>	<u>(4,536,347)</u>	<u>(11,186)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from maturity of investments	2,438,635	4,377,042		6,815,677	1,133,156
Purchase of investment securities	(2,295,901)	(2,651,804)		(4,947,705)	(901,927)
Interest and dividends	45,073	52,804	1,920	99,797	10,823
Net cash provided by investing activities	<u>187,807</u>	<u>1,778,042</u>	<u>1,920</u>	<u>1,967,769</u>	<u>242,052</u>
Net increase in cash and cash equivalents	<u>2,078,034</u>	<u>2,388,726</u>	<u>182,449</u>	<u>4,649,209</u>	<u>716,186</u>
Cash and cash equivalents - Balances - beginning of the year	<u>14,210,772</u>	<u>2,554,011</u>	<u>2,371,159</u>	<u>19,135,942</u>	<u>1,125,763</u>
Balances - end of the year	<u>\$ 16,288,806</u>	<u>\$ 4,942,737</u>	<u>\$ 2,553,608</u>	<u>\$ 23,785,151</u>	<u>\$ 1,841,949</u>

See the accompanying notes.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Total	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 5,631,835	\$ 1,504,144	\$ 5,034	\$ 7,141,013	\$ (3,619,153)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	2,310,713	490,410	465,806	3,266,929	7,704
Change in assets and liabilities:					
Receivables, net	(38,448)	(4,854)	48,870	5,568	(235,263)
Due from other funds	(91,170)	464,928		373,758	
Due from other governmental units					(2,740)
Prepaid items	7,788	16,264	4,957	29,009	219
Inventories			(17,221)	(17,221)	2,095
Accounts and other payables	(368,166)	(3,372)	(13,980)	(385,518)	358,197
Accrued expenses	17,127	4,089	3,261	24,477	245
Accrued interest	(170,300)			(170,300)	
Accrued taxes			865	865	
Compensated absences	(23,911)	7,599	5,111	(11,201)	(1,781)
Due to other funds	(457,147)	93,836	958	(362,353)	24,497
Deposits	27,011	22,661		49,672	
Net OPEB obligation	39,935	18,130	5,635	63,700	4,900
Unearned revenue			75,684	75,684	
Net cash provided by (used in) operating activities	<u>\$ 6,885,267</u>	<u>\$ 2,613,835</u>	<u>\$ 584,980</u>	<u>\$ 10,084,082</u>	<u>\$ (3,461,080)</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:					
Cash and cash equivalents	\$ 11,151,271	\$ 4,942,737	\$ 2,553,608	\$ 18,647,616	\$ 1,841,949
Restricted cash and cash equivalents					
Impact fee account	1,627,293			1,627,293	
Revenue bond - future debt reserve accounts	851,583			851,583	
Revenue bond contingency account	2,658,659			2,658,659	
Total cash and cash equivalents	<u>\$ 16,288,806</u>	<u>\$ 4,942,737</u>	<u>\$ 2,553,608</u>	<u>\$ 23,785,151</u>	<u>\$ 1,841,949</u>

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2014

	Pension Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 1,595,488	-
Investments:		
Corporate bonds and notes	1,677,231	
U.S. treasury bonds and notes	5,068,001	
Common stock	24,659,734	
Government agencies	9,053,683	
Mutual funds	23,899,416	
Real estate	1,399,425	
Total investments	<u>65,757,490</u>	
Accounts receivable	<u>483,730</u>	<u>\$ 21,228</u>
Total assets	<u><u>\$ 67,836,708</u></u>	<u><u>\$ 21,228</u></u>
LIABILITIES		
Accounts payable	\$ 398,187	\$ 21,228
Prepaid expense	<u>208,719</u>	
Total liabilities	<u>606,906</u>	<u><u>\$ 21,228</u></u>
NET POSITION		
Restricted for pension benefits	<u><u>\$ 67,229,802</u></u>	

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Pension Trust
ADDITIONS	
Contributions:	
Employer	\$ 2,928,076
State	648,475
Plan members	486,913
Total contributions	<u>4,063,464</u>
Investment earnings:	
Net appreciation in fair value of investments	5,306,702
Interest	1,371,108
Total investment earnings	<u>6,677,810</u>
Less investment expense	<u>(390,281)</u>
Net investment earnings	<u>6,287,529</u>
Total additions	<u>10,350,993</u>
DEDUCTIONS	
Benefits	5,178,986
Refunds of contributions	56,784
Administrative expenses	74,737
Total deductions	<u>5,310,507</u>
Change in net position	5,040,486
Net Position-Restricted for Pension Benefits:	
Beginning of the year	<u>62,189,316</u>
End of the year	<u><u>\$ 67,229,802</u></u>

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Panama City, Florida was created in 1925 by a Special Act, Chapter 11678, No. 343 of the Florida State Legislature. The City was incorporated March 12, 1926, and is a political subdivision of the State of Florida. The City provides police and fire protection, general government, parks and recreation, health and social services, and public works services to its residents. In addition, the City operates water and sewer, solid waste, and marina enterprises. It also maintains various trust funds in a fiduciary capacity.

The financial statements of the City have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standards Board (FASB) Accounting Standards Codification issued after November 30, 1989, are not applied in the preparation of the financial statements of the enterprise fund types in accordance with GASB Statement 20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of these accounting policies are described below.

Reporting Entity

The City is a Florida municipal corporation with a five-member City Council comprised of the Mayor (elected at large) and four district Commissioners. In evaluating the City as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. The following criteria are considered in concluding which related activities (component units) should be included in the City's combined financial statements:

- Financial accountability;
- Appointment of a voting majority;
- Imposition of will;
- Financial benefit to or burden on a primary government; and
- Financial accountability as a result of fiscal dependency.

Section 2100, "Defining the Reporting Entity" of the "Codification of Governmental Accounting and Financial Reporting Standards" published by the Governmental Accounting Standards Board, as amended by Governmental Accounting Standards Board Statements No. 14 and No. 39, was reviewed to determine whether the following local governmental entities should be included in the City's combined financial statements.

The accompanying combined financial statements include all funds, boards, and authorities for which the City is financially accountable or for which the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. Blended component units, although legally separate entities, are, in substance, part of the

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

City's operation. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit

Panama City Community Redevelopment Agency (CRA) - the City Council serves as the CRA board. Although legally separate, the CRA is blended as a governmental fund component unit into the primary government because the structure of the CRA meets the GASB Statement 61 criteria for blending. The criteria assessed and determined to result in blending are: (a) the boards of the CRA and the City are the same, and (b) management of the City has operational responsibility for the CRA.

On November 22, 1983, the City adopted ordinance No. 1153 designating the Panama City Downtown Improvement Board as the Community Redevelopment Agency pursuant to Florida Statute 163.357(3). On September 12, 2006, the City restructured the Panama City Community Redevelopment Agency by adopting ordinance No. 2216 pursuant to Section 163.357, Florida Statutes. Four community redevelopment areas have been established for which separate trust funds have been opened. The Downtown CRA District was recently extended for an additional 20 years by action of the City Commission under the provisions of FS Chapter 163 part III. Ordinance No. 2488 and 2489 were adopted on March 12, 2013 and may be found in the public records of the City and CRA. The St. Andrews Redevelopment Area was established to finance projects in the St. Andrews region of Panama City. The Downtown North Redevelopment Area was established to finance projects in the Downtown North region of Panama City. The Millville Redevelopment Area was established to finance projects in the Millville region of Panama City. As of October 1, 2009, the CRA began operating as a special revenue fund of the City of Panama City, blended component unit.

Complete financial statements of the component unit can be obtained directly from its administrative office.

Administrative Offices: Panama City Community Redevelopment Agency
819 E. 11th Street, Suite 11
Panama City, Florida 32401

Discretely Presented Component Units

The following component units were included, by discrete presentation for 2014, based upon the criteria noted above:

- Panama City Downtown Improvement Board
- Panama City Port Authority

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Governmental Fund Type

Panama City Downtown Improvement Board. The Panama City Downtown Improvement Board was incorporated on July 5, 1974, by House Bill No. 4094 enacted by the legislature of the State of Florida. This act provided for the establishment of a special taxing district under Article VII, Section 9 of the Florida Constitution. The members of the governing board of the Panama City Downtown Improvement Board are appointed by the City Commission. The City also has the authority to levy ad valorem taxes of up to 3 mills for Downtown Improvement Board District operations.

Proprietary Fund Type

Panama City Port Authority. The Panama City Port Authority is a Dependent Special District created under Special Act 1945, Chapter 23466. The members of the governing board of the Port Authority are appointed by the City Commission. Operational and capital budgets of the Port Authority must be approved by the City Commission.

Complete financial statements of the individual component units can be obtained directly from their administrative offices.

Administrative Offices:

Panama City Downtown Improvement Board
209 Harrison Avenue
Panama City, Florida 32401

Panama City Port Authority
One Seaport Drive
Panama City, Florida 32401

GASB statement 14 requires reasonable separation between the Primary Government and its discretely presented component units, both in the financial statements and in the related notes and required supplementary information. Because the discretely presented component units, although legally separate, have been and are operated as if each is part of the primary government, there are limited instances where special note reference or separation will be required. If no separate note reference or categorization is made, the user should assume that information presented is equally applicable.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for the agency funds which are a part of the fiduciary fund statements and have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the 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 accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City reports the following major governmental funds:

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

The *capital projects fund* is used to account for the acquisition or construction of major capital facilities (other than those financed by proprietary funds).

The *capital projects 2013 fund* is used to account for capital improvements to the Panama City Marina.

The government reports the following major proprietary funds:

The *utility fund* is used to account for activities related to retail utility operations.

The *solid waste fund* is used to account for activities related to retail solid waste operations.

The *marina fund* is used to account for activities related to retail marina operations.

Additionally, the government reports the following funds:

Special Revenue Funds account for revenues received from the Department of Housing and Urban Development, the State Housing Initiatives Partnership program, Community Redevelopment Agencies and other general grants. Revenues are restricted to accomplishing the various objectives of community development programs.

Internal Service Funds account for the financing of goods or services provided by one department to other departments of the City. The services provided include medical and dental insurance and equipment maintenance costs.

Pension Trust Funds account for assets held in trust for members and beneficiaries of the City's three defined benefit pensions.

Agency Funds account for cafeteria plan assets held by the City in a trustee capacity and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, deferred outflows/inflows of resources, and net position/fund balance

Deposits and investments

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

Investments for the government, as well as for its component units, are reported at fair value.

Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (e.g., the current portion of interfund loans) or "advances to/from other funds" (e.g., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Notes, assessments, and accounts receivable are charged to bad debt expense as they are deemed uncollectible.

The property tax revenues calendar is as follows:

Lien date	January 1	Payment due by	March 31
Levy date	October 1	Delinquent date	April 1
Tax bill mailed	November 30	Tax sale-delinquent property tax	June 1

The County Tax Collector collects property taxes on behalf of each municipality within the county boundaries. By May 31, during each year for which taxes are levied, all taxes have been collected and remitted to the City or the delinquent taxes are raised by public auction of tax certificates and the proceeds are remitted to the City shortly after the certificates are sold. Because of this arrangement there are no material unremitted tax revenues for each fiscal year on September 30th.

Inventories and prepaid items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

In governmental fund type accounts, prepaid items are generally accounted for using the purchases method. Under the purchases method, prepaid items are treated as expenditures when purchased and residual balances, if any, at year end are not accounted for as assets.

Restricted assets

Certain assets of the Enterprise Funds are required by resolution to be set aside and used for specific purposes; thus, they are not available for general operating purposes. These restricted assets consist of cash in various bank accounts and are recorded at cost.

Capital assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. For this fiscal year, net interest cost is considered immaterial.

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	10
Public domain infrastructure	40
Utility plant	40
System infrastructure	40
Machinery and equipment	5 to 10
Furniture and fixtures	8
Automobiles and trucks	5

Deferred outflows/inflow of resources

In addition to assets, the Balance Sheet and Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of fund equity that applies to a future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has two items that qualifies for reporting in this category. They are the deferred outflow of resources on refunding and the deferred outflow of resources on the hedging derivatives. They are reported in the government-wide and proprietary fund statements of net position. A deferred outflow 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. A deferred outflow of resources on the hedging interest rate swap results from the decrease in the fair value of the derivative instrument and a deferred outflow is recognized to verify that the decrease is not expected to be recognized in investment income in future periods.

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. One third of total sick leave balances of employees with six years or more service is accrued in the government-wide, proprietary, and fiduciary fund financial

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

statements. In accordance with GAAP, for the government 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 government-wide presentations.

Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method based on the life of the bond issue. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position

The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as invested in capital assets (net of related debt), restricted, and unrestricted.

Net investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt.

Restricted net position is liquid assets (generated from revenues and net bond proceeds) which are not accessible for general use because of third-party (statutory, bond covenant, or granting agency) limitations.

Unrestricted net position represents unrestricted liquid assets.

Fund equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Categories and classification of fund balance

The City of Panama City, Florida has implemented GASB Statement No. 54. This statement established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, under GASB Statement No. 54, are Nonspendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. For further details of the various fund balance classifications refer to Note 13.

Use of estimates

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

Stewardship, compliance, and accountability

Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds and proprietary fund types. All annual appropriations lapse at fiscal year end. It is the City's policy to reappropriate such amounts at the beginning of the next fiscal year.

Budgets for all funds, except pension trust funds, are legally adopted at the beginning of each fiscal year through passage of a resolution by the City Commissioners. The level of classification detail at which expenditures may not legally exceed appropriations is within a department or division by fund.

The City Manager is authorized to transfer part or all of an unencumbered appropriation balance among programs within a department. Management may not increase a department's total expenditures without seeking the approval of the City Commissioners, who may amend the budget at any time during the fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental amendments. During the year, several supplementary appropriations were necessary.

Excess of expenditures over appropriations in individual funds

The City had expenditures exceed appropriations by \$319,917 in the General Fund for the fiscal year ended September 30, 2014.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

New accounting pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2013. The City has implemented GASB Statement No. 67 in this report.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. This statement will improve financial reporting of public employee pensions by state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB Statement No. 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The City has not determined the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

NOTE 2 - DEPOSITS AND INVESTMENTS

GASB Statement No. 40, *Deposits and Investment Risks Disclosures* amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Reverse Purchase Agreements*, and is designed to inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and requires that deposit and investment policies related to the risks be disclosed, as applicable.

In accordance with GASB Statement No. 40, the following disclosures are made regarding the City's deposit and investment balances as of September 30, 2014:

Deposits:

Custodial Credit Risks for Deposits – Under the City's investment policy, and in accordance with Section 166.261 of the Florida Statutes, the City may invest in obligations of the U.S. Treasury and its agencies, interest bearing time deposits or savings accounts in banks provided that such deposits are secured by collateral as prescribed by Chapter 280, Florida Security for Public Deposits Act, of the Florida Statutes and the State Treasurer's investment pool.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Included in the City's cash balances are amounts deposited with banks in interest bearing accounts, non-interest bearing demand accounts, and interest bearing time deposit accounts. The bank balances are entirely insured by federal depository insurance or by collateral pursuant to the Florida Security for Public Deposits Act of the State of Florida.

The Florida Security for Public Deposits Act (the "Act") establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, the City's deposits in qualified public depositories are considered totally insured. The qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125% may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the State Treasurer. In the event of failure by a qualified public depository, losses, in excess of federal depository insurance and proceeds from the sale of the securities pledged by the defaulting depository, are assessed against the other qualified public depositories of the same type as the depository in default. When other qualified public depositories are assessed additional amounts, they are assessed on a pro-rata basis.

Investments:

Section 218.415, Florida Statutes, limits the types of investments that a government can invest in unless specifically authorized in an investment policy. The City has adopted an investment policy pursuant to Section 218.415, Florida Statutes that established permitted investments, asset allocation limits, issuer limits, and maturity limits to protect the City's cash and investment assets. The investment policy applies to all cash and investments held or controlled by the City with the exception of Pension Funds.

The City is authorized to undertake investments in the following authorized investments:

- a. The Florida Local Government Surplus Trust Fund. (Administered by the State Board of Administration and commonly referred to as the "SBA".)
- b. Direct obligations of the U.S. Government, such as U.S. Treasury obligations.
- c. Obligations guaranteed by the U.S. Government as to principal and interest.
- d. Time deposits and savings accounts in banks and savings and loan associations organized under the laws of Florida or the United States, doing business in and situated in this state. All deposits shall be collateralized as provided for in Florida Statutes, Chapter 280.
- e. Florida Municipal Investment Trust (FMIvT) administered by the Florida League of Cities, Inc.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

- f. Obligations of:
 - Federal Farm Credit Banks
 - Federal Home Loan Bank Mortgage Corporation
 - Federal Home Loan Bank or its banks
 - Government National Mortgage Association (GNMA)
 - Federal National Mortgage Association (FNMA)
 - Student Loan Marketing Association
- g. Overnight repurchase agreements comprised only of investments authorized in Sections b and c.

The City participates in the State Board of Administration's (SBA) Local Government Surplus Funds Trust Fund (LGIP). As a LGIP and participant, the City invests in pools of investments whereby the City owns a share of the respective pool, not the underlying securities. GASB Statement No. 31, titled *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, applies to the LGIP. GASB 31 outlines the two options for accounting and reporting for money market investment pools as either "2a-7 like" or fluctuating net asset value (NAV). GASB 31 describes a "2a-7 like" pool as an external investment pool that is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with Rule 2a-7 under the Investment Company Act of 1940 (the 1940 Act). Rule 2a-7 is the rule that permits money market funds to use amortized cost to maintain a constant NAV of \$1 per share, provided that such funds meet certain conditions.

In June 2010, GASB issued Statement No. 59, titled *Financial Instruments Omnibus*. GASB Statement No. 59 clarifies the definition of a "2a-7 like" pool as an "external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a-7 as promulgated under the Investment Company Act of 1940, as amended". To qualify as a 2a-7 pool, the pool should satisfy all SEC requirements of Rule 2a-7, including the provision that a group of individuals fulfills the functions of a board of directors.

The LGIP is considered a SEC "2a-7 like" fund, thus the account balance is also considered the fair value of the City's investment.

The Florida Municipal Investment Trust (FMIVT) is an authorized investment under Section 218.415(15), Florida Statutes, for units of local government in Florida. It was created to offer diversified and professionally managed portfolios for the investment of the assets of participating municipalities. The Trustees of the Trust are designated as having official custody of the funds, which are invested by the purchase of shares of beneficial interest in the Trust. The Trust operates as a fiduciary trust fund under governmental accounting rules that require the Trust to prepare a series of financial statements. The FMIVT is a Local Governmental Investment Pool (LGIP) and, therefore, considered an external investment pool for GASB reporting purposes. The City's investment is the FMIVT portfolio, not the individual securities held within each portfolio.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The Firemen and Policemen pension plans investment policies restricted un-invested cash to minimal balances generally covered by the FDIC and cash instruments with a minimum rating of at least Standard and Poor's A1 or Moody's P1. As of September 30, 2014, cash instruments for both funds consisted of Federated Treasury Obligations.

Investment policies for the Firemen and Policemen pension plans provide for investment manager(s) who have full discretion of assets allocated to them subject to the overall investment guidelines set out in the policies. Overall investment guidelines provide for diversification and allow investment in debt securities (rated at least BB or Ba by Standard and Poor or Moody) and equity securities traded on one or more of the recognized national exchanges or on the National Market System of the NASDAQ market, U.S. government obligations guaranteed by the U.S. Government, bonds issued by the State of Israel, and any commingled funds that are restricted to these investments.

The Florida Municipal Pension Trust Fund (FMPTF) is established as a trust whereby governmental entities with employee pension or OPEB plans may elect to join the trust (becoming a Participating Employer), and with the trust providing the plans with administrative and investment services for the benefit of Participating Employers, Participating Employees, and Beneficiaries. All employee pension plans or OPEB assets with the FMPTF are included in the trust's Master Trust Fund. Employee pension plans or OPEB assets of the defined benefit type are invested by the FMPTF through the Florida Municipal Investment Trust (FMIvT) for the benefit of the Participating Employers, Participating Employees, and Beneficiaries.

Deposits and Investments:

Deposits and investments as of September 30, 2014 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 46,371,979
Cash with fiscal agent	12
Restricted cash and cash equivalents	3,996,411
Investments	26,654,796

Statement of fiduciary net position:

Cash and cash equivalents	1,595,488
Investments	65,757,490
Total cash and investments	<u>\$ 144,376,176</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Cash on hand, deposits, and investments as of September 30, 2014 consist of the following:

Governmental and business-type investments:

Cash on hand	\$ 5,353
Deposits and financial institutions	38,000,810
SBA	345,917
FMIvT	10,624,331
Short term investments	1,415,597
Investments in U.S. treasury bonds and notes	20,203,848
Investments in federal instrumentalities	5,078,826
Commercial paper	1,348,516

Senior management pension plan:

Deposits with financial institutions	16,420
Investments in common stock	2,282,412
Investments in corporate bonds and notes	437,872

Police officers and firefighters pension plan:

Deposits with financial institutions	1,579,068
Investments in mutual funds	23,899,416
Investments in equity/common stock	22,377,322
Investments in U.S. treasury bonds	5,068,001
Investments in corporate bonds and notes	1,239,359
Investments in government agencies	9,053,683
Investments in pooled/common/commingled funds	1,399,425
Total cash and investments	<u>\$ 144,376,176</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures:

As of September 30, 2014, the City held the following investments as categorized below in accordance with GASB Statement No. 40, *Deposit and Investment Risk Disclosure*:

Primary Government:	Investment Maturities					Average Rating (1)
	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	Total	
Certificate of deposit	\$ 23,605				\$ 23,605	N/A
FMIvT	10,624,331				10,624,331	AAA/V1
U.S. Treasury Bonds and Notes		\$ 20,203,848			20,203,848	AAA
Federal Instrumentalities		5,078,826			5,078,826	AAA
Commercial paper	1,348,516				1,348,516	P-1
State Board of Administration LGIP	345,917				345,917	AAAm
Total primary government	<u>\$ 12,342,369</u>	<u>\$ 25,282,674</u>	<u>\$</u>	<u>\$</u>	<u>\$ 37,625,043</u>	
Fiduciary Funds:						
	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	Total	Average Rating (1)
U.S. Treasury Bonds and Notes	\$ 616,590	\$ 406,065	\$ 2,285,045	\$ 1,760,301	\$ 5,068,001	Aaa
Corporate Bonds and Notes	100,348	1,061,262	515,621		1,677,231	Aa1
Common Stock (2)	24,659,734				24,659,734	N/A
Government Agencies	60,060	3,818,347	1,566,528	3,608,748	9,053,683	Aaa
Pooled/common/commingled funds	1,399,425				1,399,425	NR
Mutual Funds	23,899,416				23,899,416	NR
Total fiduciary funds	<u>\$ 50,735,573</u>	<u>\$ 5,285,674</u>	<u>\$ 4,367,194</u>	<u>\$ 5,369,049</u>	<u>\$ 65,757,490</u>	

(1) Ratings are provided where applicable to indicate associated *credit risk*. N/A indicates not applicable.
NR indicates the fund is not rated.

(2) Maturity is not applicable to common stocks.

Credit Risk

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. A credit risk exists when there is a possibility the issuer or the counterparty to an investment may be unable to meet its obligations. GASB Statement No. 40 requires disclosure of credit quality ratings for investments in debt securities as well as investments in external investment pools, money market funds, and other pooled investments of fixed income securities.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Generally, the City's investing activities are managed by the City Clerk Treasurer. Investing is performed according to the City's investment policy in accordance with the investment policy set forth by the State of Florida Statutes. The structure of the City's investment policy is designed to minimize credit risk. As of September 30, 2014, the City's investment portfolio was held with a third-party custodian as required by the City's investment policy.

It is the City's intention to limit its investment in these investment types to the top rating issued by nationally recognized statistical rating organizations (NRSROs). Some funds are sent to the Florida State Board of Administration (SBA) for investment. The SBA LGIP is rated by Standard and Poors. The current rating is AAAM.

FMIvT investment guidelines state that each fund will seek to maintain a bond fund credit rating from a nationally recognized statistical rating organization of AAA. Funds having an AAA bond fund credit rating are composed of a preponderance of assets that carry the highest credit ratings from a NRSRO. Funds having an AA bond fund credit rating are composed of a large percentage of assets that carry the highest credit rating from a NRSRO. The funds may invest in corporate bonds issued by any corporation in the United States with at least an A rating and collateralized mortgage obligations having a rating of AAA. The City only invested in the FMIvT 0-2 Year High Quality Bond Fund. At September 30, 2014, Fitch rated the portfolio investment as AAA/V1.

Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City or Pension Trust Plans will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investments in pools should be disclosed, but not categorized under GASB No. 40 because they are not evidenced by security that exist in physical or book entry form.

Participants' investments in the SBA, FMIvT, and FMPTF are evidenced by shares of the pool. The City's investment is with the pool, not the securities that make up the pool; therefore, no disclosure is required.

Consistent with each Pension Trust Plan's investment policy, the investments are held by each Plan's custodial bank and registered in each Plan's name.

Concentration Credit Risk

GASB Statement No. 40 requires disclosure of the concentration of credit risk when five or more percent of the total assets of the portfolio are invested with a single issuer. Investments issued are explicitly guaranteed by the U.S. government and investments in mutual funds or pools are excluded from the concentration of credit risk disclosures requirements.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

The City limits the amount it may invest in any one investment type up to 50%. The SBA, FMIvT, and FMPTF are all pooled investments, therefore no additional disclosure is required.

The Policeman and Firemen Pension Trust Plan's investment policies prohibit investments in common stock that exceed 65% of the funds assets at market value, investments in any one issuer that exceed 5% of the funds assets, investments that comprises 5% or more of any one issuer's outstanding stock, investments in debt equities below a standard rating, and investments in foreign securities that exceed 10% of the fund assets. Additionally, cash and cash equivalents may not exceed 2% of the funds assets, real estate investments are limited to real estate investment trusts (REITs) that are traded on a major exchange, and all repurchase agreement transactions must adhere to the requirements of the Master Repurchase Agreement.

Interest Rate Risk

Interest rate risk exists when there is a possibility that changes in interest rates could adversely affect an investment's fair value. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. Interest rate risk disclosures are required for all debt instruments as well as investments in mutual funds, external investment pools, and other pooled investments that do not meet the definition of a "2a-7 like" pool. Additionally, GASB Statement No. 40 requires that the interest rate be disclosed using one of five approved methods. The five methods are: segmented time distribution, specific identification, weighted average maturity (WAM), duration, and simulation model. Different methods may be presented for different types of investments.

The City's investment policy is limited to complying with the State's investment statutes. The State law has not addressed an interest rate risk and, therefore, the City has not adopted an investment policy on that point. It is the City's intention to make investments to provide sufficient liquidity to pay obligations as they become due. For City funds, SBA LGIP meets the 2a-7 pool requirements; thus, no interest rate disclosure is necessary. The City uses the weighted average maturity method (WAM) for its FMIvT 0-2 Year High Quality Bond Fund which results in a duration of 0.70 and a WAM of 0.75.

The three Pension Trust Plans can have investments in a combination of stocks, bonds, government securities, and other investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is at least reasonably possible that changes in risks in the near term would materially affect balances and the amounts reported in the statement of plan net position and the statement of changes in plan net position. Each individual plan's investment advisor monitors the plan's investments and the associated risks on a regular basis, which minimizes risks.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that foreign currency exchange rates will adversely affect the fair value of an investment. The City has nominal exposure to foreign currencies due to investments in non-U.S. markets implemented through our portfolios. Foreign currencies will fluctuate relative to the U.S. dollar, but it is believed that the diversification benefits outweigh potential risks. Given the limited exposure, foreign currency risk is considered minor.

NOTE 3 - NOTES RECEIVABLE

General Fund:

A note receivable is recorded in the general fund for \$1,748,533 related to the sale of property. Principal and interest payments, at 5% interest rate, are to be made over twenty-four years beginning in February, 2012.

Capital Projects:

A note receivable is recorded in the capital projects fund for \$1,800,000 related to the Industrial Park. Interest payments, at 2% interest rate, are to be made for the entirety of the loan. Principal is payable upon the earlier of demand or the sale or lease of any portion of the specified property.

Special Revenue Fund:

The City participates in loan rehabilitation programs that assist low income residents in obtaining safe and sanitary housing, businesses in downtown improvement areas, and rental housing improvements. The loans, accounted for in the special revenue fund, are due and payable at their respective maturity dates or change of home ownership, whichever occurs first. The City maintains a security interest in the property. These loans are non-interest bearing and will mature at various dates up to 2044.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2014 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$16,845,863	\$ 181,953		\$17,027,816
Capital assets, being depreciated:				
Buildings	28,272,728	448,677		28,721,405
Improvements other than buildings	8,889,336	3,009,420		11,898,756
Machinery and equipment	18,927,821	590,160	\$ 419,926	19,098,055
Infrastructure, excluding bridges	60,832,974	3,085,743		63,918,717
Total capital assets, being depreciated	<u>116,922,859</u>	<u>7,134,000</u>	<u>419,926</u>	<u>123,636,933</u>
Less accumulated depreciation for:				
Buildings	16,429,661	907,695		17,337,356
Improvements other than buildings	4,957,909	698,268		5,656,177
Machinery and equipment	15,072,854	1,202,315	419,926	15,855,243
Infrastructure, excluding bridges	35,791,314	1,003,872		36,795,186
Total accumulated depreciation	<u>72,251,738</u>	<u>3,812,150</u>	<u>419,926</u>	<u>75,643,962</u>
Total capital assets, being depreciated, net	<u>44,671,121</u>	<u>3,321,850</u>		<u>47,992,971</u>
Governmental activities capital assets, net	<u>\$61,516,984</u>	<u>\$ 3,503,803</u>	<u>\$</u>	<u>\$65,020,787</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4 - CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets, not being depreciated:				
Land	\$ 373,622	\$ 45,673		\$ 419,295
Construction in progress	<u>2,259,531</u>	<u>878,364</u>	<u>\$ 59,168</u>	<u>3,078,727</u>
Total capital assets, not being depreciated	<u>2,633,153</u>	<u>924,037</u>	<u>59,168</u>	<u>3,498,022</u>
Capital assets, being depreciated:				
Buildings	1,324,348	7,281		1,331,629
Improvements other than buildings	103,605,750	138,449	2,689	103,741,510
Machinery and equipment	<u>14,443,401</u>	<u>1,081,789</u>	<u>357,274</u>	<u>15,167,916</u>
Total capital assets, being depreciated	<u>119,373,499</u>	<u>1,227,519</u>	<u>359,963</u>	<u>120,241,055</u>
Less accumulated depreciation for:				
Buildings	229,642	40,312		269,954
Improvements other than buildings	51,279,111	2,277,705	2,689	53,554,127
Machinery and equipment	<u>10,105,159</u>	<u>948,912</u>	<u>304,106</u>	<u>10,749,965</u>
Total accumulated depreciation	<u>61,613,912</u>	<u>3,266,929</u>	<u>306,795</u>	<u>64,574,046</u>
Total capital assets, being depreciated, net	<u>57,759,587</u>	<u>(2,039,410)</u>	<u>53,168</u>	<u>55,667,009</u>
Business-type activities capital assets, net	<u>\$60,392,740</u>	<u>\$ (1,115,373)</u>	<u>\$ 112,336</u>	<u>\$ 59,165,031</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4 - CAPITAL ASSETS (Continued)

Total depreciation expense for governmental activities for fiscal year 2014 is \$3,812,150. Total depreciation expense for business-type activities for fiscal year 2014 is \$3,266,929.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 537,515
Public safety	1,163,058
Highways and streets, including depreciation of general infrastructure assets	1,251,420
Culture and recreation	<u>852,453</u>
	3,804,446
Other: Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>7,704</u>
Total depreciation expense - governmental activities	<u>\$ 3,812,150</u>
Business-type activities:	
Utilities	\$ 2,310,713
Solid waste	490,410
Marina	<u>465,806</u>
Total depreciation expense - business-type activities	<u>\$ 3,266,929</u>

Discretely presented component units

Activity for the Panama City Downtown Improvement Board for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	<u>\$ 786,160</u>	<u> </u>	<u> </u>	<u>\$ 786,160</u>
Capital assets, being depreciated:				
Improvements other than buildings	872,681			872,681
Furniture and equipment	<u>30,947</u>	<u>\$ 500</u>	<u> </u>	<u>31,447</u>
Total capital assets, being depreciated	<u>903,628</u>	<u>500</u>	<u> </u>	<u>904,128</u>
Less accumulated depreciation for:				
Improvements other than buildings	397,390	27,782		425,172
Furniture and equipment	<u>23,612</u>	<u>1,195</u>	<u> </u>	<u>24,807</u>
Total accumulated depreciation	<u>421,002</u>	<u>28,977</u>	<u> </u>	<u>449,979</u>
Total capital assets, being depreciated, net	<u>482,626</u>	<u>(28,477)</u>	<u> </u>	<u>454,149</u>
Downtown Improvement Board capital assets, net	<u>\$1,268,786</u>	<u>\$ (28,477)</u>	<u> </u>	<u>\$ 1,240,309</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 4 - CAPITAL ASSETS (Continued)

Activity for the Panama City Port Authority for the year ended September 30, 2014, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 7,313,196	\$ 2,549,297		\$ 9,862,493
Construction in progress	<u>13,827,248</u>	<u>9,712,228</u>	<u>\$15,776,485</u>	<u>7,762,991</u>
Total capital assets, not being depreciated	<u>21,140,444</u>	<u>12,261,525</u>	<u>15,776,485</u>	<u>17,625,484</u>
Capital assets, being depreciated:				
Buildings and improvements	47,355,388	6,344,182		53,699,570
Improvements other than buildings	43,403,282	5,284,645		48,687,927
Machinery and equipment	<u>13,490,895</u>	<u>1,598,562</u>	<u>205,056</u>	<u>14,884,401</u>
Total capital assets, being depreciated	<u>104,249,565</u>	<u>13,227,389</u>	<u>205,056</u>	<u>117,271,898</u>
Less accumulated depreciation for:				
Buildings and improvements	19,784,012	1,556,814		21,340,826
Improvements other than buildings	16,042,666	1,997,236		18,039,902
Machinery and equipment	<u>6,486,260</u>	<u>978,452</u>	<u>86,670</u>	<u>7,378,042</u>
Total accumulated depreciation	<u>42,312,938</u>	<u>4,532,502</u>	<u>86,670</u>	<u>46,758,770</u>
Total capital assets, being depreciated, net	<u>61,936,627</u>	<u>8,694,887</u>	<u>118,386</u>	<u>70,513,128</u>
Port Authority capital assets, net	<u>\$83,077,071</u>	<u>\$20,956,412</u>	<u>\$15,894,871</u>	<u>\$ 88,138,612</u>

NOTE 5 - 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 purchased commercial insurance for all risks of loss except medical claims of the City of Panama City employees and their covered dependents. There was no significant reduction in insurance coverage during the current year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

The City has established a medical self-insurance fund and a dental insurance fund which are accounted for as Internal Service Funds. The purpose of these funds is to pay medical claims and dental insurance of the City of Panama City employees and their covered dependents and minimize the total cost of annual insurance to the municipality. Medical claims exceeding \$100,000 per insured are covered through private carriers. Dental claims are limited to \$1,000 per year for each insured person. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 - RISK MANAGEMENT (Continued)

Contributions to the self-insurance fund is determined by projected losses based on historical claims experience. Estimated liabilities in the amount of \$0 for claims and judgments are accrued as liabilities of the funds. Claims liabilities are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends, and any other factors that would modify past experience. Claim liabilities include specific incremental claim adjustment expenses. Unpaid losses occurring prior to September 30, 2014, have been estimated and accrued at present value as a liability as of September 30, 2014. Changes in the balances of claims liabilities during the fiscal years 2014 and 2013 were as follows:

Medical Self Insurance

<u>Year</u>	<u>Balance Fiscal Year Beginning October 1</u>	<u>Current Year Claims/Fees and Changes in Estimates</u>	<u>Claims/Fees Payments</u>	<u>Balance Fiscal Year Ending September 30</u>
2014	\$ 350,778	\$ 5,893,889	\$ 5,525,329	\$ 719,338
2013	989,663	5,727,739	6,366,624	350,778

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 - LONG-TERM DEBT

Primary Government - *Governmental Activities*:

Long-term obligations at September 30, 2014, includes the following debt issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2014</u>
Revenue Note, Series 2008, as modified, interest 1.94%, principal and interest payable semi-annually on April 1 and October 1; principal matures April 1, 2023; collateralized by and payable from pledged funds of non-ad valorem revenues.	\$ 1,922,000	\$ 1,284,000
Capital Improvement Refunding Revenue Note, Series 2012, interest 1.08%, payable semi-annually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by and payable from pledged funds of non-ad valorem revenues.	1,392,000	586,000
Capital Improvement Taxable Revenue Refunding Note, Series 2013A, interest 2.24% payable semi-annually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by a lien and pledge of the occupational license taxes.	3,315,000	2,966,000
Capital Improvement Revenue Note, Series 2013B, interest 2.31% payable semi-annually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by a lien and pledge of the occupational license taxes.	<u>12,999,000</u>	<u>12,582,000</u>
Total	<u>\$ 19,628,000</u>	<u>\$ 17,418,000</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 - LONG-TERM DEBT (Continued)

Primary Government - *Business-Type Activities*:

Long-term obligations at September 30, 2014 includes the following bond issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2014</u>
Water and Sewer Revenue Refunding Bonds, Series 2012: dated April 19, 2012, interest 1.94%, principal payable annually on October 1, interest payable semi-annually on April 1 and October 1; collateralized by a lien on and pledge of the net revenues of the water and sewer system.	\$ 5,465,000	\$ 5,371,000
Water and Sewer Revenue Refunding Bonds, Series 2014: dated July 3, 2014, interest 1.55%, principal payable annually on October 1; interest payable semi-annually on April 1 and October 1; collateralized by a lien on and pledge of the net revenues of the water and sewer system.	<u>7,758,000</u>	<u>7,758,000</u>
Total	<u>\$ 13,223,000</u>	<u>\$ 13,129,000</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended September 30, 2014, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental Activities:					
2008 Modified Revenue Note	\$ 1,414,000		\$ 130,000	\$ 1,284,000	\$ 133,000
2012 Capital Improvement Refunding Revenue Note	877,000		291,000	586,000	293,000
2013A Capital Improvement Taxable Revenue Refunding Note	3,315,000		349,000	2,966,000	605,000
2013B Capital Improvement Revenue Note	12,999,000		417,000	12,582,000	771,000
Add (Deduct) deferred amounts on premium	<u>49,177</u>		<u>13,740</u>	<u>35,437</u>	<u>12,957</u>
Total bonds/notes payable	18,654,177		1,200,740	17,453,437	1,814,957
Capital lease obligation	295,945		95,642	200,303	98,512
Loan from other government unit	900,000		300,000	600,000	300,000
Other post employment benefits	1,746,420	\$ 181,300		1,927,720	
Compensated absences	<u>1,367,859</u>	<u>1,367,729</u>	<u>1,307,286</u>	<u>1,428,301</u>	<u>357,075</u>
Total long-term liabilities	<u>\$22,964,401</u>	<u>\$ 1,549,029</u>	<u>\$ 2,903,668</u>	<u>\$21,609,761</u>	<u>\$ 2,570,544</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Business-type Activities:					
Water & Sewer Revenue Refunding Bond Series 2003 A	\$ 390,000		\$ 390,000		
Refunding Bond Series 2004	9,385,000		9,385,000		
Refunding Note Series 2012	5,427,000		56,000	\$ 5,371,000	\$ 57,000
Refunding Bond Series 2014		\$ 7,758,000		7,758,000	359,000
Add (Deduct) deferred amounts on premium	<u>46,183</u>		<u>7,697</u>	<u>38,486</u>	<u>7,697</u>
Total bonds/notes payable	15,248,183	7,758,000	9,838,697	13,167,486	423,697
Other post employment benefits	613,580	63,700		677,280	
Compensated absences	<u>436,622</u>	<u>383,207</u>	<u>394,409</u>	<u>425,422</u>	<u>106,355</u>
Total long-term liabilities	<u>\$16,298,385</u>	<u>\$ 8,204,907</u>	<u>\$ 10,233,106</u>	<u>\$14,270,188</u>	<u>\$ 530,052</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Compensated absences are generally liquidated by the fund that reports the liability and pays the related costs. Therefore, the general and utility funds liquidate a majority of the compensated absence liability.

OPEB obligations are generally liquidated by the fund that reports the liability and pays the related costs. Therefore, the general and utility funds liquidate a majority of the OPEB liability.

Debt Issuances and Refundings:

On July 3, 2014, the City issued \$7,758,000 Water and Sewer Refunding Revenue Note, Series 2014. Proceeds were used to refund Water and Sewer Revenue Bond, Series 2004. The economic gain approximated \$494,762. The debt service between the refunding debt and the refunded debt approximated \$182,852.

<u>Bond Series</u>	<u>True Interest Cost</u>	<u>Average Coupon Rate</u>	<u>Maturity Date</u>	<u>Net Proceeds</u>	<u>Underwriters Cost of Issuance</u>
2014	1.55%	1.55%	10/1/2019	\$ 7,758,000	\$ 60,324

Discretely presented Component Units

Panama City Downtown Improvement Board

Changes in long-term liability obligations for the year ended September 30, 2014 are as follows:

	<u>Balance September 30, 2013</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2014</u>	<u>Due in One Year</u>
Bank Line of Credit - Doral Bank Interest currently at 5.5%, maturing October 1, 2014.	\$ 10,000	\$ -	\$ 4,986	\$ 5,014	\$ 5,014
Bank Line of Credit - Regions Bank Interest currently at 5.5%, collateralized by pledge of revenues, maturing December 1, 2013.	50,000	-	50,000	-	-

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

	Balance September 30, 2013	Increases	Decreases	Balance September 30, 2014	Due in One Year
Note Payable – Regions Bank					
Interest currently at 4.75%, the note is due in full upon lender’s demand. If no demand is made, the borrower will pay this loan in one payment of all outstanding principal plus all accrued interest on October 9, 2016; collateralized and payable from general revenues.	-	50,000	-	50,000	-
Note Payable - City of Panama City					
Interest currently at 1%, payments of \$500 are due on the first of every month until the entire principal balance together with the accrued interest has been paid in full.	-	55,000	-	55,000	5,512
Total long-term liabilities	\$ 60,000	\$ 105,000	\$ 54,986	\$ 110,014	\$ 10,526

Debt service requirements to maturity for long-term debt subsequent to September 30, 2014 is as follows:

Year Ended 9/30	Principal	Interest
2015	\$ 10,526	\$ 488
2016	5,530	470
2017	55,586	5,341
2018	5,642	358
2019	5,699	301
2020-2024	27,031	639
	<u>\$ 110,014</u>	<u>\$ 7,597</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 - LONG-TERM DEBT (Continued)

Panama City Port Authority

Changes in long-term liability obligations for the year ended September 30, 2014, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Bank Line of Credit - Interest currently at 1.035%; principal and interest is payable February, May, August, and November annually until the final maturity date of the note; collateralized by pledged funds; maturity date May 2014.	\$ 262,500		\$ 262,500		
Bank Line of Credit - Not to exceed \$7,500,000; interest currently at 1.14% payable quarterly on draw 1, 2, and 3, with principal payments of \$125,000 quarterly, maturing April 2012. Interest currently at 1.711% payable quarterly on draw 4, with principal payments of \$27,778 quarterly, maturing April 2014, collater- alized by the pledge of the net revenues of the facility.	55,555		55,555		
Bank Line of Credit - Interest currently at 1.0086%; principal and interest is due based on equal quarterly installments amortized over the period to the final maturity date of the note; collateralized by the pledge of the net revenues of the facility, maturity date June 2027.	5,864,120		317,183	\$ 5,546,937	\$ 247,244

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due in One Year</u>
Note payable -					
Interest at 3%; interest payable quarterly and principal balance payable upon the earlier of the sale or lease of any portion of the specified Industrial Park property or upon demand; collateralized by specified Industrial Park property.	300,000			300,000	300,000
Note payable-					
Interest at 2%; interest payable quarterly and principal balance payable upon the earlier of the sale or lease of any portion of the specified Industrial Park property or upon demand; collateralized by specified Industrial Park property.	1,800,000			1,800,000	1,800,000
State Infrastructure Bank Loan-					
Interest currently at 4%; principal and interest is due based on equal annual installments amortized over the period to the final maturity date of the note; collateralized by the pledge of the net revenues of the facility, maturity date October 2032.	<u>4,464,192</u>	<u>286,393</u>	<u>215,012</u>	<u>4,535,573</u>	
Total notes and bonds payable	12,746,367	286,393	850,250	12,182,510	2,347,244
Claims and judgments	<u>436,104</u>	<u>15,133</u>	<u>22,971</u>	<u>428,266</u>	<u>23,207</u>
Total long-term liabilities	<u>\$13,182,471</u>	<u>\$ 301,526</u>	<u>\$ 873,221</u>	<u>\$ 12,610,776</u>	<u>\$ 2,370,451</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Debt service requirements to maturity subsequent to September 30, 2014, are as follows:

Ended September 30	Note Payable		Line of Credit	
	Principal	Interest	Principal	Interest
2015	\$2,100,000	\$ 45,000	\$ 247,244	\$ 35,134
2016			342,628	44,337
2017			358,060	41,351
2018			374,188	38,230
2019			391,042	34,969
2020-2024			2,235,816	120,548
2025-2027			<u>1,597,959</u>	<u>22,708</u>
	<u>\$2,100,000</u>	<u>\$ 45,000</u>	<u>\$5,546,937</u>	<u>\$ 337,277</u>

Year Ended September 30	State Infrastructure Loan Agreement	
	Principal	Interest
2015		\$ 181,423
2016	\$ 186,486	173,964
2017	193,945	166,206
2018	201,703	158,138
2019	209,771	149,747
2020-2024	1,181,636	610,642
2025-2029	1,437,641	344,397
2030-2033	<u>1,124,391</u>	<u>55,336</u>
	<u>\$4,535,573</u>	<u>\$1,839,853</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Derivative instruments outstanding as of September 30, 2014 are as follows:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	9/30/2014 Fair Value (negative)
A	Pay-fixed interest rate swap	Hedge the variable rate risk associated with the first draw on the \$7,500,000 debt.	\$ 7,500,000	6/1/2007	6/1/2027	Pay 4.43%, receive 67% of LIBOR plus 70 basis points	\$ (830,860)

Derivative instrument A is considered a hedging derivative instrument for 2014.

The fair value of the interest rate swap was estimated using a proprietary valuation model developed by the counterparty. This method calculates future cash flow by projecting forward rates, then discounting the cash flow at its present value.

Risks

1. *Credit risk.*

The Port's derivative instrument is held with a counterparty. The credit rating for the counterparty is Baa1. The counterparty bears the risk of non-payment.

2. *Interest rate risk.*

The Port is exposed to interest rate risk on its interest rate swap. On its pay-fixed, receive-variable interest rate swap, as LIBOR decreases, the Port's net payment on the swap increases.

3. *Basis risk.*

The Port is exposed to basis risk on its pay-fixed swap derivative instrument because the variable-rate payments received by the Port on the derivative instruments is based on a rate or index other than interest rates the Port pays on its hedged variable-rate debt. At September 30, 2014, the variable interest rate and LIBOR-based rate of the swap was as follows:

	<u>Variable Rate</u>	<u>LIBOR-based Rates</u>
Derivative A	0.86	0.86

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

4. *Termination risk.*

The swap may be terminated by the Port or the counterparty if the other party fails to perform under the terms of the swap agreement. If the swap is terminated, the Port would prospectively pay the variable-rate on the Line of Credit. The termination of the swap agreement could increase the Port's total debt service if, at the time of termination, the swap has a negative fair value by the amount of such negative fair value. As noted above under fair value, the Port has a negative fair value for the derivative instrument A as of September 30, 2014 and would be liable to the counterparty if the swap were terminated prematurely.

5. *Rollover risk.*

Derivative instrument A's termination date is June 1, 2027. The Port may not be able to replicate the hedge associated with the current swap agreement on the termination date.

Derivative Instrument Payments and Hedged Debt – Derivative A

As of September 30, 2014, aggregate debt service requirements of the Port's debt (fixed-rate and variable-rate) and net receipts/payments on associated hedging derivative instruments are presented below. These amounts assume that current interest rates on variable-rate bonds and the current reference rates of hedging derivative instruments will remain the same for their term. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instruments will vary. The hedging derivative instruments column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting.

Fiscal Year Ending <u>September 30</u>	<u>Principal</u>	<u>Interest</u>	Hedging Derivatives, <u>Net</u>	<u>Total</u>
2015	\$ 247,244	\$ 35,134	\$ (181,579)	\$ 100,799
2016	342,628	44,337	(229,137)	157,828
2017	358,060	41,351	(213,704)	185,707
2018	374,188	38,230	(197,577)	214,841
2019	391,042	34,969	(180,722)	245,289
2020-2024	2,235,816	120,548	(623,006)	1,733,358
2025-2027	1,597,959	22,708	(117,357)	1,503,310
	<u>\$ 5,546,937</u>	<u>\$ 337,277</u>	<u>\$(1,743,082)</u>	<u>\$ 4,141,132</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Derivative Instruments – Fair Value

The fair value balances and notional amounts of derivative instrument outstanding at September 30, 2014, classified by type, and the changes in fair value of such derivative instrument is as follows (debit (credit)):

	<u>Changes in Fair Value</u>		<u>Fair Value at September 30, 2014</u>		
	<u>Classification</u>	<u>Amount</u>	<u>Classification</u>	<u>Amount</u>	<u>Notional</u>
Business-type activities					
Cash flow hedges:					
Pay-fixed interest					
rate swap					
Derivative A	Deferred inflow	\$ 86,066	Debt	\$ (830,860)	\$ 7,500,000

Compensated Absences

The amount of accrued annual and sick leave pay at September 30, 2014, is as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Primary Government Total</u>	<u>Component Unit Total</u>
Governmental activities	\$ 357,075	\$ 1,071,226	\$ 1,428,301	
Business-type activities	<u>106,356</u>	<u>319,066</u>	<u>425,422</u>	\$ <u>68,439</u>
Total	<u>\$ 463,431</u>	<u>\$ 1,390,292</u>	<u>\$ 1,853,723</u>	<u>\$ 68,439</u>

Advance Refundings

The City has provided for the advance refunding of several bond issues. Under the terms of the refunding issues, sufficient assets to pay all principal and interest on the refunded issues have been placed in special escrow accounts. Because the escrow accounts are sufficient to pay principal, interest, and redemption premiums on the refunded bonds, the bonds are not recorded as a liability in the financial statements of the City.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 - LONG-TERM DEBT (Continued)

The various bond issues that have been refunded are as follows:

	<u>Fund Affected</u>	<u>Date Issued</u>	<u>Amount of Original Issue</u>	<u>Final Maturity Date</u>	<u>Amount of Bonds Outstanding at 9/30/14</u>
Water and Sewer Revenue Bonds	Utility	1996	\$11,560,000	10/01/19	\$ 8,405,000
Water and Sewer Revenue Refunding Bonds - Series 2003 B	Utility	2003	4,980,000	9/30/23	4,980,000
Water and Sewer Revenue Refunding Bonds – Series 2004	Utility	2004	12,590,000	10/01/19	8,570,000
Transportation Improvement Revenue Bonds	Capital Improv.	1997	3,295,000	10/01/17	1,510,000
Capital Improvement Revenue Refunding Bonds	Capital Improv.	1999	3,645,000	10/01/19	1,490,000
Capital Improvement Revenue and Refunding Bonds - Series 2001B	Capital Improv.	2001	4,810,000	9/30/16	1,040,000
Capital Improvement Revenue and Refunding Bonds - Series 2005	Capital Improv.	2005	7,285,000	10/01/19	2,970,000

CITY OF PANAMA CITY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

Bonded debt service requirements to maturity are as follows:

Governmental Activities

Year Ending September 30	Revenue Note Series 2008-Modified		Capital Improvement Refunding Revenue Note - Series 2012		Capital Improvement Taxable Revenue Refunding Note - Series 2013A	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 133,000	\$ 24,279	\$ 293,000	\$ 4,747	\$ 605,000	\$ 59,662
2016	135,000	21,680	293,000	1,582	621,000	45,931
2017	137,000	19,050			629,000	31,931
2018	141,000	16,374			643,000	17,685
2019	143,000	13,629			231,000	7,896
2020-2023	595,000	26,073			237,000	2,654
	<u>\$ 1,284,000</u>	<u>\$ 121,085</u>	<u>\$ 586,000</u>	<u>\$ 6,329</u>	<u>\$ 2,966,000</u>	<u>\$ 165,759</u>

Year Ending September 30	Capital Improvement Revenue Note - Series 2013B		Capital Leases		Loan from Other Government Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 771,000	\$ 281,739	\$ 98,512	\$ 6,666	\$ 300,000	
2016	789,000	263,721	101,791	3,388	300,000	
2017	808,000	245,276				
2018	826,000	226,403				
2019	845,000	207,103				
2020-2024	4,529,000	729,949				
2025-2028	4,014,000	188,104				
	<u>\$ 12,582,000</u>	<u>\$ 2,142,295</u>	<u>\$ 200,303</u>	<u>\$ 10,054</u>	<u>\$ 600,000</u>	

Business-type Activities

Year Ending September 30	Water & Sewer Refunding Revenue Note - Series 2012		Water & Sewer Refunding Revenue Note - Series 2014	
	Principal	Interest	Principal	Interest
2015	\$ 57,000	\$ 103,091	\$ 359,000	\$ 114,684
2016	58,000	101,967	1,434,000	92,457
2017	59,000	100,822	1,453,000	69,936
2018	60,000	99,658	1,480,000	46,996
2019	61,000	98,474	1,503,000	23,700
2020-2023	5,076,000	195,805	1,529,000	
	<u>\$ 5,371,000</u>	<u>\$ 699,817</u>	<u>\$ 7,758,000</u>	<u>\$ 347,773</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 7 - LEASES

Primary Government:

Operating Lease. The City leases a portion of its property in the capital assets. All revenues from rentals are accounted for by the operating lease method. The cost of leased property in the capital assets is not determinable and is included in the municipal waterfront land, buildings, and improvements of \$1,638,279. Rental income totaled \$194,161 in the General Fund during the fiscal year ended September 30, 2014. As of September 30, 2014, minimum rentals collectible on the noncancellable lease in the General Fund totaled \$1,020,000 as follows:

<u>Year</u>	
2015	\$ 20,000
2016	20,000
2017	20,000
2018	20,000
2019	20,000
2020-2024	100,000
2025-2029	100,000
2030-2034	100,000
2035-2039	100,000
2040-2044	100,000
2045-2049	100,000
2050-2054	100,000
2055-2059	100,000
2060-2064	100,000
2065	<u>20,000</u>
Total	<u>\$ 1,020,000</u>

Capital Leases. The City has entered into lease agreements to finance equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the inception date. The cost of assets acquired through capital leases is \$557,237 and is included in equipment. Accumulated depreciation for the equipment is \$111,447 as of September 30, 2014, which makes the net value \$445,790. The future minimum lease obligations and the net present value of these lease payments as of September 30, 2014 are as follows:

<u>Year</u>	
2015	\$ 105,179
2016	<u>105,178</u>
	210,357
Less amount representing interest	<u>(10,054)</u>
Present value of minimum lease payments	<u>\$ 200,303</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 7 - LEASES (Continued)

Component Unit:

Panama City Port Authority

Operating Lease. The Port Authority leases a portion of its property to various lessees under operating lease agreements, both cancellable and noncancellable. Total minimum future rentals for noncancellable leases at September 30, 2014, are as follows:

2015	\$ 2,349,472
2016	2,383,836
2017	2,418,887
2018	2,505,187
2019	<u>2,549,025</u>
Total	<u>\$ 12,206,407</u>

The cost and accumulated depreciation of property held for rental included on the balance sheet are as follows:

Land	\$ 360,683
Buildings and improvements	18,470,756
Accumulated depreciation	<u>(6,351,872)</u>
Total	<u>\$ 12,479,567</u>

The Port Authority recognized \$2,293,274 of revenue from property leases during the year, none of which was from contingent rentals.

The Port Authority is the lessee in an agreement with the City of Panama City, Florida, for the lease of the land occupied by the Port Authority. The lease is for a period of 99 years, expiring August 31, 2065. The terms of the lease include a minimum annual payment of \$20,000 plus additional rent as the Port Authority deems appropriate in view of its surplus. This additional amount is arbitrary and subject to mutual agreement. Annual rent in the amount of \$24,000, \$4,000 above the minimum, was paid for the year ended September 30, 2014.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 7 - LEASES (Continued)

Future minimum rental commitments at September 30, 2014, are as follows:

2015	\$ 20,000
2016	20,000
2017	20,000
2018	20,000
2019	20,000
2020-2024	100,000
2025-2029	100,000
2030-2034	100,000
2035-2039	100,000
2040-2044	100,000
2045-2049	100,000
2050-2054	100,000
2055-2059	100,000
2060-2064	100,000
2065	<u>20,000</u>
Total	<u>\$ 1,020,000</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at September 30, 2014, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Primary Government		
Governmental Funds -		
Major -		
General Fund	\$1,864,795	\$ 14
Capital Projects	549,907	1,811,851
Special Revenue Funds -		
Community Planning and Development	1,389	630
State Housing Initiative Partnership-County	360	1,402
State Housing Initiative Partnership-City		371
General Grants		549,908
Panama City Community Redevelopment		
Agency-Millville	6	
Panama City Community Redevelopment		
Agency-St. Andrews		669
Panama City Community Redevelopment		
Agency-Downtown		70
Panama City Community Redevelopment		
Agency-Downtown North		1,112
Debt Service Funds -2008		13,905
Proprietary Funds -		
Major -		
Utilities	360,484	1,237,274
Solid Waste	1,223,886	358,110
Marina		1,014
Nonmajor -		
Equipment and Maintenance	<u> </u>	<u>24,497</u>
Total	<u>\$4,000,827</u>	<u>\$4,000,827</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 8 - INTERFUND BALANCES AND TRANSFERS (Continued)

Transfers in/out are summarized as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government		
Governmental Funds -		
Major		
General Fund	\$ 3,336,661	\$ 6,134,338
Capital Projects	<u>2,246,840</u>	<u>1,040,000</u>
Aggregate Major	<u>5,583,501</u>	<u>7,174,338</u>
Nonmajor		
General Grants	6,350	1,246,569
Community Planning and Development		121,509
State Housing Initiative Partnership-City		2,439
Panama City Community Redevelopment		
Agency - St. Andrews		10,995
Panama City Community Redevelopment		
Agency - Downtown		40,601
Panama City Community Redevelopment		
Agency - Downtown North		97,546
Panama City Community Redevelopment		
Agency - Millville		164,920
Debt Service 2008	156,550	
Debt Service 2012	299,329	
Debt Service 2013A	671,438	
Debt Service 2013B	<u>1,061,644</u>	
Aggregate Nonmajor	<u>2,195,311</u>	<u>1,684,579</u>
Proprietary Funds -		
Major		
Utility	232,100	1,528,291
Solid Waste		1,296,927
Marina		<u>273,177</u>
Aggregate Major	<u>232,100</u>	<u>3,098,395</u>
Nonmajor		
Medical	3,927,687	
Dental	88,122	
Equipment Maintenance		<u>69,409</u>
Aggregate Nonmajor	<u>4,015,809</u>	<u>69,409</u>
	<u>\$ 12,026,721</u>	<u>\$ 12,026,721</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS

Primary Government:

The City has provided retirement plans covering substantially all employees. All participants except policemen and firemen are included in the Florida Retirement System or the Retirement Plan and Trust for the General Employees of the City of Panama City, Florida. The City maintains a separate Pension Fund for each of the groups excluded by the Florida Retirement System or the Retirement Plan and Trust for the General Employees of the City of Panama City, Florida. The City also provides a Senior Management Pension Plan.

9.1 Florida Retirement System

- a. *Plan Description.* The Florida Retirement System (System) offers a multiple-employer, cost-sharing defined benefit retirement system established by Chapter 121, Florida Statutes, and a multiple-employer cost-sharing, defined contribution plan, which is employee non-contributory. The Florida Retirement System is administered by the Division of Retirement of the State of Florida Department of Administration.
- b. *Plan Provisions and Eligibility.* All full-time City employees hired before January 1, 1996, except police and fire sworn personnel, are eligible to participate in the System. Members in the defined benefit plan qualify for normal retirement after obtaining 8 years of creditable service and are age 62 or upon attaining 30 years of service, regardless of age. Retirement benefit payment is based upon age and/or years of creditable service, average final compensation and service credit. Benefits fully vest on reaching 8 years of service. Vested employees may retire before qualifying for normal retirement and receive reduced retirement benefits. The defined benefit plan also provides disability and survivor benefits. Benefits are established by state statute. For those employees who choose to change from the defined benefit plan to the defined contribution plan, there is no normal retirement age. The value of the account belongs to the employee when employment ends after one year of vesting.
- c. *Contribution Obligations.* The City is required by state statutes 121.071 and 121.055 to contribute 7.37% of regular participants' salary; and 21.14% of the senior management's salary to the plan. For those employees participating in the Deferred Retirement Option Program (DROP), which the FRS initiated in July 1998, the City contributes 12.28% of employees' salaries. Total pension expense amounted to \$252,454. As of July 1, 2012, the plan changed from an employee noncontributing plan to an employee contributory plan at a contribution rate of 3.00% of participants' salary. Contributions made equaled required contributions for the current and two preceding years.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>
9/30/12	\$ 149,822	100%
9/30/13	181,134	100%
9/30/14	252,454	100%

- d. A separately issued comprehensive annual financial report of the system is available from the Florida Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399.

9.2 Policemen, Firemen, and Senior Management Pension Trust Funds

Significant Accounting Policies:

Financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenue in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with terms of the plan. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

Plan Description:

a. *Plan Names*

The Policemen, Firemen and Senior Management participate in single-employer contributory defined benefit retirement plans. They are as follows:

City of Panama City Municipal Police Officers' Pension Trust Fund (Policemen)
City of Panama City Municipal Firefighters' Pension (Firemen)
City of Panama City Supplemental Retirement Plan for Designated General Employees (Senior Management)

b. *Plan Administration, Policemen, Firemen and Senior Management Pension Trust Funds*

The sole and exclusive administration of and responsibility for the proper operation of the systems and for making effective the provisions of this division are hereby vested in each Board of Trustees. Each Board is hereby designated as its plan administrator. Each Board shall consist of five Trustees, two of whom, unless otherwise prohibited by law, shall be legal residents of the

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

City, who shall be appointed by the City commission, and two of whom shall be members of the system, who shall be elected by a majority of the respective police officers, firefighters or senior management participants who are members of that system. The fifth Trustee shall be chosen by a majority of the previous four trustees as provided for herein, and such person's name shall be submitted to the City commission. The Policemen, Firemen, and Senior Management Pension Trust Funds do not issue audited stand-alone financial statements but rely on the audit performed for the City.

c. *Plan Membership*

Membership of each plan consisted of the following on October 1, 2014:

	Policemen Pension <u>10/1/14</u>	Firemen Pension <u>10/1/14</u>	Senior Management Pension <u>10/1/14</u>
Inactive plan members or beneficiaries currently receiving benefits	80	78	13
Inactive plan members entitled to but not yet receiving benefits	6	1	2
Active plan members	<u>89</u>	<u>62</u>	<u>18</u>
Total members	<u><u>175</u></u>	<u><u>141</u></u>	<u><u>33</u></u>
Number of participating employers	1	1	1

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

d. *Benefits Provided*

Normal Retirement

	Policemen <u>Pension</u>	Firemen <u>Pension</u>	Senior Management <u>Pension</u>																																		
Date	1) age 50 and the completion of 15 years of credited service, 2) the completion of 23 years of credited service, regardless of age, 3) age 55 and the completion of 10 years of credited service, or 4) if employed on or before 1/1/82, the completion of 15 years of credited service, regardless of age.	1) Age 55 and the completion of 10 years of credited service, or 2) 25 years of credited service, regardless of age.	Age 59 with 10 years of credited service for Category 1 employees, or age 59 with 6 years of credited service for Category 2 and 3 employees. Categories are as follows: Category 1 - designated managers and directors and the City engineer. Category 2 - City Commission, Assistant City Manager, and City Clerk Category 3 - City Manager																																		
Benefit	Percentage of average final compensation according to the following schedule: <table><tr><td><u>Service</u></td><td><u>Percent</u></td></tr><tr><td>10-14</td><td>2%/Year</td></tr><tr><td>15</td><td>37.5%</td></tr><tr><td>16</td><td>42.0%</td></tr><tr><td>17</td><td>46.5%</td></tr><tr><td>18</td><td>51.0%</td></tr><tr><td>19</td><td>55.5%</td></tr><tr><td>20</td><td>60.0%</td></tr><tr><td>21</td><td>63.0%</td></tr><tr><td>22</td><td>66.0%</td></tr><tr><td>23</td><td>69.0%</td></tr><tr><td>24</td><td>71.0%</td></tr><tr><td>25</td><td>73.0%</td></tr><tr><td>26</td><td>75.0%</td></tr><tr><td>27</td><td>77.0%</td></tr><tr><td>28</td><td>79.0%</td></tr><tr><td>28.5+</td><td>80.0%</td></tr></table>	<u>Service</u>	<u>Percent</u>	10-14	2%/Year	15	37.5%	16	42.0%	17	46.5%	18	51.0%	19	55.5%	20	60.0%	21	63.0%	22	66.0%	23	69.0%	24	71.0%	25	73.0%	26	75.0%	27	77.0%	28	79.0%	28.5+	80.0%	2.9% of average final compensation times credited service (30 year maximum), minimum benefit of 2.0% of average final compensation times credited service.	The greater of 1% of average earnings times the years of credited service, or a minimum benefit of \$50 per month times up to 20 years each year of credited service for Category I and II employees. The greater of 1% of average earnings times the years of credited service or a minimum benefit of \$100 per month times up to 10 years of credited service for Category III employees. Average of the highest five years of basic salary out of the last 10 years.
<u>Service</u>	<u>Percent</u>																																				
10-14	2%/Year																																				
15	37.5%																																				
16	42.0%																																				
17	46.5%																																				
18	51.0%																																				
19	55.5%																																				
20	60.0%																																				
21	63.0%																																				
22	66.0%																																				
23	69.0%																																				
24	71.0%																																				
25	73.0%																																				
26	75.0%																																				
27	77.0%																																				
28	79.0%																																				
28.5+	80.0%																																				

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

d. *Benefits Provided (Continued)*

Early Retirement

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Date	1) Age 40 and completion of 15 years of credited service, or 2) age 50 and the completion of 10 years of credited service.	Age 45 and completion of 10 years of credited service.	None provided
Benefit	Determined as for normal retirement and reduced 3% for each year the commencement of benefits precedes normal retirement date.	Determined as for normal retirement (without supplement) reduced 3% per year to age 50 and actuarially for years prior to age 50.	None provided
<u>Termination of Employment</u>	Less than 10 years: refund of accumulated member contributions without interest. 10 or more: refund of contributions or vested accrued benefit payable at age 50 (or reduced as early as age 40).	Less than 10 years: refund of accumulated member contributions without interest. 10 or more: refund of contributions or vested accrued benefit (supplemental benefit not included) payable at age 55 (or reduced as early as age 45).	None provided
<u>Disability</u>			
Eligibility	Total and permanent as determined by the Board (medical proof required).	Total and permanent as determined by the board (medical proof required.) one year of service required for eligibility.	None provided
Benefit	Accrued benefit but not less than 42% of average final compensation (service incurred) and 25% of average final compensation (non-service incurred).	Accrued benefit but not less than 42% of average final compensation (service incurred) and 25% of average final compensation (non-service incurred).	None provided

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

d. *Benefits Provided (Continued)*

Pre-Retirement Death Benefits

<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Greater of: 1) death benefit provided in Chapter 185, F.S., 2) accumulated member contributions, or, 3) 3 times annual salary.	Greater of: 1) actuarial equivalent of participant's accrued benefit payable as a Ten Year Certain and Life Annuity, or 2) 3 times annual salary. Prior to vesting: 3 times annual salary.	Return of accumulated employee contributions

Supplement

10/1/2000, receive a \$450 per month benefit payable to the earlier of death or age 65. Those who terminate on or after 10/1/2006 will receive this benefit for the life of the member.	\$575 per month to earlier of death or Social Security retirement age.	None provided
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Cost of Living Adjustment

Members retiring on or after 1/1/1998, receive a 2% per year increase beginning on the January 1 following the later of age 50 or the date of retirement and ending on January 1 of the year the member reaches Social Security retirement age.	Each January 1, following retirement, the base benefit is increased annually by 3.0% (1.0% if retired prior to January 1, 1999). Adjustments cease at Social Security retirement age (Age 65 if retired between 1/1/94 and 9/30/97). Supplemental benefits are not adjusted.	Cost of living increases of 2% per year for Category 1 employees with 15 continuous years of credited service and Category 2 and 3 employees with 10 continuous years of credited service.
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**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

e. Contributions

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Employee	5.58% of salary	7.5% of salary	4.5% of salary
Employer	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.	Remaining amount required in order to pay current costs and amortize unfunded past service cost, if any, as provided in Chapter 112, Florida Statutes.	Actuarially determined and requirement is subject to state minimums.
State	0.85% tax on insurance premiums.	1.85% tax on insurance premiums.	None provided

Investments:

a. Investment Policy:

The following was the Board's adopted asset allocation policy as of September 30, 2014:

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation</u>	<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity	32%	32%	Core bonds	16%
International equity	15%	15%	Multi-sector	24%
Bonds	24%	24%	U. S. cap equity	39%
High yield bonds	5%	5%	U. S. small cap equity	11%
Convertibles	8%	8%	<u>Non-U.S. equity</u>	<u>10%</u>
Private real estate	5%	5%		
REITS	5%	5%		
MLPs	5%	5%		
<u>Cash</u>	<u>1%</u>	<u>1%</u>		
<u>Total</u>	<u>100%</u>	<u>100%</u>		<u>100%</u>

b. Concentrations:

The Plans did not hold investments in any one organization that represent 5 percent or more of each Pension Plan's fiduciary net position.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

c. Rate of Return:

<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.49 percent.	For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 10.13 percent.	For the year ended September 30, 2014 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 8.60 percent.
The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.	The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.	The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Program:

Eligibility

Satisfaction of Normal Retirement requirements.	Satisfaction of Normal Retirement requirements (earlier of (1) Age 55 and 10 years of Credited Service, or (2) 25 years of Credited Service).	None provided
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CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 - RETIREMENT PLANS (Continued)

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
<u>Participation</u>	<p>If a member has completed less than 25 years of service, not to exceed 60 months. If a member has completed at least 25 but less than 27 years of service, not to exceed 60 months.</p> <p>If a member has completed at least 27 but less than 30 years of service, not to exceed 36 months. Members with 30 years and 1 day of service are ineligible.</p>	<p>If normal retirement is 55 with 10 years of service, not to exceed 36 months. If a member has completed 25-27 years of service, not to exceed 60 months. If a member has completed 27-30 years of service, not to exceed 36 months. Members with 30 years and 1 day of service are ineligible.</p>	<p>None provided</p>

<u>Rate of Return</u>	<p>6.5% per annum, credited quarterly.</p> <p>The DROP balance as of September 30, 2014 is \$65,642.</p>	<p>6.5% per annum, credited quarterly.</p> <p>The DROP balance as of September 30, 2014 is \$1,320,333.</p>	<p>None provided</p>
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	<u>Policemen Pension 9/30/14</u>	<u>Firemen Pension 9/30/14</u>	<u>Senior Management 9/30/14</u>
<i>Annual Required Contribution:</i>			
Estimated member contributions	\$ 230,845	\$ 223,055	\$ 59,205
Available state contributions	292,899	355,576	
Minimum employer contributions	<u>1,311,970</u>	<u>1,540,335</u>	<u>78,844</u>
Annual required contribution with interest	<u>\$ 1,835,714</u>	<u>\$ 2,118,966</u>	<u>\$ 138,049</u>
<i>Annual Pension Cost:</i>			
Actuarially determined contribution	\$ 1,704,540	\$ 1,788,595	\$ 78,844
Interest on net pension obligation	(6,394)	(6,088)	(23,440)
Adjustment to annual required contribution	<u>5,250</u>	<u>4,999</u>	<u>16,358</u>
Annual pension cost	1,703,396	1,787,506	71,762
Contributions made	<u>1,704,540</u>	<u>1,788,595</u>	<u>83,416</u>
Increase in net pension obligation	(1,144)	(1,089)	(11,654)
Net pension obligation (asset), beginning of year	<u>(79,923)</u>	<u>(75,098)</u>	<u>(334,855)</u>
Net pension obligation (asset), end of year	<u>\$ (81,067)</u>	<u>\$ (77,187)</u>	<u>\$ (346,509)</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

Net pension liability of the sponsor:

The components of the net pension liability of the sponsor on September 30, 2014 were as follows:

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Total pension liability	\$ 35,534,278	\$ 45,476,425	\$ 2,545,633
Plan fiduciary net position	<u>(30,621,350)</u>	<u>(33,861,662)</u>	<u>(2,746,790)</u>
Sponsor's net pension liability	<u>\$ 4,912,928</u>	<u>\$ 11,614,763</u>	<u>\$ (201,157)</u>
Plan fiduciary net position as a percentage of total pension liability	86.17%	74.46%	107.90%

Funded Status:

The funded status of the City's three defined benefit pension plans as of October 1, 2014, the date of the latest actuarial valuations, was as follows:

	Actuarial Value Of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll (b - a) / c)
Policemen						
Pension (2)	\$29,316,786	\$ 36,253,022	\$ 6,936,236	80.37%	\$ 3,952,031	175.51%
Firemen						
Pension(2)	32,288,119	45,769,656	13,481,537	70.54%	2,997,618	449.74%
Senior Management						
Pension (1)	2,746,790	2,920,238	173,448	94.06%	1,177,075	14.74%

- (1) This plan uses the aggregate actuarial cost method which cannot be used to prepare a schedule of funding progress because it does not separately determine actuarial accrued liabilities. In order to provide information that serves as a surrogate for the funding progress of the plan per GASB Statement No. 50, the entry age normal cost method has been used to calculate the funded status.
- (2) Under the entry age normal actuarial cost method, the actuarial present value of future benefits for each member is allocated for the member's pensionable compensation on a level basis between the entry age of the member and the estimated exit age. The portion of the present value of future benefits not provided for by the present value of future normal costs is called the actuarial accrued liability.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

Trend Information:

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Three-year trend information for Policemen, Firemen, and Senior Management Pension Plans are as follows:

	<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation (Asset)</u>
Policemen:				
	9/30/2014	\$ 1,703,396	100%	\$ (81,067)
	9/30/2013	1,570,864	100%	(79,923)
	9/30/2012	1,526,560	100%	(78,638)
Firemen:				
	9/30/2014	\$ 1,787,506	100%	\$ (77,187)
	9/30/2013	1,843,104	100%	(76,098)
	9/30/2012	1,873,585	100%	(75,024)
Senior Management:				
	9/30/2014	\$ 71,762	116%	\$ (346,509)
	9/30/2013	87,155	247%	(334,855)
	9/30/2012	192,722	103%	(206,904)

Trend Information on Funding Status and Funding Progress. The funding status and funding progress information can be found in the schedules which are presented as required supplementary information immediately following the notes. These schedules present 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.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 - RETIREMENT PLANS (Continued)

Combining Statement of Pension Plan Net Position
September 30, 2014

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>	<u>Total</u>
Assets				
Cash and cash equivalents				
Short term investments	\$ 700,854	\$ 788,819		\$ 1,489,673
Savings account		14,319		14,319
Cash	<u>75,033</u>	<u>43</u>	<u>\$ 16,420</u>	<u>91,496</u>
Total cash and equivalents	775,887	803,181	16,420	1,595,488
Receivables				
Member contributions		2,013	4,187	6,200
City contributions			5,899	5,899
From broker for investments sold	5,167	150,525		155,692
Investment income	<u>275,067</u>	<u>40,872</u>		<u>315,939</u>
Total receivables	280,234	193,410	10,086	483,730
Investments				
U. S. bonds and bills	2,395,395	2,672,606		5,068,001
Federal agency guaranteed securities	4,180,473	4,873,210		9,053,683
Corporate bonds	550,822	688,537	437,872	1,677,231
Stocks	12,922,331	9,454,991	2,282,412	24,659,734
Mutual funds				
Fixed income	1,497,870	1,639,384		3,137,254
Equity	6,748,276	12,447,093		19,195,369
Real estate		1,566,793		1,566,793
Pooled/common/commingled funds				
Real estate	<u>1,399,425</u>			<u>1,399,425</u>
Total investments	<u>29,694,592</u>	<u>33,342,614</u>	<u>2,720,284</u>	<u>65,757,490</u>
Total Assets	<u><u>\$ 30,750,713</u></u>	<u><u>\$ 34,339,205</u></u>	<u><u>\$ 2,746,790</u></u>	<u><u>\$ 67,836,708</u></u>
Liabilities				
Payables				
Benefit payments	\$ 3,585			\$ 3,585
Prior refunds	668	\$ 575		1,243
To broker for investments purchased	<u>125,110</u>	<u>268,249</u>		<u>393,359</u>
Total payables	129,363	268,824		398,187
Prepaid city contribution		<u>208,719</u>		<u>208,719</u>
Total liabilities	<u>129,363</u>	<u>477,543</u>		<u>606,906</u>
Net Position				
Net position held in trust for pension benefits	<u>30,621,350</u>	<u>33,861,662</u>	<u>\$ 2,746,790</u>	<u>67,229,802</u>
Total Liabilities and Net Position	<u><u>\$ 30,750,713</u></u>	<u><u>\$ 34,339,205</u></u>	<u><u>\$ 2,746,790</u></u>	<u><u>\$ 67,836,708</u></u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

**COMBINING STATEMENT OF CHANGES IN NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>	<u>Total</u>
Additions				
Contributions-				
Plan member	\$ 220,523	\$ 207,185	\$ 59,205	\$ 486,913
Employer	1,411,641	1,433,019	83,416	2,928,076
State	<u>292,899</u>	<u>355,576</u>	<u> </u>	<u>648,475</u>
Total contributions	<u>1,925,063</u>	<u>1,995,780</u>	<u>142,621</u>	<u>4,063,464</u>
Investment income-				
Net appreciation in fair value of investments	2,394,515	2,693,976	218,211	5,306,702
Interest revenue	<u>714,345</u>	<u>656,763</u>	<u> </u>	<u>1,371,108</u>
	3,108,860	3,350,739	218,211	6,677,810
Less investment expense	<u>(203,636)</u>	<u>(186,645)</u>	<u> </u>	<u>(390,281)</u>
Net investment income	<u>2,905,224</u>	<u>3,164,094</u>	<u>218,211</u>	<u>6,287,529</u>
Total additions	<u>4,830,287</u>	<u>5,159,874</u>	<u>360,832</u>	<u>10,350,993</u>
Deductions				
Distributions to members-				
Benefit payments	1,998,810	2,261,260	127,121	4,387,191
Lump sum DROP distributions	76,304	715,491		791,795
Refunds of member contributions	<u>33,810</u>	<u>7,829</u>	<u>15,145</u>	<u>56,784</u>
Total distributions	2,108,924	2,984,580	142,266	5,235,770
Administrative	<u>29,479</u>	<u>26,647</u>	<u>18,611</u>	<u>74,737</u>
Total deductions	<u>2,138,403</u>	<u>3,011,227</u>	<u>160,877</u>	<u>5,310,507</u>
Change in Net Position	2,691,884	2,148,647	199,955	5,040,486
Net Position Held in Trust For Pension Benefits				
Beginning of year	<u>27,929,466</u>	<u>31,713,015</u>	<u>2,546,835</u>	<u>62,189,316</u>
End of year	<u>\$ 30,621,350</u>	<u>\$33,861,662</u>	<u>\$ 2,746,790</u>	<u>\$ 67,229,802</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 - RETIREMENT PLANS (Continued)

Actuarial Assumptions:

The total pension liability and the information in the required supplemental schedules was determined by an actuarial valuation as of October 1, 2013 updated to September 30, 2014 using the following actuarial assumptions applied to all measurement periods.

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Actuarial cost method	Entry age normal	Entry age normal	Aggregate cost method
Amortization method	Level % of pay, Closed	Level % of pay, Closed	Level % of pay, Open
Remaining Amortization period	30 years	30 years	30 years
Asset Valuation Method	4 years smooth (market)	4 years smooth (market)	Market Value
Post Retirement increases	2% annual cost-of-living adjustment commencing at the later of age 58 or actual retirement.	3% annual cost-of-living adjustment ceasing at the earlier of death or age 65	2% annual cost-of-living adjustment if member meets requirements.
Post Retirement COLA	2% to Social Security retirement age	3% to Social Security retirement age	2% annual cost-of-living adjustment
	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Inflation	3.00%	3.00%	3.59%
Salary Increases	6.00%	6.00%	4.00%
Investment Rate of Return	8.00%	8.00%	4.48%

RP-2000 Table with no projection – Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements. (Disabled lives set forward 5 years).

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses 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 September 30, 2014 are summarized in the following table:

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 - RETIREMENT PLANS (Continued)

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>	
	Long Term Expected Real Rate of	Long Term Expected Real Rate of		Long Term Expected Real Rate of
<u>Asset Class</u>	<u>Return</u>	<u>Return</u>	<u>Asset Class</u>	<u>Return</u>
Domestic equity	7.8%	7.5%	Core bonds	2.29%
International equity	2.2%	8.5%	Multi-sector	2.78%
Bonds	3.7%	2.5%	U. S. cap equity	5.68%
High yield bonds	5.2%	2.5%	U. S. small cap equity	6.24%
Convertibles	5.3%	3.5%	Non-U.S. equity	5.44%
Private real estate	4.9%	7.5%		
REITS	8.2%	4.5%		
MLPs	12.7%	4.5%		
Cash	1.2%	1.2%		

Discount Rate:

The discount rate used to measure the total pension liability was 8.00 percent for policemen and firemen, 8.07 percent for senior management. 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 sponsor contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Net Pension Liability:

Sponsor's Net Pension Liability	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
1% Decrease - 7.00%	\$ 8,809,592	\$ 16,603,172	\$ 40,805
Current Discount Rate - 8.00%	4,912,928	11,614,763	(201,157)
1% Increase - 9.00%	1,626,774	7,430,808	(409,290)

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 9 - RETIREMENT PLANS (Continued)

9.3 The Retirement Plan and Trust for the General Employees of the City of Panama City, Florida

- a. *Plan Description.* The Retirement Plan and Trust for the General Employees of the City of Panama City, Florida (Fund), is a single-employer defined contribution plan administered by CPI Qualified Plan Consultants, Inc.
- b. *Plan Provisions and Eligibility.* All full-time City employees hired after January 1, 1996, except police and fire sworn personnel, are eligible to participate in the Fund. The City ordinances establish these plan provisions. Participants must be 18 years or older with three months of service. The effective date of participation is the first day of the month coinciding with or following ninety days of employment. Members qualify for normal retirement, after obtaining ten years of creditable service, on the first of the month coinciding with or following the participant's 65th birthday. Benefits fully vest after participant reaches ten years of service, with partial vesting after the completion of six through nine years of service. The Fund also provides disability and survivor benefits.
- c. *Contribution Obligations.* The City is required by a resolution of the City of Panama City, Florida to contribute 10% of participants' salaries to the plan. The City Commission has the authority to change contribution amounts. Total pension expense amounted to \$752,255. This is a noncontributory plan. Contributions are as follows:

	<u>Required Contribution</u>	<u>Percentage of the Amount Contributed</u>	<u>Net Pension Obligation</u>
9/30/14	\$ 752,255	100%	0
9/30/13	708,677	100%	0
9/30/12	679,416	100%	0

- d. A separately issued annual report of the Fund is available from the CPI Qualified Consultants, Inc., P.O. Box 1167, Great Bend, Kansas 67530-1167.

9.4 Component Units

The Panama City Port Authority, like the City of Panama City, participates in the Florida Retirement System (System) and The Retirement Plan and Trust for the General Employees of the Panama City Port Authority.

Florida Retirement System

All full-time employees of the Port Authority hired before January 1, 1996, are eligible to participate in the System.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 9 - RETIREMENT PLANS (Continued)

The Panama City Port Authority is required by state statutes 121.071 and 121.055 to contribute 7.37% of participants' salary to the plan. Actual contributions equaled required contributions in the current and for each of the two preceding years. Total pension expense amounted to \$26,936, \$20,131, and \$16,912 for the fiscal years ended September 30, 2014, 2013, and 2012, respectively. The plan is employee contributory at a rate of 3.00% of participants' salary. Contributions made equaled required contributions for the current and two preceding years. Contributions are as follows:

Fiscal Year Ending	Three Year Trend Information		
	Annual Pension	Percentage of	Net
	Cost (APC)	APC Contributed	Pension Obligation
9/30/14	\$ 26,936	100%	0
9/30/13	20,131	100%	0
9/30/12	16,912	100%	0

Plan provisions and eligibility are the same as described for the City (Primary Government).

The Retirement Plan and Trust for the General Employees of the Panama City Port Authority

- a. *Plan Description.* The Retirement Plan and Trust for the General Employees of the Panama City Port Authority, is part of the Florida Municipal Pension Trust Fund, a cost-sharing, multiple-employer defined contribution plan which was established as a trust for the purpose of funding the individually designed employee pension plans of the participating Florida municipalities. The Retirement Plan and Trust for the General Employees of the Panama City Port Authority is a defined contribution plan administered by the Florida League of Cities, Inc.
- b. *Plan Provisions and Eligibility.* All full-time Port employees hired after January 1, 1996, are eligible to participate in the Fund. Participants must be 18 years or older with three months of service. The effective date of participation is the first day of the month coinciding with or following ninety days of employment. Members qualify for normal retirement, after obtaining ten years of creditable service, on the first of the month coinciding with or following the participant's 65th birthday. Benefits fully vest after participant reaches ten years of service, with partial vesting after the completion of six through nine years of service. The Fund also provides disability and survivor benefits.
- c. *Contribution Obligations.* The Panama City Port Authority is required to contribute 7% of participants' salaries to the plan. Total pension expense amounted to \$149,829, \$135,529, and \$141,620 for the years ended September 30, 2014, 2013, and 2012, respectively. This is a noncontributory plan. Contributions made equaled required contributions for the current and preceding year.

A separately issued annual report of the Fund is available from the Florida League of Cities, Inc., 201 West Park Avenue, Tallahassee, Florida 32302.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 10 - POST EMPLOYMENT BENEFITS (OPEB)

Fiscal year 2009 was the prospective implementation year for GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions (OPEB)*.

- a. *Plan Description* - The City administers a single-employer defined benefit healthcare plan (the "OPEB Plan"). Retirees under all of the City's Pension Plans continue their life insurance benefit (at a reduced level of \$1,000) and continue to receive health insurance benefits if they so choose. Pursuant to Section 112.0801, Florida Statutes, the City is required to permit participation in the health insurance program by retirees and their eligible dependents at a cost to the retiree that is no greater than the cost at which coverage is available for active employees. According to GASB Statement No. 45, the co-mingling of claims requirement equates to an implicit subsidy to retirees which creates an OPEB liability on the part of the City. No stand alone report is issued for this plan.
- b. *Funding Policy* - The contribution requirements of plan members and the City are established and may be amended by the City Commission. These contributions are neither mandated nor guaranteed. Currently, the City is financing the post employment retirement benefits (both life insurance and health care) on a pay-as-you-go basis.

As previously indicated, the State of Florida prohibits the City from separately rating retirees and active employees. The City therefore charges both groups an equal, blended premium. Although both groups are charged the same blended rate, for the year ended September 30, 2014, the City contributed \$105,000 to the plan. Retired plan members (including disabled retirees) and beneficiaries currently receiving benefits contribute monthly contributions as follows:

Medical Insurance

Blue Cross \$500 Deductible:

Retiree	\$ 649.34
Retiree +1	\$ 955.56
Retiree + 2 or more	\$1,247.45
Medicare Supplement (each participant)	\$ 306.22

Blue Cross \$750 Deductible:

Retiree (each enrolled participant)	\$ 608.73
Retiree +1	\$ 898.25
Retiree + 2 or more	\$1,172.14
Medicare Supplement (each participant)	\$ 289.52

Dental Insurance

Retiree	\$ 16.83
Retiree +1 or more	\$ 66.69

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 10 - POST EMPLOYMENT BENEFITS (OPEB) (Continued)

The number of participants included is as follows:

Current retirees:	
Under age 65	35
Over age 65	42
Dependents	<u>40</u>
Total current retirees	<u>117</u>
Active employees:	
Active employees fully eligible for benefits	47
Active employees not fully eligible for benefits	<u>363</u>
Total active employees	<u>410</u>
Total number of participants	<u>527</u>
Retirees who have only elected life insurance coverage	<u>150</u>

- c. *Annual OPEB Cost and Net OPEB Obligation* - The contribution required to support the OPEB Plan is calculated based on the annual required contribution (ARC), an amount determined in accordance with GASB Statement No. 45.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed, and the change in the City's Net OPEB obligation (dollar amounts in thousands):

Annual required contribution	\$ 538,000
Interest on Net OPEB obligation	94,000
Adjustment to annual required contribution	<u>(280,000)</u>
Annual OPEB cost	352,000
Contributions made	(105,000)
Interest on employer contributions	<u>(2,000)</u>
Increase in Net OPEB obligation	245,000
Net OPEB obligation - beginning of year	<u>2,360,000</u>
Net OPEB obligation - end of year	<u>\$ 2,605,000</u>

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the Net OPEB obligation as of September 30 is as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contribution</u>	<u>Net OPEB Obligation</u>
9/30/2014	\$ 352,000	30%	\$ 2,605,000
9/30/2013	350,000	28%	2,360,000
9/30/2012	412,000	18%	2,108,000

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 10 - POST EMPLOYMENT BENEFITS (OPEB)

- d. *Funded Status and Funding Progress* - As of April 1, 2013, the most recent actuarial valuation date, the plan funded status was as follows:

Actuarial accrued liability (AAL)	\$ 2,937,000
Actuarial value of plan assets	<u>0</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,937,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$ 13,780,000
UAAL as a percentage of covered payroll	21.3%

- e. *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, mortality, and the healthcare cost trend. 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 about the future.

The City does not intend to fund the actuarial liability. The Net OPEB obligation and ARC is recorded at the fund level for proprietary activities and the allocated amount for governmental activities is presented at the government-wide level. The OPEB expense, or ARC, is included in the line item of *salaries* for proprietary fund statements and is allocated by function for governmental activities on the government-wide financial statements. In the year of implementation the Net OPEB obligation and the ARC are the same amount. The Net OPEB obligation will continue to increase if the obligation is not funded.

Based on GASB Statement No. 45 which set forth the guidelines for treatment of other post employment benefits (OPEB), the City contracted with a recognized and certified actuarial firm to calculate future funding requirements. The Actuary's 2013 estimate (calculated as of April 1, 2013) used the following actuarial methods and assumptions:

Valuation date	April 1, 2013	
Actuarial cost method	Projected unit credit	
Amortization method	10-year open period; level-dollar payment	
Investment return	4.00% per annum (includes inflation at 2.75% per annum)	
Healthcare cost trend rate(s):		
	<u>Medical</u>	<u>Dental</u>
Select rates	9.00% for 2013/14 graded to 5.50% for 2020/21	Not applicable
Ultimate rate	5.00% per annum	3.50% per annum

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 10 - POST EMPLOYMENT BENEFITS (OPEB) (Continued)

- f. *Funding Status and Funding Progress* –The funding status and funding progress information can be found in the schedules which are presented as required supplementary information immediately following the notes. These schedules present 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.

NOTE 11 - AGENCY FUNDS

- a. *Deferred Compensation Plans.* The City offers its employees three deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all City employees, permit them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

As required by Internal Revenue Code Section 457, the assets are held in a trust for the employees' benefit. An administrator or committee, selected by the government, is responsible for the administration of the plan, including approval of certain investment alternatives (funds) which are made available to plan participants. The government has a fiduciary duty to administer the plans properly and to assure that the investment alternatives made available are reasonable. However, since plan participants select the investment fund or funds in which their deferred compensation accounts are invested, the government has no liability for investment losses which occur as a result of the investments selected by the plan participants.

Assets of the plans are valued at market value and amount to \$4,647,887 as of September 30, 2014. Since the City has no fiduciary responsibilities other than administrative in connection with the plans, the assets are not presented in these financial statements.

- b. *Cafeteria Plan Agency Fund.* The City offers a flexible compensation program on an annual basis to all employees who have completed their initial probationary period. Enrolled employees make pre-tax contributions to pay for benefits which can include health care, dental care, vision care, and child care. The employee chooses among various health benefit programs that best meet the needs of the employee and the employee's family.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014

NOTE 12 - ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2014, is as follows:

Governmental Funds-	
General Fund	\$ 228,760
Community Planning & Development	116
Capital Projects Fund	1,833,160
Capital Projects 2013	2,074,157
Panama City Redevelopment Agency - St. Andrews	4,662
Panama City Redevelopment Agency - Downtown	1,691
Panama City Redevelopment Agency - Downtown North	120,286
Panama City Redevelopment Agency - Millville	492
State Housing Initiative Partnership - City	296
State Housing Initiative Partnership - County	33
Proprietary Funds-	
Equipment Maintenance	5,026
Marina Fund	12,016
Solid Waste Fund	234,390
Utility Fund	<u>1,734,196</u>
Total	<u>\$ 6,249,281</u>

Encumbrances at year-end do not constitute expenditures or liabilities; therefore, they are not reflected in the financial statements.

NOTE 13 - FUND BALANCES AND BUDGET STABILIZATION ARRANGEMENTS

Fund Balance Descriptions

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Nonspendable – the portion of a fund balance that cannot be spent because they are either not in spendable form (such as inventories and prepaid amounts) or legally or contractually required to be maintained intact.

Spendable –

Restricted – the portion of a fund balance for which external constraints are placed on the use of resources that are either externally imposed by creditors, grantors, contributors, or laws or regulation of other governments; or imposed by law through constitutional provisions or enabling legislation.

Committed – the portion of fund balance that can be used only for specific purposes that are internally imposed by the government through formal action of the City's highest level of decision making authority. Such formal action may only be modified or rescinded by the same formal action that imposed the original constraint. An ordinance adopted by Council establishes a fund balance commitment.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 13 – FUND BALANCES AND BUDGET STABILIZATION ARRANGEMENTS
(Continued)

Assigned – the portion of fund balance amounts established by City Council that are intended to be used for specific purposes that are neither restricted nor committed.

Unassigned – residual net resources.

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

Budget Stabilization Arrangement

The City Commission, as the highest decision-making authority for the City, authorized the City of Panama City Fund Balance Management Policy by adopting an ordinance, which establishes the Disaster/Emergency Reserve. This commitment of fund balance is established due to the City's coastal location, hurricanes, and other natural disasters, as well as economic changes that can severely impact the City's ability to continue operations and provide services. The City Commission authorized the commitment of fund balance and established a target balance of 30% of annual budgeted operating expenditures, including debt service and self-insurance fund transfers. The City Commission can authorize the use of these funds with a majority vote.



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**CITY OF PANAMA CITY, FLORIDA
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 13 - FUND BALANCES AND BUDGET STABILIZATION ARRANGEMENTS (Continued)

Fund Balance Summary

A summary of the nature and purpose of fund balances at September 30, 2014 is as follows:

	Major Funds			Non-Major Special Revenue Funds				
	General	Capital Projects 2013	Capital Projects	General Grants	Community Planning and Development	State Housing Initiative Partnership City	State Housing Initiative Partnership County	Panama City Community Redevelopment Agency St. Andrews
Fund Balances:								
Non-spendable:								
Inventory	\$ 107,953				\$ 160,763			
Prepaid items	102,841				-			\$ 320
Other	1,650							
Total non-spendable	<u>212,444</u>				<u>160,763</u>			<u>320</u>
Spendable:								
Restricted for:								
General Government				\$ 124,397				
Housing and Urban Development					1,461,994	\$ 5,445,094	\$ 536,950	
Debt Service								
Total restricted				<u>124,397</u>	<u>1,461,994</u>	<u>5,445,094</u>	<u>536,950</u>	
Committed to:								
Disaster/Emergency Reserve	10,882,597							
Community Redevelopment								159,956
Total committed	<u>10,882,597</u>	<u>-</u>						<u>159,956</u>
Assigned:	<u>228,760</u>	<u>\$ 10,318,253</u>	<u>\$ 9,130,051</u>					
Unassigned:	<u>13,262,912</u>	<u>-</u>	<u>-</u>					
Total	<u>\$ 24,586,713</u>	<u>\$ 10,318,253</u>	<u>\$ 9,130,051</u>	<u>\$ 124,397</u>	<u>\$ 1,622,757</u>	<u>\$ 5,445,094</u>	<u>\$ 536,950</u>	<u>\$ 160,276</u>

Non-Major Debt Service Funds						
Panama City Community Redevelopment Agency Downtown	Panama City Community Redevelopment Agency Downtown North	Panama City Community Redevelopment Agency Millville	Capital Improvement Revenue Refunding Note of 2013A	Capital Improvement Revenue Note of 2013B	Capital Improvement Revenue Refunding Bonds of 2012	Revenue Note Series 2008
\$ 1,275	\$ 1,275	\$ 2,695				
<u>1,275</u>	<u>1,275</u>	<u>2,695</u>				
			\$ 639,335	\$ 922,315	\$ 469,609	\$ 64,654
			<u>639,335</u>	<u>922,315</u>	<u>469,609</u>	<u>64,654</u>
213,627	1,339,552	46,452				
<u>213,627</u>	<u>1,339,552</u>	<u>46,452</u>				
<u>\$ 214,902</u>	<u>\$ 1,340,827</u>	<u>\$ 49,147</u>	<u>\$ 639,335</u>	<u>\$ 922,315</u>	<u>\$ 469,609</u>	<u>\$ 64,654</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 14 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

- 14.1 **Grant Program.** The City participates in various federal and state grants. These programs are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements. As of September 30, 2014, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

The U.S. Department of Housing and Urban Development has approved a Community Development Block Grant in the amount of \$324,812 that begins on October 1, 2014.

- 14.2 **Self-Insurance Programs.** The City is self-insured for employee health. See Note 5 for further details.
- 14.3 **Litigation.** The City is the defendant in several lawsuits incurred in the normal course of operations. Management believes that amounts not covered by the insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.
- 14.4 **Construction Commitments.** The City has outstanding commitments for construction contracts at year end. The commitments represent the difference between the contract prices of the various projects and the amounts paid on each contract. Outstanding construction commitments by fund at September 30, 2014, are as follows:

General Fund	\$ 61,406
Capital Projects	1,556,558
Capital Projects 2013	2,774,501
Special Revenue:	
Community Redevelopment Agency	18,980
Enterprise:	
Utilities	1,559,963
Solid Waste	257,304

- 14.5 **Other Subsequent Events.** The City did not have any other subsequent events requiring disclosure or recording in these financial statements through March 26, 2015 which is the date these financial statements were issued.

NOTE 15 - DEFICIT NET POSITION BALANCE

The component unit, Panama City Downtown Improvement Board, had a deficit balance of \$97,420 in unrestricted net position.

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

THIS SUBSECTION CONTAINS THE FOLLOWING:

- BUDGET TO ACTUAL COMPARISON – MAJOR FUNDS (GENERAL FUND)

- PENSION AND OTHER POST EMPLOYMENT SCHEDULES

**CITY OF PANAMA CITY, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Taxes	\$ 18,450,123	\$ 18,450,123	\$ 19,458,430	\$ 1,008,307
Licenses and permits	7,653,300	7,653,300	8,657,993	1,004,693
Intergovernmental	4,260,529	4,260,529	5,059,338	798,809
Charges for services	845,150	845,150	1,175,095	329,945
Investment earnings	130,000	130,000	227,543	97,543
Miscellaneous	1,293,859	1,294,859	415,981	(878,878)
Total revenues	<u>32,632,961</u>	<u>32,633,961</u>	<u>34,994,380</u>	<u>2,360,419</u>
Expenditures:				
Current-				
General government	5,257,992	5,320,733	4,928,462	392,271
Public safety	16,112,031	16,330,693	16,362,023	(31,330)
Transportation	4,414,303	4,425,177	3,852,140	573,037
Economic environment	1,111,609	1,111,609	1,112,127	(518)
Human services	373,194	373,194	313,463	59,731
Culture/recreation	2,605,384	2,654,366	2,447,613	206,753
Debt Service				
Debt service principal	110,000	117,643	395,642	(277,999)
Debt service interest			10,070	(10,070)
Capital outlay	261,004	703,845	618,471	85,374
Total expenditures	<u>30,245,517</u>	<u>31,037,260</u>	<u>30,040,011</u>	<u>997,249</u>
Excess of revenues over expenditures	2,387,444	1,596,701	4,954,369	3,357,668
Other Financing Sources (Uses):				
Transfers - in	1,643,792	1,983,152	3,336,661	1,353,509
Transfers - out	(6,244,243)	(6,135,243)	(6,134,338)	905
Total other financing sources (uses)	<u>(4,600,451)</u>	<u>(4,152,091)</u>	<u>(2,797,677)</u>	<u>1,354,414</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(2,213,007)	(2,555,390)	2,156,692	4,712,082
Fund Balances:				
Beginning of year	<u>22,430,021</u>	<u>22,430,021</u>	<u>22,430,021</u>	
End of year	<u>\$ 20,217,014</u>	<u>\$ 19,874,631</u>	<u>\$ 24,586,713</u>	<u>\$ 4,712,082</u>

See independent auditor's report

**CITY OF PANAMA CITY, FLORIDA
POLICEMEN RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014**

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	Change Since Prior Valuation
10/1/09	\$ 24,831,186	\$ 31,025,056	\$ 6,193,870	80.04%	\$ 3,380,196	183.24%	None
10/1/10	24,798,383	32,195,833	7,397,450	77.02%	3,452,517	214.26%	None
10/1/11	23,989,157	32,113,512	8,124,355	74.70%	3,624,265	224.17%	None
10/1/12	25,451,441	33,870,826	8,419,385	75.14%	3,669,078	229.47%	None
10/1/13	27,004,822	33,868,494	6,863,672	79.73%	3,752,735	182.90%	None
10/1/14	29,316,786	36,253,022	6,936,236	80.87%	3,952,031	175.51%	None

Schedules of Contributions from the Employer and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2009	\$ 1,113,537	\$ 771,845	\$ 357,227 *	101.40%
2010	1,255,082	950,357	316,846 *	100.97%
2011	1,355,136	1,050,452	304,684 *	100.00%
2012	1,527,976	1,226,048	301,928 *	100.00%
2013	1,572,149	1,295,853	276,296 *	100.00%
2014	1,704,540	1,411,641	292,899 *	100.00%

* "Frozen" per Chapter 185, Florida Statutes, as amended.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
FIREMEN RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014**

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	Change Since Prior Valuation
10/1/09	\$ 28,313,258	\$ 38,135,557	\$ 9,822,299	74.24%	\$ 2,971,924	330.50%	None
10/1/10	28,418,804	39,680,058	11,261,254	71.62%	2,948,845	381.89%	None
10/1/11	27,142,917	41,263,883	14,120,966	65.78%	2,570,589	549.33%	None
10/1/12	29,004,764	44,116,771	15,112,007	65.75%	2,485,149	608.09%	None
10/1/13	30,644,417	44,329,729	13,685,312	69.13%	2,697,806	507.28%	None
10/1/14	32,288,119	45,769,656	13,481,537	70.54%	2,656,214	507.55%	None

Schedules of Contributions from the Employer and Other Contributing Entities

Year Ended September 30	Annual Required Contribution	City Contribution	State Contribution	Percentage Contributed
2009	\$ 1,316,464	\$ 921,232	\$ 409,330 *	101.07%
2010	1,549,312	1,210,049	339,263	100.00%
2011	1,527,534	1,187,778	339,755	100.00%
2012	1,874,024	1,553,342	320,682	100.00%
2013	1,844,178	1,504,333	339,845	100.00%
2014	1,788,595	1,433,019	355,576	100.00%

* "Frozen" per Chapter 175, Florida Statutes, as amended.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SENIOR MANAGEMENT RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014**

Schedules of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll	Change Since Prior Valuation
10/1/09	\$ 1,164,630	\$ 1,989,646	\$ 825,016	58.53%	\$ 842,884	97.88%	None
10/1/10	1,522,708	2,151,154	628,446	70.79%	795,185	79.03%	None
10/1/11	1,701,792	2,199,155	497,363	77.38%	1,153,175	43.13%	None
10/1/12	2,130,645	2,258,782	128,137	94.33%	1,311,179	9.77%	None
10/1/13	2,546,834	2,638,770	91,936	96.52%	1,250,562	7.35%	None
10/1/14	2,746,790	2,920,238	173,448	94.06%	1,177,075	14.74%	None

Schedules of Contributions from the Employer

Year Ended September 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation (Asset)
2009	\$ 178,432	115.00%	\$ (26,193)
2010	168,548	150.00%	(111,377)
2011	140,882	155.00%	(200,845)
2012	198,560	105.00%	(206,904)
2013	93,170	231.00%	(334,855)
2014	78,844	106.00%	(346,509)

In accordance with paragraph 31 of GASB Statement Number 27, the City's records substantiate that all actuarially determined contributions have been paid.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
OTHER POST EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2014**

Schedule of Funding Progress

<u>Fiscal Year</u>	<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Projected Unit Credit</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
2009	7/1/08		\$ 5,772,000	\$ 5,772,000	0.00%	\$ 16,113,000	35.8%
2011	4/1/11		2,974,000	2,974,000	0.00%	14,630,000	20.30%
2013	4/1/13		2,937,000	2,937,000	0.00%	13,780,000	21.30%

Schedule of Contributions from the Employer

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Actual Contributions</u>	<u>Percentage Contributed</u>
9/30/11	\$ 525,000	\$ 67,000	13.0%
9/30/12	551,000	76,000	14.0%
9/30/13	516,000	96,000	19.0%

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014
Last 10 Fiscal Years**

	Policemen Pension 9/30/2014
Total Pension Liability	
Service cost	\$ 1,110,917
Interest	2,710,277
Benefit payments, including refunds of employee contributions	(2,108,924)
Net change in total pension liability	1,712,270
Total pension liability - beginning	33,822,008
Total pension liability - ending (a)	35,534,278
Plan Fiduciary Net Position	
Contributions - employer	1,411,641
Contributions - state	292,899
Contributions - employee	220,523
Net investment income	2,905,224
Benefit payments including refunds of employee contributions	(2,108,924)
Administrative expense	(29,479)
Net change in plan fiduciary net position	2,691,884
Plan fiduciary net position - beginning	27,929,466
Plan fiduciary net position - ending (b)	30,621,350
Net pension liability - ending (a) - (b)	\$ 4,912,928
Plan fiduciary net position as a percentage of the total pension	86.17%
Covered employee payroll	\$ 3,952,031
Net pension liability as a percentage of covered employee payroll	124.31%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014
Last 10 Fiscal Years**

	Firemen Pension 9/30/2014
Total Pension Liability	
Service cost	\$ 753,886
Interest	3,478,697
Benefit payments, including refunds of employee contributions	(2,984,580)
Net change in total pension liability	1,248,003
Total pension liability - beginning	44,228,422
Total pension liability - ending (a)	45,476,425
Plan Fiduciary Net Position	
Contributions - employer	1,433,019
Contributions - state	355,576
Contributions - employee	207,185
Net investment income	3,164,093
Benefit payments including refunds of employee contributions	(2,984,580)
Administrative expense	(26,647)
Net change in plan fiduciary net position	2,148,646
Plan fiduciary net position - beginning	31,713,016
Plan fiduciary net position - ending (b)	33,861,662
Net pension liability - ending (a) - (b)	\$ 11,614,763
Plan fiduciary net position as a percentage of the total pension	74.46%
Covered employee payroll	\$ 2,656,214
Net pension liability as a percentage of covered employee payroll	437.27%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014
Last 10 Fiscal Years**

	Senior Management Pension 9/30/2014
Total Pension Liability	
Service cost	\$ 82,808
Interest	194,644
Benefit payments, including refunds of employee contributions	(119,587)
Net change in total pension liability	157,865
Total pension liability - beginning	2,387,768
Total pension liability - ending (a)	2,545,633
Plan Fiduciary Net Position	
Contributions - employer	83,416
Contributions - employee	59,205
Net investment income	218,211
Benefit payments including refunds of employee contributions	(142,266)
Administrative expense	(18,611)
Net change in plan fiduciary net position	199,955
Plan fiduciary net position - beginning	2,546,835
Plan fiduciary net position - ending (b)	2,746,790
Net pension liability - ending (a) - (b)	\$ (201,157)
Plan fiduciary net position as a percentage of the total pension	107.90%
Covered employee payroll	\$ 1,250,562
Net pension liability as a percentage of covered employee payroll	0.00%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014
Last 10 Fiscal Years

	Policemen Pension 9/30/2014
Actuarially Determined Contribution	\$ 1,704,540
Contributions in Relation to the Actuarially Determined Contributions	1,704,540
Contribution Deficiency (Excess)	-
Covered Employee Payroll	\$ 3,952,031
Contributions as a Percentage of Covered Employee Payroll	43.13%

Note to Schedule

Sponsors Net Pension Liability

Valuation Date: 10/1/2012

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	30 Years (as of 10/01/2012)
Asset Valuation Method:	Each year, the Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). It is possible that over time, this technique will produce an insignificant bias above or below the Market Value of Assets.
Inflation:	3.0% per year
Salary Increases:	6% per year until the assumed retirement age. Projected salary in the year of retirement is increased on an individual basis to account for payouts of non-regular compensation.
Interest Rate:	8% per year, compounded annually, net of investment related expenses.
Payroll Growth:	Up to 3% per year (2.30% in 2012 valuation).
Retirement Age:	The earlier of: 1) age 50 and the completion of 15 years of Credited Service, 2) the completion of 23 years of Credited Service, regardless of age, 3) age 55 and the completion of 10 years of Credited Service, or 4) if employed on or before 1/1/82, the completion of 15 years of Credited Service, regardless of age. Also any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement Age (40), Members are assumed to retire with an immediate subsidized benefit at the rate of 5% per year.
Termination Rates:	See table below.
Disability Rates:	See table below. It is assumed that 75% of disablements and active Member deaths are service related.
Mortality:	RP 2000 Table with no projection. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

Other Information:

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	14.90%	0.07%
30	4.40%	0.11%
40	0.00%	0.19%
50	0.00%	0.51%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014
Last 10 Fiscal Years**

	Firemen Pension 9/30/2014
Actuarially Determined Contribution	\$ 1,788,595
Contributions in Relation to the Actuarially Determined Contribution Deficiency (Excess)	<u>1,788,595</u> <u>-</u>
Covered Employee Payroll	\$ 2,656,214
Contributions as a Percentage of Covered Employee Payroll	67.34%

Note to Schedule

Sponsors Net Pension Liability

Valuation Date: 10/1/2013

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method:	Entry Age Normal Actuarial Cost
Amortization Method:	Level Percentage of Pay, Closed
Remaining Amortization Period:	30 Years (as of 10/01/2013)
Asset Valuation Method:	Each year, the Actuarial Value of Assets is brought forward using the historical four-year geometric average of Market Value Returns (net-of-fees). It is possible that over time, this technique will produce an insignificant bias above or below the Market Value of Assets.
Inflation:	3.0% per year
Salary Increases:	6% per year until the assumed retirement age. Projected salary in the year of retirement is increased on an individual basis to account for payouts of non-regular compensation.
Interest Rate:	8% per year, compounded annually, net of investment related expenses.
Payroll Growth:	2.3% per year
Retirement Age:	The earlier of: 1) age 55 and the completion of 10 years of service, 2) the completion of 25 years of service, regardless of age. Also any Member who has reached Normal Retirement is assumed to continue employment for one additional year.
Early Retirement:	Commencing with the earliest Early Retirement Age (45), Members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year.
Termination Rates:	See table below.
Disability Rates:	See table below. It is assumed that 75% of disablements and active Member deaths are service related.
Mortality:	RP 2000 Table with no projection. Disabled lives are set forward 5 years. Based on a study of over 650 public safety funds, this table reflects a 10% margin for future mortality improvements.

Other Information:

<u>Age</u>	<u>% Terminating During the Year</u>	<u>% Becoming Disabled During the Year</u>
20	14.90%	0.07%
30	4.40%	0.11%
40	0.00%	0.19%
50	0.00%	0.51%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SENIOR MANAGEMENT PENSION
SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014
Last 10 Fiscal Years**

	<u>2014</u>
Actuarially Determined Contribution	\$ 83,416
Contributions in Relation to the Actuarially Determined Contributions	<u>83,416</u>
Contribution Deficiency (Excess)	<u><u>-</u></u>
Covered Employee Payroll	\$ 1,177,075
Contributions as a Percentage of Covered Employee Payroll	7.09%

Note to Schedule

Sponsors Net Pension Liability

Valuation Date: 10/1/2013

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

Methods and assumptions used to determine contribution rates:

Funding Method:	Aggregate actuarial cost method.
Amortization Method:	Level Percentage of Pay, Open
Remaining Amortization Period:	30 Years (as of 10/01/2013)
Asset Valuation Method:	Market Value
Inflation:	3.75% per year
Salary Increases:	4%
Interest Rate:	7% per year, compounded annually, net of investment related expenses.
Retirement Age:	Age 59 with 10 years of credited service for Category I employees, or age 59 with 6 years of credited service for Category II and III employees. Categories are as follows: Category I - Designated managers and directors and the City Engineer. Category II - City Commission Assistant City Manager, and City Clerk. Category III - City Manager.

Mortality: Sex-distinct rates set forth in the RP-2000 Mortality Table for annuitants, projected to 2015 by Scale AA, as published by the Internal Revenue Service (IRS) for purposes of Internal Revenue Code (IRC) section 430; future generational improvements in mortality have not been reflected.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SCHEDULES OF INVESTMENT RETURNS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2014
Last 10 Fiscal Years**

Policemen

Annual Money-Weighted Rate of Return	
Net of Investment Expense	10.49%

Firemen

Annual Money-Weighted Rate of Return	
Net of Investment Expense	10.13%

Senior Management

Annual Money-Weighted Rate of Return	
Net of Investment Expense	8.60%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, we have only presented information for those years for which information is available.

See independent auditor's report.

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS

THIS SUBSECTION CONTAINS THE FOLLOWING:

- NON-MAJOR GOVERNMENTAL FUNDS
- BUDGET TO ACTUAL COMPARISON – GENERAL FUND
- SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES – BUDGET (GAAP BASIS) AND ACTUAL – OTHER
MAJOR AND NON-MAJOR GOVERNMENTAL FUNDS
- INTERNAL SERVICE FUNDS
- FIDUCIARY FUNDS

NON-MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

General Grants - This Special Revenue Fund is used to account for revenues received from various state and federal agencies other than grants accounted for in other special revenue funds.

Community Planning and Development – This Special Revenue Fund accounts for revenues from the Department of Housing and Urban Development and expenditures of these funds.

State Housing Initiative Partnership – City and County - These Special Revenue Funds are used to account for revenues received from the State Housing Initiative Partnership program.

Panama City Community Redevelopment Agency – St. Andrews, Downtown, Downtown North, and Millville – These Special Revenue Funds are used to account for revenues derived from the incremental increases in ad valorem taxes levied each year by taxing authorities on taxable real property in the project areas.

Debt Service Funds

Debt service funds account for the payment of principal and interest on debt reported in the general long-term debt account group.

The *Capital Improvement Revenue Refunding Note of 2013A*, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2013A bonds.

The *Capital Improvement Revenue Note of 2013B*, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2013B bonds.

The *Capital Improvement Revenue Refunding Bonds of 2012*, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2012 bonds.

The *Revenue Note Series 2008*, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2008 revenue note.

**CITY OF PANAMA CITY, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2014**

ASSETS	Special Revenue						
	General Grants	Community Planning and Development	State Housing Initiative Partnership City	State Housing Initiative Partnership County	Panama City Community Redevelopment Agency St. Andrews	Panama City Community Redevelopment Agency Downtown	Panama City Community Redevelopment Agency Downtown North
Assets:							
Cash and cash equivalents	\$ 107,497	\$ 15,836	\$ 741,212	\$ 767,967	\$ 168,506	\$ 225,264	\$ 1,496,496
Investments							
Due from other governmental entities	566,808	15,019		60,345			
Due from other funds		1,389		360			
Prepaid items					320	1,275	1,275
Inventories		160,763	1,792,560				
Notes receivable		1,445,046	2,915,659	53,785			
Total Assets	\$ 674,305	\$ 1,638,053	\$ 5,449,431	\$ 882,457	\$ 168,826	\$ 226,539	\$ 1,497,771
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable		\$ 4,321	\$ 2,192	\$ 2,079	\$ 4,991	\$ 10,445	\$ 152,995
Due to other funds	\$ 549,908	630	371	1,402	669	70	1,112
Due to other governmental entities				342,026			
Accrued salaries		10,345	1,774		2,890	1,122	2,837
Total Liabilities	549,908	15,296	4,337	345,507	8,550	11,637	156,944
Fund Balances:							
Non-Spendable		160,763			320	1,275	1,275
Spendable:							
Restricted	124,397	1,461,994	5,445,094	536,950			
Committed					159,956	213,627	1,339,552
Total fund balances	124,397	1,622,757	5,445,094	536,950	160,276	214,902	1,340,827
Total Liabilities and Fund Balances	\$ 674,305	\$ 1,638,053	\$ 5,449,431	\$ 882,457	\$ 168,826	\$ 226,539	\$ 1,497,771

See independent auditor's report.

Debt Service					
Panama City Community Redevelopment Agency Millville	Capital Improvement Revenue Refunding Note of 2013A	Capital Improvement Revenue Note of 2013B	Capital Improvement Revenue Refunding Bonds of 2012	Revenue Note Series 2008	Total Non-Major Governmental Funds
\$ 50,774	\$ 639,335	\$ 922,315	\$ 465,898 3,711	\$ 78,559	\$ 5,679,659
150					3,711
6					642,322
2,695					1,755
					5,565
					1,953,323
					4,414,490
<u>\$ 53,625</u>	<u>\$ 639,335</u>	<u>\$ 922,315</u>	<u>\$ 469,609</u>	<u>\$ 78,559</u>	<u>\$ 12,700,825</u>
\$ 1,139				\$ 13,905	\$ 178,162
					568,067
					342,026
3,339					22,307
<u>4,478</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,905</u>	<u>1,110,562</u>
2,695					166,328
	\$ 639,335	\$ 922,315	\$ 469,609	64,654	9,664,348
<u>46,452</u>					<u>1,759,587</u>
<u>49,147</u>	<u>639,335</u>	<u>922,315</u>	<u>469,609</u>	<u>64,654</u>	<u>11,590,263</u>
<u>\$ 53,625</u>	<u>\$ 639,335</u>	<u>\$ 922,315</u>	<u>\$ 469,609</u>	<u>\$ 78,559</u>	<u>\$ 12,700,825</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Special Revenue						
	General Grants	Community Planning and Development	State Housing Initiative Partnership City	State Housing Initiative Partnership County	Panama City Community Redevelopment Agency St. Andrews	Panama City Community Redevelopment Agency Downtown	Panama City Community Redevelopment Agency Downtown North
Revenues:							
Intergovernmental	\$ 1,189,514	\$ 470,067	\$ 558,596	\$ 225,361	\$ 375,037	\$ 243,751	\$ 1,248,666
Investment earnings		3,586	7,724				
Miscellaneous	15,975	10,633	62,274		4,246		22,703
Total revenues	1,205,489	484,286	628,594	225,361	379,283	243,751	1,271,369
Expenditures:							
Current:							
Economic environment		450,904	202,580	268,866	308,087	294,326	920,648
Debt service-							
Principal retirement							
Interest							
Fiscal charges							
Capital outlay					84,078	22,240	858,558
Total expenditures		450,904	202,580	268,866	392,165	316,566	1,779,206
Excess (deficiency) of revenues over expenditures	1,205,489	33,382	426,014	(43,505)	(12,882)	(72,815)	(507,837)
Other Financing Sources (Uses):							
Transfers - in	6,350						
Transfers - out	(1,246,569)	(121,509)	(2,439)		(10,995)	(40,601)	(97,546)
Total other financing sources (uses)	(1,240,219)	(121,509)	(2,439)		(10,995)	(40,601)	(97,546)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(34,730)	(88,127)	423,575	(43,505)	(23,877)	(113,416)	(605,383)
Fund Balances:							
Beginning of year	159,127	1,710,884	5,021,519	580,455	184,153	328,318	1,946,210
End of year	\$ 124,397	\$ 1,622,757	\$ 5,445,094	\$ 536,950	\$ 160,276	\$ 214,902	\$ 1,340,827

See independent auditor's report.

Debt Service					
Panama City Community Redevelopment Agency Millville	Capital Improvement Revenue Refunding Note of 2013A	Capital Improvement Revenue Note of 2013B	Capital Improvement Revenue Refunding Bonds of 2012	Revenue Note Series 2008	Total Non-Major Governmental Funds
\$ 253,289			\$ 252		\$ 4,564,281
					11,562
					115,831
253,289			252		4,691,674
124,937					2,570,348
	\$ 349,000	\$ 417,000	291,000	\$ 130,000	1,187,000
	73,854	309,640	7,900	26,811	418,205
	500				500
					964,876
124,937	423,354	726,640	298,900	156,811	5,140,929
128,352	(423,354)	(726,640)	(298,648)	(156,811)	(449,255)
	671,438	1,061,644	299,329	156,550	2,195,311
(164,920)					(1,684,579)
(164,920)	671,438	1,061,644	299,329	156,550	510,732
(36,568)	248,084	335,004	681	(261)	61,477
85,715	391,251	587,311	468,928	64,915	11,528,786
\$ 49,147	\$ 639,335	\$ 922,315	\$ 469,609	\$ 64,654	\$ 11,590,263

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Original Budget	Final Budget	Actual	Variance
Legislative	\$ 310,543	\$ 319,998	\$ 288,706	\$ 31,292
Executive	783,522	783,722	758,696	25,026
Finance and Administration - City Clerk	847,574	916,652	904,871	11,781
Finance and Administration - Purchasing	36,678	34,807	34,487	320
Finance and Administration - Human Resources	362,257	365,925	350,263	15,662
Finance and Administration - Data Processing	519,344	515,725	503,280	12,445
Finance and Administration - Legal Counsel	365,000	365,000	360,690	4,310
Public Works - Engineering	799,153	786,631	693,542	93,089
Public Works - Street	4,421,833	4,495,499	3,902,209	593,290
Public Works - Other	854,376	864,930	728,792	136,138
Police	9,675,604	9,806,654	9,763,356	43,298
Fire	6,692,611	7,141,993	7,148,943	(6,950)
Leisure Services	1,905,095	1,939,218	1,788,061	151,157
Non-departmental	<u>2,671,927</u>	<u>2,700,506</u>	<u>2,814,115</u>	<u>(113,609)</u>
Total General Fund				
Expenditures by Department	<u>\$ 30,245,517</u>	<u>\$ 31,037,260</u>	<u>\$ 30,040,011</u>	<u>\$ 997,249</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
GENERAL GRANTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 21,792	\$ 1,339,654	\$ 1,189,514	\$ (150,140)
Miscellaneous	22,000	22,000	15,975	(6,025)
Total revenues	<u>43,792</u>	<u>1,361,654</u>	<u>1,205,489</u>	<u>(156,165)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>43,792</u>	<u>1,361,654</u>	<u>1,205,489</u>	<u>(156,165)</u>
Other Financing Sources (Uses):				
Transfers - in			6,350	6,350
Transfers - out	<u>(43,792)</u>	<u>(1,361,654)</u>	<u>(1,246,569)</u>	<u>115,085</u>
Total other financing sources (uses)	<u>(43,792)</u>	<u>(1,361,654)</u>	<u>(1,240,219)</u>	<u>121,435</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	-	(34,730)	(34,730)
Fund Balances:				
Beginning of year	<u>159,127</u>	<u>159,127</u>	<u>159,127</u>	
End of year	<u>\$ 159,127</u>	<u>\$ 159,127</u>	<u>\$ 124,397</u>	<u>\$ (34,730)</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
COMMUNITY PLANNING AND DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 324,618	\$ 324,618	\$ 470,067	\$ 145,449
Investment earnings	3,500	3,500	3,586	86
Miscellaneous			10,633	10,633
Total revenues	<u>328,118</u>	<u>328,118</u>	<u>484,286</u>	<u>156,168</u>
Expenditures:				
Current-				
Economic environment -				
Housing and Urban Development	<u>950,977</u>	<u>954,756</u>	<u>450,904</u>	<u>503,852</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(622,859)</u>	<u>(626,638)</u>	<u>33,382</u>	<u>660,020</u>
Other Financing Sources (Uses):				
Transfers - out	<u>(331,074)</u>	<u>(331,074)</u>	<u>(121,509)</u>	<u>209,565</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(953,933)</u>	<u>(957,712)</u>	<u>(88,127)</u>	<u>869,585</u>
Fund Balances:				
Beginning of year	<u>1,710,884</u>	<u>1,710,884</u>	<u>1,710,884</u>	
End of year	<u>\$ 756,951</u>	<u>\$ 753,172</u>	<u>\$ 1,622,757</u>	<u>\$ 869,585</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
STATE HOUSING INITIATIVE PARTNERSHIP - CITY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 345,000	\$ 345,000	\$ 558,596	\$ 213,596
Investment earnings			7,724	7,724
Miscellaneous			62,274	62,274
Total revenues	<u>345,000</u>	<u>345,000</u>	<u>628,594</u>	<u>283,594</u>
Expenditures:				
Current-				
Economic environment -				
Housing and Urban Development	<u>330,336</u>	<u>510,077</u>	<u>202,580</u>	<u>307,497</u>
Excess (deficiency) of revenues over (under) expenditures	<u>14,664</u>	<u>(165,077)</u>	<u>426,014</u>	<u>591,091</u>
Other Financing Sources (Uses):				
Transfers - out	<u>(2,400)</u>	<u>(2,508)</u>	<u>(2,439)</u>	<u>69</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	12,264	(167,585)	423,575	591,160
Fund Balances:				
Beginning of year	<u>5,021,519</u>	<u>5,021,519</u>	<u>5,021,519</u>	
End of year	<u>\$ 5,033,783</u>	<u>\$ 4,853,934</u>	<u>\$ 5,445,094</u>	<u>\$ 591,160</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
STATE HOUSING INITIATIVE PARTNERSHIP - COUNTY
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 520,000	\$ 520,000	\$ 225,361	\$ (294,639)
Expenditures:				
Current-				
Economic environment -				
Housing and Urban Development	249,440	294,407	268,866	25,541
Excess (deficiency) of revenues over (under) expenditures	270,560	225,593	(43,505)	(269,098)
Fund Balances:				
Beginning of year	580,455	580,455	580,455	
End of year	\$ 851,015	\$ 806,048	\$ 536,950	\$ (269,098)

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY -
ST. ANDREWS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 375,114	\$ 375,114	\$ 375,037	\$ (77)
Investment earnings	500	500		(500)
Miscellaneous			4,246	4,246
Total revenues	<u>375,614</u>	<u>375,614</u>	<u>379,283</u>	<u>3,669</u>
Expenditures:				
Current -				
Economic environment	404,719	404,166	308,087	96,079
Capital outlay	<u>150,237</u>	<u>146,387</u>	<u>84,078</u>	<u>62,309</u>
Total expenditures	<u>554,956</u>	<u>550,553</u>	<u>392,165</u>	<u>158,388</u>
Excess (deficiency) of revenues over (under) expenditures	(179,342)	(174,939)	(12,882)	162,057
Other Financing Sources (Uses):				
Transfers - out	<u>(13,500)</u>	<u>(13,500)</u>	<u>(10,995)</u>	<u>2,505</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(192,842)	(188,439)	(23,877)	164,562
Fund Balances:				
Beginning of year	<u>184,153</u>	<u>184,153</u>	<u>184,153</u>	
End of year	<u>\$ (8,689)</u>	<u>\$ (4,286)</u>	<u>\$ 160,276</u>	<u>\$ 164,562</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY -
DOWNTOWN
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 244,044	\$ 244,044	\$ 243,751	\$ (293)
Expenditures:				
Current -				
Economic environment	436,698	450,186	294,326	155,860
Capital outlay	91,600	152,126	22,240	129,886
Total expenditures	528,298	602,312	316,566	285,746
Excess (deficiency) of revenues over (under) expenditures	(284,254)	(358,268)	(72,815)	(286,039)
Other Financing Sources (Uses):				
Transfers - out	(7,800)	(7,800)	(40,601)	(32,801)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(292,054)	(366,068)	(113,416)	(318,840)
Fund Balances:				
Beginning of year	328,318	328,318	328,318	
End of year	\$ 36,264	\$ (37,750)	\$ 214,902	\$ (318,840)

See independent auditor's report

CITY OF PANAMA CITY, FLORIDA
PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY -
DOWNTOWN NORTH
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 2,470,402	\$ 1,230,114	\$ 1,248,666	\$ 18,552
Miscellaneous			22,703	22,703
Total revenues	<u>2,470,402</u>	<u>1,230,114</u>	<u>1,271,369</u>	<u>41,255</u>
Expenditures:				
Current -				
Economic environment	1,339,061	1,355,786	920,648	435,138
Capital outlay	<u>1,260,502</u>	<u>1,746,229</u>	<u>858,558</u>	<u>887,671</u>
Total expenditures	<u>2,599,563</u>	<u>3,102,015</u>	<u>1,779,206</u>	<u>1,322,809</u>
Excess (deficiency) of revenues over (under) expenditures	(129,161)	(1,871,901)	(507,837)	1,364,064
Other Financing Sources (Uses):				
Transfers - out	<u>(15,380)</u>	<u>(15,380)</u>	<u>(97,546)</u>	<u>(82,166)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(144,541)	(1,887,281)	(605,383)	1,281,898
Fund Balances:				
Beginning of year	<u>1,946,210</u>	<u>1,946,210</u>	<u>1,946,210</u>	
End of year	<u>\$ 1,801,669</u>	<u>\$ 58,929</u>	<u>\$ 1,340,827</u>	<u>\$ 1,281,898</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY -
MILLVILLE
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 258,342	\$ 258,342	\$ 253,289	\$ (5,053)
Investment earnings	200	200		(200)
Total revenues	<u>258,542</u>	<u>258,542</u>	<u>253,289</u>	<u>(5,253)</u>
Expenditures:				
Current -				
Economic environment	182,835	182,442	124,937	57,505
Capital outlay	<u>27,500</u>	<u>27,539</u>		<u>27,539</u>
Total expenditures	<u>210,335</u>	<u>209,981</u>	<u>124,937</u>	<u>85,044</u>
Excess of revenues over expenditures	48,207	48,561	128,352	79,791
Other Financing Sources (Uses):				
Transfers - out	<u>(169,850)</u>	<u>(169,850)</u>	<u>(164,920)</u>	<u>4,930</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(121,643)	(121,289)	(36,568)	84,721
Fund Balances:				
Beginning of year	<u>85,715</u>	<u>85,715</u>	<u>85,715</u>	
End of year	<u>\$ (35,928)</u>	<u>\$ (35,574)</u>	<u>\$ 49,147</u>	<u>\$ 84,721</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
CAPITAL IMPROVEMENT TAXABLE REVENUE REFUNDING NOTE , SERIES 2013A -
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings				
Expenditures:				
Debt service -				
Principal retirement	\$ 349,000	\$ 349,000	\$ 349,000	
Interest	73,854	73,854	73,854	
Fiscal charges		500	500	
Total expenditures	422,854	423,354	423,354	
Excess (deficiency) of revenues over (under) expenditures	(422,854)	(423,354)	(423,354)	
Other Financing Sources (Uses):				
Transfers - in	671,438	671,438	671,438	
Excess of revenues and other financing sources over expenditures and other financing uses	248,584	248,084	248,084	
Fund Balances:				
Beginning of year	391,251	391,251	391,251	
End of year	\$ 639,835	\$ 639,335	\$ 639,335	

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2013B -
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings				
Expenditures:				
Debt service -				
Principal retirement	\$ 417,000	\$ 417,000	\$ 417,000	
Interest	309,640	309,640	309,640	
Total expenditures	726,640	726,640	726,640	
Excess (deficiency) of revenues over (under) expenditures	(726,640)	(726,640)	(726,640)	
Other Financing Sources (Uses):				
Transfers - in	1,061,644	1,061,644	1,061,644	
Excess of revenues and other financing sources over expenditures and other financing uses	335,004	335,004	335,004	
Fund Balances:				
Beginning of year	587,311	587,311	587,311	
End of year	\$ 922,315	\$ 922,315	\$ 922,315	

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
CAPITAL IMPROVEMENT REFUNDING REVENUE NOTE, SERIES 2012
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 252	\$ (748)
Expenditures:				
Debt service -				
Principal retirement	291,000	291,000	291,000	
Interest	7,900	7,900	7,900	
Total expenditures	298,900	298,900	298,900	
Excess (deficiency) of revenues over (under) expenditures	(297,900)	(297,900)	(298,648)	(748)
Other Financing Sources (Uses):				
Transfers - in	299,329	299,329	299,329	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,429	1,429	681	(748)
Fund Balances:				
Beginning of year	468,928	468,928	468,928	
End of year	\$ 470,357	\$ 470,357	\$ 469,609	\$ (748)

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
REVENUE NOTE - SERIES 2008
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings				
Expenditures:				
Debt service -				
Principal retirement	\$ 131,000	\$ 131,000	\$ 130,000	\$ 1,000
Interest	25,550	25,811	26,811	(1,000)
Total expenditures	156,550	156,811	156,811	
Excess (deficiency) of revenues over (under) expenditures	(156,550)	(156,811)	(156,811)	
Other Financing Sources (Uses):				
Transfers - in	156,550	156,550	156,550	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	(261)	(261)	
Fund Balances:				
Beginning of year	64,915	64,915	64,915	
End of year	\$ 64,915	\$ 64,654	\$ 64,654	

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Grants	\$ 830,000	\$ 830,000		\$ (830,000)
Investment earnings			\$ 55,909	55,909
Miscellaneous			250	250
Total revenues	<u>830,000</u>	<u>830,000</u>	<u>56,159</u>	<u>(773,841)</u>
Expenditures:				
Capital outlay-				
General government	360,000	300,000		300,000
Public works		86,284	56,419	29,865
Public safety	295,000	389,375	424,753	(35,378)
Transportation	2,560,000	2,494,047	2,338,368	155,679
Leisure services	555,000	1,110,111	1,053,514	56,597
Total expenditures	<u>3,770,000</u>	<u>4,379,817</u>	<u>3,873,054</u>	<u>506,763</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,940,000)</u>	<u>(3,549,817)</u>	<u>(3,816,895)</u>	<u>(267,078)</u>
Other Financing Sources (Uses):				
Transfers - in	1,800,000	2,778,502	2,246,840	(531,662)
Transfers - out		(740,000)	(1,040,000)	(300,000)
Total other financing sources (uses)	<u>1,800,000</u>	<u>2,038,502</u>	<u>1,206,840</u>	<u>(831,662)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(1,140,000)</u>	<u>(1,511,315)</u>	<u>(2,610,055)</u>	<u>(1,098,740)</u>
Fund Balances:				
Beginning of year	<u>11,740,106</u>	<u>11,740,106</u>	<u>11,740,106</u>	
End of year	<u>\$ 10,600,106</u>	<u>\$ 10,228,791</u>	<u>\$ 9,130,051</u>	<u>\$ (1,098,740)</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
CAPITAL PROJECTS 2013
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings			\$ 51,612	\$ 51,612
Expenditures:				
Capital outlay-				
General government		\$ 1,693,546	1,842,131	(148,585)
Excess (deficiency) of revenues over (under) expenditures	-	(1,693,546)	(1,790,519)	(96,973)
Fund Balances:				
Beginning of year	\$ 12,108,772	12,108,772	12,108,772	
End of year	\$ 12,108,772	\$ 10,415,226	\$ 10,318,253	\$ (96,973)

See independent auditor's report.

INTERNAL SERVICE FUNDS

These funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies on the cost-reimbursement basis.

The following funds account for the City's insurance operations:

Medical Self-Insurance

Dental Insurance

The following fund accounts for labor and repairs on city owned equipment:

Equipment Maintenance Fund

CITY OF PANAMA CITY, FLORIDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2014

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 100	\$ 1,481,639	\$ 360,210	\$ 1,841,949
Investments		901,927		901,927
Accounts receivable		235,263		235,263
Due from other government units	6,266			6,266
Inventory	68,978			68,978
Prepaid items		53,581		53,581
Total current assets	<u>75,344</u>	<u>2,672,410</u>	<u>360,210</u>	<u>3,107,964</u>
Property, Plant, and Equipment:				
Machinery and equipment	349,235			349,235
Less accumulated depreciation	(264,444)			(264,444)
Total property, plant, and equipment	<u>84,791</u>			<u>84,791</u>
Total Assets	<u><u>\$ 160,135</u></u>	<u><u>\$ 2,672,410</u></u>	<u><u>\$ 360,210</u></u>	<u><u>\$ 3,192,755</u></u>
LIABILITIES				
Current Liabilities:				
Due to other funds	\$ 24,497			\$ 24,497
Accounts payable	60,093	\$ 719,338	\$ 940	780,371
Accrued wages payable	14,101			14,101
Accrued annual leave - current portion	5,800			5,800
Total current liabilities	<u>104,491</u>	<u>719,338</u>	<u>940</u>	<u>824,769</u>
Noncurrent Liabilities:				
Net OPEB obligation	52,100			52,100
Accrued wages payable - Accrued annual leave (net of current portion)	17,402			17,402
Total noncurrent liabilities	<u>69,502</u>			<u>69,502</u>
Total liabilities	<u>173,993</u>	<u>719,338</u>	<u>940</u>	<u>894,271</u>
NET POSITION				
Invested in capital assets, net of related debt	84,791			84,791
Restricted for claims		1,953,072	359,270	2,312,342
Unrestricted (deficit)	(98,649)			(98,649)
Total net position	<u>(13,858)</u>	<u>1,953,072</u>	<u>359,270</u>	<u>2,298,484</u>
Total Liabilities and Net Position	<u><u>\$ 160,135</u></u>	<u><u>\$ 2,672,410</u></u>	<u><u>\$ 360,210</u></u>	<u><u>\$ 3,192,755</u></u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
Operating Revenues:				
Charges for services	\$ 1,318,687			\$ 1,318,687
Contributions -				
Employee contributions		\$ 576,037	\$ 68,233	644,270
Other agency contributions		1,025,932	39,803	1,065,735
Retired employee contributions		807,152	39,206	846,358
Miscellaneous	1,269	110,042		111,311
Total operating revenues	<u>1,319,956</u>	<u>2,519,163</u>	<u>147,242</u>	<u>3,986,361</u>
Operating Expenses:				
Personal services	392,887			392,887
Operating expenses -				
Operating expenses	1,055,287			1,055,287
Depreciation	7,704			7,704
Administration fees		1,209,552	255,747	1,465,299
Claims		4,684,337		4,684,337
Total operating expenses	<u>1,455,878</u>	<u>5,893,889</u>	<u>255,747</u>	<u>7,605,514</u>
Operating income (loss)	<u>(135,922)</u>	<u>(3,374,726)</u>	<u>(108,505)</u>	<u>(3,619,153)</u>
Nonoperating Revenue:				
Scrap sales	6,235			6,235
Investment earnings		10,823		10,823
Total nonoperating revenue	<u>6,235</u>	<u>10,823</u>		<u>17,058</u>
Income (loss) before transfers	<u>(129,687)</u>	<u>(3,363,903)</u>	<u>(108,505)</u>	<u>(3,602,095)</u>
Transfers:				
Transfers - in		3,927,687	88,122	4,015,809
Transfers - out	(69,409)			(69,409)
Total transfers in (out)	<u>(69,409)</u>	<u>3,927,687</u>	<u>88,122</u>	<u>3,946,400</u>
Change in Net Position	(199,096)	563,784	(20,383)	344,305
Net Position - Beginning of year	<u>185,238</u>	<u>1,389,288</u>	<u>379,653</u>	<u>1,954,179</u>
Net Position - End of year	<u>\$ (13,858)</u>	<u>\$ 1,953,072</u>	<u>\$ 359,270</u>	<u>\$ 2,298,484</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,317,216			\$ 1,317,216
Cash paid to suppliers	(1,039,076)			(1,039,076)
Cash paid to employees	(389,523)			(389,523)
Cash received for insurance contributions		\$ 2,283,900	\$ 147,242	2,431,142
Cash paid for insurance claims		(5,526,032)	(254,807)	(5,780,839)
Net cash provided (used) by operating activities	(111,383)	(3,242,132)	(107,565)	(3,461,080)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers - in		3,927,687	88,122	4,015,809
Transfers - out	(69,409)			(69,409)
Net cash provided (used) by noncapital financing activities	(69,409)	3,927,687	88,122	3,946,400
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(17,421)			(17,421)
Proceeds from sales of capital assets	6,235			6,235
Net cash provided (used) by capital and related financing activities	(11,186)			(11,186)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity of investments		1,133,156		1,133,156
Purchase of investment securities		(901,927)		(901,927)
Investment earnings		10,823		10,823
Net cash provided (used) by investing activities		242,052		242,052
Net increase (decrease) in cash and cash equivalents	(191,978)	927,607	(19,443)	716,186
Cash and cash equivalents				
Beginning of year	192,078	554,032	379,653	1,125,763
End of Year	\$ 100	\$ 1,481,639	\$ 360,210	\$ 1,841,949

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	<u>Equipment Maintenance</u>	<u>Medical Self - Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ (135,922)	\$ (3,374,726)	\$ (108,505)	\$ (3,619,153)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	7,704			7,704
Change in assets and liabilities - (Increase) Decrease -				
Accounts receivable		(235,263)		(235,263)
Inventory	2,095			2,095
Due from other governmental units	(2,740)			(2,740)
Prepaid items	922	(703)		219
Increase (Decrease) -				
Accounts payable	(11,303)	368,560	940	358,197
Accrued wages	245			245
Accrued annual leave	(1,781)			(1,781)
Due to other funds	24,497			24,497
Net OPEB obligation	<u>4,900</u>	<u></u>	<u></u>	<u>4,900</u>
Net cash provided (used) by operating activities	<u>\$ (111,383)</u>	<u>\$ (3,242,132)</u>	<u>\$ (107,565)</u>	<u>\$ (3,461,080)</u>

See independent auditor's report.

FIDUCIARY FUNDS

These funds are used to account for assets held in a trust by the City for others. They include Trust and Agency Funds.

Pension Trust Funds. These funds account for the activities of the policemen, firemen, and senior management defined benefit pension plans. These funds are as follows:

Policemen Pension

Firemen Pension

Senior Management Pension

Cafeteria Plan Agency Fund. This fund accounts for pre-tax contribution of enrolled employees for benefits which can include health care, dental care, vision care, and child care.

CITY OF PANAMA CITY, FLORIDA
FIDUCIARY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
SEPTEMBER 30, 2014

	Policemen Pension	Firemen Pension	Senior Management Pension	Total
Assets:				
Cash and cash equivalents				
Short term investments	\$ 700,854	\$ 788,819		\$ 1,489,673
Savings account		14,319		14,319
Cash	75,033	43	\$ 16,420	91,496
Total cash and equivalents	775,887	803,181	16,420	1,595,488
Receivables				
Member contributions		2,013	4,187	6,200
City contributions			5,899	5,899
From broker for investments sold	5,167	150,525		155,692
Investment income	275,067	40,872		315,939
Total receivables	280,234	193,410	10,086	483,730
Investments				
U.S. Bonds and bills	2,395,395	2,672,606		5,068,001
Federal agency guaranteed securities	4,180,473	4,873,210		9,053,683
Corporate bonds	550,822	688,537	437,872	1,677,231
Stocks	12,922,331	9,454,991	2,282,412	24,659,734
Mutual funds				
Fixed Income	1,497,870	1,639,384		3,137,254
Equity	6,748,276	12,447,093		19,195,369
Real estate		1,566,793		1,566,793
Pooled/common/commingled funds				
Real estate	1,399,425			1,399,425
Total investments	29,694,592	33,342,614	2,720,284	65,757,490
Total Assets	\$ 30,750,713	\$ 34,339,205	\$ 2,746,790	\$ 67,836,708
Liabilities:				
Payables				
Benefit payments	\$ 3,585			\$ 3,585
Prior refunds	668	\$ 575		1,243
To broker for investments purchased	125,110	268,249		393,359
Total payables	129,363	268,824		398,187
Prepaid city contribution		208,719		208,719
Total liabilities	129,363	477,543		606,906
Net Position:				
Net position held in trust for pension benefits	30,621,350	33,861,662	\$ 2,746,790	67,229,802
Total Liabilities and Net Position	\$ 30,750,713	\$ 34,339,205	\$ 2,746,790	\$ 67,836,708

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
FIDUCIARY FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	Policemen Pension	Firemen Pension	Senior Management Pension	Total
Additions				
Contributions -				
Plan members	\$ 220,523	\$ 207,185	\$ 59,205	\$ 486,913
Employer	1,411,641	1,433,019	83,416	2,928,076
State	292,899	355,576		648,475
Total contributions	<u>1,925,063</u>	<u>1,995,780</u>	<u>142,621</u>	<u>4,063,464</u>
Investment income -				
Net appreciation				
in fair value of investments	2,394,515	2,693,976	218,211	5,306,702
Interest revenue	714,345	656,763		1,371,108
	<u>3,108,860</u>	<u>3,350,739</u>	<u>218,211</u>	<u>6,677,810</u>
Less investment expense	(203,636)	(186,645)		(390,281)
Net investment income	<u>2,905,224</u>	<u>3,164,094</u>	<u>218,211</u>	<u>6,287,529</u>
Total additions	<u>4,830,287</u>	<u>5,159,874</u>	<u>360,832</u>	<u>10,350,993</u>
Deductions				
Distributions to members-				
Benefit payments	1,998,810	2,261,260	127,121	4,387,191
Lump sum DROP distributions	76,304	715,491		791,795
Refunds of member contributions	33,810	7,829	15,145	56,784
Total distributions	<u>2,108,924</u>	<u>2,984,580</u>	<u>142,266</u>	<u>5,235,770</u>
Administration	29,479	26,647	18,611	74,737
Total deductions	<u>2,138,403</u>	<u>3,011,227</u>	<u>160,877</u>	<u>5,310,507</u>
Change in Net Position	<u>2,691,884</u>	<u>2,148,647</u>	<u>199,955</u>	<u>5,040,486</u>
Net Position Held in Trust for Pension Benefits				
Beginning of year	<u>27,929,466</u>	<u>31,713,015</u>	<u>2,546,835</u>	<u>62,189,316</u>
End of year	<u>\$ 30,621,350</u>	<u>\$ 33,861,662</u>	<u>\$ 2,746,790</u>	<u>\$ 67,229,802</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
AGENCY FUND - CAFETERIA PLAN
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	Balance October 1, 2013	Additions	Deductions	Balance September 30, 2014
ASSETS				
Cash		\$ 139,379	\$ 139,379	
Accounts receiveable		21,228		\$ 21,228
Total Assets		<u>\$ 160,607</u>	<u>\$ 139,379</u>	<u>\$ 21,228</u>
LIABILITIES				
Payroll deductions and matchings -				
Accounts payable		\$ 21,228		\$ 21,228
Due to employees		139,379	\$ 139,379	
Total Liabilities		<u>\$ 160,607</u>	<u>\$ 139,379</u>	<u>\$ 21,228</u>

See independent auditor's report.

SUPPLEMENTAL INFORMATION

THIS SUBSECTION CONTAINS THE FOLLOWING:

- SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION – BUDGET (GAAP BASIS) AND ACTUAL – ENTERPRISE AND INTERNAL SERVICE FUNDS
- SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY

CITY OF PANAMA CITY, FLORIDA
UTILITIES FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 15,250,000	\$ 17,500,870	\$ 2,250,870
Connection fees	310,000	273,827	(36,173)
Hydrant fees	63,000	63,000	
Miscellaneous	25,000	23,490	(1,510)
Total operating revenues	<u>15,648,000</u>	<u>17,861,187</u>	<u>2,213,187</u>
Operating Expenses:			
Personal services	3,427,878	3,259,646	168,232
Operating expenses	7,202,270	6,658,993	543,277
Depreciation	2,197,278	2,310,713	(113,435)
Total operating expenses	<u>12,827,426</u>	<u>12,229,352</u>	<u>598,074</u>
Operating income	<u>2,820,574</u>	<u>5,631,835</u>	<u>2,811,261</u>
Nonoperating Revenues (Expenses):			
Investment earnings	25,000	45,073	20,073
Interest expense	(483,035)	(520,473)	(37,438)
Other debt service costs	(110,000)	(221,663)	(111,663)
Scrap sales		5,363	5,363
Gain on disposal of assets		3,145	3,145
Total nonoperating revenues (expenses)	<u>(568,035)</u>	<u>(688,555)</u>	<u>(120,520)</u>
Income before transfers	2,252,539	4,943,280	2,690,741
Contributions and Transfers:			
Capital contributions	152,500	138,515	(13,985)
Transfers - in	225,000	232,100	7,100
Transfers - out	(1,533,300)	(1,528,291)	5,009
Total contributions and transfers	<u>(1,155,800)</u>	<u>(1,157,676)</u>	<u>(1,876)</u>
Change in Net Position	1,096,739	3,785,604	2,688,865
Net Position - Beginning of year	<u>53,619,101</u>	<u>53,619,101</u>	
Net Position - End of year	<u>\$ 54,715,840</u>	<u>\$ 57,404,705</u>	<u>\$ 2,688,865</u>

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**CITY OF PANAMA CITY, FLORIDA
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 6,600,000	\$ 6,600,009	\$ 9
Miscellaneous		7,791	7,791
Total operating revenues	<u>6,600,000</u>	<u>6,607,800</u>	<u>7,800</u>
Operating Expenses:			
Personal services	1,486,304	1,375,644	110,660
Operating expenses	3,699,283	3,237,602	461,681
Depreciation	450,000	490,410	(40,410)
Total operating expenses	<u>5,635,587</u>	<u>5,103,656</u>	<u>531,931</u>
Operating income	<u>964,413</u>	<u>1,504,144</u>	<u>539,731</u>
Nonoperating Revenues (Expenses):			
Investment earnings	70,000	52,804	(17,196)
Scrap sales		7,833	7,833
Total nonoperating revenues (expenses)	<u>70,000</u>	<u>60,637</u>	<u>(9,363)</u>
Income before transfers	1,034,413	1,564,781	530,368
Transfers:			
Transfers - out	<u>(1,296,940)</u>	<u>(1,296,927)</u>	<u>13</u>
Change in Net Position	(262,527)	267,854	530,381
Net Position - Beginning of year	<u>11,540,309</u>	<u>11,540,309</u>	
Net Position - End of year	<u><u>\$ 11,277,782</u></u>	<u><u>\$ 11,808,163</u></u>	<u><u>\$ 530,381</u></u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
MARINA FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Rent	\$ 1,208,000	\$ 1,132,494	\$ (75,506)
Gas	461,000	517,612	56,612
Diesel	1,257,000	995,054	(261,946)
Miscellaneous	345,200	331,018	(14,182)
Total operating revenues	<u>3,271,200</u>	<u>2,976,178</u>	<u>(295,022)</u>
Operating Expenses:			
Personal services	414,647	452,906	(38,259)
Operating expenses	2,374,354	2,052,432	321,922
Depreciation	350,000	465,806	(115,806)
Total operating expenses	<u>3,139,001</u>	<u>2,971,144</u>	<u>167,857</u>
Operating income (loss)	<u>132,199</u>	<u>5,034</u>	<u>(127,165)</u>
Nonoperating Revenues:			
Investment earnings	<u>2,000</u>	<u>1,920</u>	<u>(80)</u>
Income (loss) before transfers	134,199	6,954	(127,245)
Transfers:			
Transfers - out	<u>(274,067)</u>	<u>(273,177)</u>	<u>890</u>
Change in Net Position	<u>(139,868)</u>	<u>(266,223)</u>	<u>(126,355)</u>
Net Position - Beginning of year	<u>7,001,553</u>	<u>7,001,553</u>	
Net Position - End of year	<u><u>\$ 6,861,685</u></u>	<u><u>\$ 6,735,330</u></u>	<u><u>\$ (126,355)</u></u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
EQUIPMENT MAINTENANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 1,391,434	\$ 1,318,687	\$ (72,747)
Miscellaneous	6,000	1,269	(4,731)
Total operating revenues	<u>1,397,434</u>	<u>1,319,956</u>	<u>(77,478)</u>
Operating Expenses:			
Personal services	401,700	392,887	8,813
Operating expenses	993,175	1,055,287	(62,112)
Depreciation	8,000	7,704	296
Total operating expenses	<u>1,402,875</u>	<u>1,455,878</u>	<u>(53,003)</u>
Operating income (loss)	<u>(5,441)</u>	<u>(135,922)</u>	<u>(130,481)</u>
Nonoperating Revenue:			
Scrap sales	<u>5,000</u>	<u>6,235</u>	<u>1,235</u>
Income (loss) before transfers	(441)	(129,687)	(129,246)
Transfers:			
Transfers - out	<u>(77,300)</u>	<u>(69,409)</u>	<u>7,891</u>
Change in Net Position	<u>(77,741)</u>	<u>(199,096)</u>	<u>(121,355)</u>
Net Position - Beginning of year	<u>185,238</u>	<u>185,238</u>	
Net Position - End of year	<u>\$ 107,497</u>	<u>\$ (13,858)</u>	<u>\$ (121,355)</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
MEDICAL SELF-INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Contributions -			
Employee contributions	\$ 654,619	\$ 576,037	\$ (78,582)
Other agency contributions	900,000	1,025,932	125,932
Retired employee contributions	885,000	807,152	(77,848)
Miscellaneous		110,042	110,042
Total operating revenues	<u>2,439,619</u>	<u>2,519,163</u>	<u>79,544</u>
Operating Expenses:			
Administrative fees	1,307,500	1,209,552	97,948
Claims	<u>5,168,319</u>	<u>4,684,337</u>	<u>483,982</u>
Total operating expenses	<u>6,475,819</u>	<u>5,893,889</u>	<u>581,930</u>
Operating income (loss)	(4,036,200)	(3,374,726)	661,474
Nonoperating Revenue:			
Investment earnings	<u>7,500</u>	<u>10,823</u>	<u>3,323</u>
Income (loss) before transfers	(4,028,700)	(3,363,903)	664,797
Transfers:			
Transfers - in	<u>4,028,700</u>	<u>3,927,687</u>	<u>(101,013)</u>
Change in Net Position		563,784	563,784
Net Position - Beginning of year	<u>1,389,288</u>	<u>1,389,288</u>	
Net Position - End of year	<u><u>\$ 1,389,288</u></u>	<u><u>\$ 1,953,072</u></u>	<u><u>\$ 563,784</u></u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
DENTAL INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES, AND
CHANGES IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Contributions -			
Employee contributions	\$ 64,836	\$ 68,233	\$ 3,397
Other agency contributions	32,702	39,803	7,101
Retired employee contributions	43,082	39,206	(3,876)
Total operating revenues	<u>140,620</u>	<u>147,242</u>	<u>6,622</u>
Operating Expenses:			
Administrative charges	<u>255,748</u>	<u>255,747</u>	<u>1</u>
Operating income (loss)	(115,128)	(108,505)	6,623
Nonoperating Revenue:			
Investment earnings	<u>500</u>	<u></u>	<u>(500)</u>
Income (loss) before transfers	(114,628)	(108,505)	6,123
Transfers:			
Transfers - in	<u>104,753</u>	<u>88,122</u>	<u>(16,631)</u>
Change in Net Position	(9,875)	(20,383)	(10,508)
Net Position - Beginning of year	<u>379,653</u>	<u>379,653</u>	<u></u>
Net Position - End of year	<u><u>\$ 369,778</u></u>	<u><u>\$ 359,270</u></u>	<u><u>\$ (10,508)</u></u>

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CITY OF PANAMA CITY, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
FISCAL YEAR ENDED SEPTEMBER 30, 2014

Governmental Activities

Year Ending September 30	Revenue Note Series 2008-Modified		Capital Improvement Refunding Revenue Note - Series 2012		Capital Improvement Taxable Revenue Refunding Note - Series 2013A	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 133,000	\$ 24,279	\$ 293,000	\$ 4,747	\$ 605,000	\$ 59,662
2016	135,000	21,680	293,000	1,582	621,000	45,931
2017	137,000	19,050			629,000	31,931
2018	141,000	16,374			643,000	17,685
2019	143,000	13,629			231,000	7,896
2020	146,000	10,845			237,000	2,654
2021	149,000	7,993				
2022	151,000	5,092				
2023	149,000	2,143				
	<u>\$ 1,284,000</u>	<u>\$ 121,085</u>	<u>\$ 586,000</u>	<u>\$ 6,329</u>	<u>\$ 2,966,000</u>	<u>\$ 165,759</u>

	Capital Improvement Revenue Note - Series 2013B		Capital Leases		Loan from Other Government Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 771,000	\$ 281,739	\$ 98,512	\$ 6,666	\$ 300,000	
2016	789,000	263,721	101,791	3,388	300,000	
2017	808,000	245,276				
2018	826,000	226,403				
2019	845,000	207,103				
2020	865,000	187,353				
2021	885,000	167,140				
2022	905,000	146,466				
2023	926,000	125,317				
2024	948,000	103,673				
2025	969,000	81,532				
2026	992,000	58,882				
2027	1,015,000	35,701				
2028	1,038,000	11,989				
	<u>\$ 12,582,000</u>	<u>\$ 2,142,295</u>	<u>\$ 200,303</u>	<u>\$ 10,054</u>	<u>\$ 600,000</u>	

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
FISCAL YEAR ENDED SEPTEMBER 30, 2014

Business-type Activities

Year Ending September 30	Water & Sewer Refunding Revenue Note - Series 2012		Water & Sewer Refunding Revenue Note - Series 2014	
	Principal	Interest	Principal	Interest
2015	\$ 57,000	\$ 103,091	\$ 359,000	\$ 114,684
2016	58,000	101,967	1,434,000	92,457
2017	59,000	100,822	1,453,000	69,936
2018	60,000	99,658	1,480,000	46,996
2019	61,000	98,474	1,503,000	23,700
2020	62,000	97,272	1,529,000	
2021	1,638,000	65,495		
2022	1,673,000	33,038		
2023	1,703,000			
	<u>\$ 5,371,000</u>	<u>\$ 699,817</u>	<u>\$ 7,758,000</u>	<u>\$ 347,773</u>

See independent auditor's report.

STATISTICAL SECTION

THIS SECTION CONTAINS THE FOLLOWING:

- FINANCIAL TRENDS
- REVENUE CAPACITY
- DEBT CAPACITY
- DEMOGRAPHIC AND ECONOMIC INFORMATION
- OPERATING INFORMATION

STATISTICAL SECTION

This part of the City of Panama City, Florida's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt Capacity

These schedules represent information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.

**CITY OF PANAMA CITY, FLORIDA
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
UNAUDITED**

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 5,186,054	\$ 6,108,758	\$ 5,699,427	\$ 5,294,365	\$ 5,733,023	\$ 6,165,676	\$ 5,874,629	\$ 5,529,101	\$ 6,364,801	\$ 6,094,551
Public safety	14,332,667	14,860,558	16,442,075	15,930,432	15,991,185	16,776,513	17,346,057	17,954,974	18,443,729	19,060,516
Physical environment					18,880	75,055	37,477			
Transportation	5,547,718	5,502,270	6,193,217	6,077,891	6,090,807	5,876,999	5,760,884	5,877,854	5,455,287	5,481,149
Economic environment	962,211	1,061,178	1,244,033	1,808,775	1,673,062	2,545,814	3,112,085	3,779,765	3,309,023	3,728,293
Culture and recreation	4,022,133	2,394,549	3,580,823	3,180,699	2,999,228	3,236,099	3,317,259	3,375,322	3,470,268	3,505,846
Human services	190,499	283,717	325,346	282,513	281,737	261,793	373,967	326,609	301,127	341,100
Interest on long-term debt	1,272,118	601,248	644,092	584,859	579,547	523,507	451,014	465,549	462,930	415,035
Total governmental activities expenses	31,513,400	30,812,278	34,129,013	33,159,534	33,367,469	35,461,456	36,273,372	37,309,174	37,807,165	38,626,490
Business-type activities:										
Utilities	10,644,800	11,147,078	11,736,676	12,647,357	13,075,679	13,219,349	13,708,629	13,889,586	14,032,601	13,575,865
Solid waste	4,847,175	4,953,666	4,937,345	4,973,871	6,949,756	4,990,240	5,458,696	5,422,422	5,591,570	5,450,759
Marina	3,565,849	3,473,157	3,784,513	3,585,460	2,758,488	3,631,068	3,296,092	3,669,461	3,213,703	3,025,662
Total business-type activities expenses	19,057,824	19,573,901	20,458,534	21,206,688	22,783,923	21,840,657	22,463,417	22,981,469	22,837,874	22,052,286
Total primary government expenses	\$ 50,571,224	\$ 50,386,179	\$ 54,587,547	\$ 54,366,222	\$ 56,151,392	\$ 57,302,113	\$ 58,736,789	\$ 60,290,643	\$ 60,645,039	\$ 60,678,776
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 8,917,194	\$ 10,005,632	\$ 9,343,921	\$ 8,686,585	\$ 7,711,674	\$ 7,157,635	\$ 7,763,454	\$ 7,882,958	\$ 8,221,000	\$ 8,854,998
Public safety	454,718	377,244	417,945	376,174	1,171,638	828,425	830,845	777,578	928,896	1,002,506
Transportation	399,864	346,362	318,822	551,606	443,678	486,426	510,790	442,727	483,251	455,887
Economic environment								584,160		
Culture and recreation	173,421	180,676	162,064	180,453	166,640	177,794	165,238	167,982	199,286	184,717
Other	91,200				91,200	61,873				
Operating grants and contributions	1,219,703	1,974,278	2,262,201	1,298,278	2,261,479	1,355,662	1,955,297	3,356,769	2,696,614	2,443,538
Capital grants and contributions	895,083		87,630	748,375	1,199,300	37,180	61,299	51,717	20,494	25,000
Total governmental activities program revenues	12,151,183	12,884,192	12,592,583	11,841,471	13,045,609	10,134,322	11,348,796	13,263,891	12,549,541	12,966,646
Business-type activities:										
Charges for services:										
Utilities	12,097,479	13,759,176	13,721,653	16,243,845	15,064,559	14,827,798	16,411,828	15,962,245	17,409,907	17,861,187
Solid waste	5,870,053	6,382,315	6,614,677	6,846,810	7,389,466	6,740,634	6,855,496	6,513,969	6,499,983	6,607,800
Marina	3,847,498	3,995,026	4,164,911	3,858,723	2,929,412	4,017,054	3,374,900	3,511,819	3,123,838	2,976,178
Operating grants and contributions	114,481	158,349	37,672		12,639					
Capital grants and contributions					243	490,068	177,734	172,820	142,542	138,515
Total business-type activities program revenues	21,929,511	24,294,866	24,538,913	26,949,378	25,396,319	26,075,554	26,819,958	26,160,853	27,176,270	27,583,680
Total primary government program revenues	\$ 34,080,694	\$ 37,179,058	\$ 37,131,496	\$ 38,790,849	\$ 38,441,928	\$ 36,209,876	\$ 38,168,754	\$ 39,424,744	\$ 39,725,811	\$ 40,550,326
Net (Expense)/Revenue										
Governmental activities	\$ (19,362,217)	\$ (17,928,086)	\$ (21,536,430)	\$ (21,318,063)	\$ (20,321,860)	\$ (25,327,134)	\$ (24,924,576)	\$ (24,045,283)	\$ (25,257,624)	\$ (25,659,844)
Business-type activities	2,871,687	4,720,965	4,080,379	5,742,690	2,612,396	4,234,897	4,356,541	3,179,384	4,338,396	5,531,394
Total primary government net expenses	\$ (16,490,530)	\$ (13,207,121)	\$ (17,456,051)	\$ (15,575,373)	\$ (17,709,464)	\$ (21,092,237)	\$ (20,568,035)	\$ (20,865,899)	\$ (20,919,228)	\$ (20,128,450)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Ad valorem taxes	\$ 7,393,055	\$ 8,604,094	\$ 8,491,538	\$ 8,972,099	\$ 8,823,554	\$ 8,388,901	\$ 8,221,868	\$ 8,008,760	\$ 7,931,119	\$ 8,338,872
Tax increment ad valorem taxes						1,833,125	1,716,903	1,588,207	1,503,382	2,095,743
Gas tax	1,138,124	1,355,406	1,337,733	1,307,174	1,361,984	1,389,891	1,272,508	1,269,175	1,394,258	1,376,850
Franchise fees	1,594,836	1,913,443	2,036,546	1,931,188	2,193,523	2,408,155	3,616,998	3,798,295	4,066,491	4,149,648
Utility service tax	2,878,815	3,124,967	3,095,354	3,007,322	3,011,492	3,309,913	3,462,259	3,420,265	3,479,637	3,879,713
Communications service tax	2,240,589	2,318,889	2,118,225	2,113,569	2,209,786	1,940,445	1,913,553	1,823,525	1,945,790	1,713,347
Unrestricted state revenue sharing	1,606,636	1,623,708	1,541,437	1,334,358	1,313,002	1,320,909	1,329,508	1,336,070	1,344,526	1,355,933
Half-cent sales tax	2,816,669	2,974,894	2,861,909	2,717,396	2,550,808	2,457,273	2,650,754	2,644,093	2,736,855	2,947,185
Unrestricted investment earnings	651,795	736,033	1,017,212	896,440	568,222	591,142	220,889	228,562	225,263	346,393
Gain (loss) on sale of capital assets				135,543	8,757	(229)	52,993	1,468	16,980	14,930
Miscellaneous	1,004,615	1,189,078	1,099,765	332,006	677,294	779,579	478,638	738,522	2,950,334	608,564
Contributions							5,242,210			
Transfers	2,042,801	2,230,953	2,021,354	2,036,902	2,144,178	1,999,400	1,862,663	1,949,175	1,774,122	1,803,068
Refund of grant										
Total governmental activities general revenues	23,367,935	26,071,465	25,621,073	24,783,997	24,862,600	26,418,504	32,041,744	26,806,117	29,368,757	28,630,246
Business-type activities:										
Impact fees	760,062									
Unrestricted investment earnings	568,752	947,497	1,111,569	552,868	413,264	321,544	134,623	112,395	90,477	99,797
Gain (loss) on sale of capital assets		130,809	98,301	1,673		(72,256)	3,200			3,145
Miscellaneous	996,834	958	2,504	3,273	2,682	8,047		182,378	50,689	13,196
Transfers	(2,042,801)	(2,230,953)	(2,021,354)	(2,036,902)	(2,144,178)	(1,999,400)	(1,862,663)	(1,949,175)	(1,774,122)	(1,803,068)
Total business-type activities general revenues	282,847	(1,151,689)	(808,980)	(1,479,088)	(1,728,232)	(1,742,065)	(1,724,840)	(1,654,402)	(1,632,956)	(1,686,930)
Total primary government general revenues	\$ 23,650,782	\$ 24,919,776	\$ 24,812,093	\$ 23,304,909	\$ 23,134,368	\$ 24,676,439	\$ 30,316,904	\$ 25,151,715	\$ 27,735,801	\$ 26,943,316
Changes in Net Position										
Governmental activities	\$ 4,005,718	\$ 8,143,379	\$ 4,084,643	\$ 3,465,934	\$ 4,540,740	\$ 1,091,370	\$ 7,117,168	\$ 2,760,834	\$ 4,111,133	\$ 2,970,402
Business-type activities	3,154,534	3,569,276	3,271,399	4,263,602	884,164	2,492,832	2,631,701	1,524,982	2,705,440	3,844,464
Total primary government changes in net position	\$ 7,160,252	\$ 11,712,655	\$ 7,356,042	\$ 7,729,536	\$ 5,424,904	\$ 3,584,202	\$ 9,748,869	\$ 4,285,816	\$ 6,816,573	\$ 6,814,866

**CITY OF PANAMA CITY, FLORIDA
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
UNAUDITED**

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Governmental activities										
Invested in capital assets, net of related debt	\$ 26,807,747	\$ 29,985,954	\$ 32,707,177	\$ 36,739,311	\$ 37,228,955	\$ 37,918,883	\$ 45,114,329	\$ 48,578,821	\$ 41,666,862	\$ 57,092,075
Restricted	7,706,472	8,720,085	3,056,129	3,903,053	4,106,138	4,804,128	3,429,960	2,884,127	1,842,298	2,415,183
Unrestricted	26,598,144	30,549,703	37,577,079	36,163,955	40,011,966	43,997,797	45,293,687	45,135,862	55,225,669	42,197,973
Total governmental activities net position	<u>\$ 61,112,363</u>	<u>\$ 69,255,742</u>	<u>\$ 73,340,385</u>	<u>\$ 76,806,319</u>	<u>\$ 81,347,059</u>	<u>\$ 86,720,808</u>	<u>\$ 93,837,976</u>	<u>\$ 96,598,810</u>	<u>\$ 98,734,829</u>	<u>\$ 101,705,231</u>
Business-type activities										
Invested in capital assets, net of related debt	\$ 27,806,751	\$ 30,180,867	\$ 32,835,962	\$ 38,192,344	\$ 38,864,027	\$ 38,999,520	\$ 39,075,302	\$ 45,577,206	\$ 46,401,318	\$ 47,083,456
Restricted	4,945,273	3,974,728	4,015,627	3,732,044	3,981,941	4,050,490	417,800	2,023,696	5,038,071	3,510,242
Unrestricted	18,321,001	20,486,706	21,062,111	20,252,914	20,215,498	22,504,288	28,692,897	22,110,079	20,789,178	25,479,333
Total business-type activities net position	<u>\$ 51,073,025</u>	<u>\$ 54,642,301</u>	<u>\$ 57,913,700</u>	<u>\$ 62,177,302</u>	<u>\$ 63,061,466</u>	<u>\$ 65,554,298</u>	<u>\$ 68,185,999</u>	<u>\$ 69,710,981</u>	<u>\$ 72,228,567</u>	<u>\$ 76,073,031</u>
Primary government										
Invested in capital assets, net of related debt	\$ 54,614,498	\$ 60,166,821	\$ 65,543,139	\$ 74,931,655	\$ 76,092,982	\$ 76,918,403	\$ 84,189,631	\$ 94,156,027	\$ 88,068,180	\$ 104,175,531
Restricted	12,651,745	12,694,813	7,071,756	7,635,097	8,088,079	8,854,618	3,847,760	4,907,823	6,880,369	5,925,425
Unrestricted	44,919,145	51,036,409	58,639,190	56,416,869	60,227,464	66,502,085	73,986,584	67,245,941	76,014,847	67,677,306
Total primary government net position	<u>\$ 112,185,388</u>	<u>\$ 123,898,043</u>	<u>\$ 131,254,085</u>	<u>\$ 138,983,621</u>	<u>\$ 144,408,525</u>	<u>\$ 152,275,106</u>	<u>\$ 162,023,975</u>	<u>\$ 166,309,791</u>	<u>\$ 170,963,396</u>	<u>\$ 177,778,262</u>

CITY OF PANAMA CITY, FLORIDA
PROGRAM REVENUES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Function/Program Revenues										
Governmental activities:										
General government	\$ 8,917,194	\$ 10,005,632	\$ 9,343,921	\$ 8,686,585	\$ 7,711,674	\$ 7,157,635	\$ 7,763,454	\$ 7,882,958	\$ 8,221,000	\$ 8,854,998
Public safety	669,803	557,258	1,431,532	451,733	1,490,168	1,225,533	1,746,190	3,142,050	1,993,601	2,192,020
Physical environment				38,000	25,878					
Transportation	399,864	346,362	318,822	551,606	443,678	486,426	510,790	442,727	483,251	455,887
Economic environment	1,808,965	1,794,264	1,336,244	1,933,094	2,962,163	995,734	1,101,251	1,628,174	1,652,403	1,279,024
Culture and recreation	173,421	180,676	162,064	180,453	166,640	177,794	165,238	167,982	199,286	184,717
Human services										
Other	181,936				245,408	91,200	61,873			
Total governmental activities	<u>12,151,183</u>	<u>12,884,192</u>	<u>12,592,583</u>	<u>11,841,471</u>	<u>13,045,609</u>	<u>10,134,322</u>	<u>11,348,796</u>	<u>13,263,891</u>	<u>12,549,541</u>	<u>12,966,646</u>
Business-type activities:										
Utilities	12,145,960	13,868,799	13,733,061	16,243,845	15,064,559	15,317,866	16,589,562	16,135,065	17,552,449	17,999,702
Solid waste	5,870,053	6,412,869	6,635,865	6,846,810	7,389,709	6,740,634	6,855,496	6,513,969	6,499,983	6,607,800
Marina	3,913,498	4,013,198	4,169,987	3,858,723	2,942,051	4,017,054	3,374,900	3,511,819	3,123,838	2,976,178
Total business-type activities	<u>21,929,511</u>	<u>24,294,866</u>	<u>24,538,913</u>	<u>26,949,378</u>	<u>25,396,319</u>	<u>26,075,554</u>	<u>26,819,958</u>	<u>26,160,853</u>	<u>27,176,270</u>	<u>27,583,680</u>
Total primary government function/program revenues	<u>\$ 34,080,694</u>	<u>\$ 37,179,058</u>	<u>\$ 37,131,496</u>	<u>\$ 38,790,849</u>	<u>\$ 38,441,928</u>	<u>\$ 36,209,876</u>	<u>\$ 38,168,754</u>	<u>\$ 39,424,744</u>	<u>\$ 39,725,811</u>	<u>\$ 40,550,326</u>

**CITY OF PANAMA CITY, FLORIDA
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED**

PRE-GASB 54						
Fiscal Year						
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Funds						
General fund						
Reserved	\$ 227,084	\$ 544,144	\$ 152,726	\$ 113,515	\$ 160,154	\$ 713,213
Unreserved	15,965,636	17,788,219	17,807,277	16,788,517	20,894,866	21,464,954
Total general fund	<u>16,192,720</u>	<u>18,332,363</u>	<u>17,960,003</u>	<u>16,902,032</u>	<u>21,055,020</u>	<u>22,178,167</u>
All other governmental funds						
Reserved	6,156,571	6,549,799	7,328,575	8,049,873	9,239,910	9,926,499
Unreserved, reported in:						
Special revenue funds	1,506,540	2,493,739	2,079,366	1,848,242	2,109,182	5,760,911
Debt service funds	324,034	209,935	395,305	715,712	843,422	1,212,092
Capital projects funds	9,466,583	10,678,495	12,246,771	11,271,348	10,236,234	9,209,758
Total all other governmental funds	<u>17,453,728</u>	<u>19,931,968</u>	<u>22,050,017</u>	<u>21,885,175</u>	<u>22,428,748</u>	<u>26,109,260</u>
Total governmental funds	<u><u>\$ 33,646,448</u></u>	<u><u>\$ 38,264,331</u></u>	<u><u>\$ 40,010,020</u></u>	<u><u>\$ 38,787,207</u></u>	<u><u>\$ 43,483,768</u></u>	<u><u>\$ 48,287,427</u></u>
POST-GASB 54						
Fiscal Year						
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>		
Governmental Funds						
General fund						
Non-spendable	\$ 161,098	\$ 432,325	\$ 160,252	\$ 212,444		
Spendable:						
Committed	9,838,400	9,838,400	10,496,928	10,882,597		
Assigned	1,053,855	783,378	230,253	228,760		
Unassigned	9,254,662	9,545,027	11,542,588	13,262,912		
Total general fund	<u>20,308,015</u>	<u>20,599,130</u>	<u>22,430,021</u>	<u>24,586,713</u>		
All other governmental funds						
Non-spendable	167,695	164,350	161,352	166,328		
Spendable:						
Restricted	13,077,348	11,914,160	8,823,094	9,664,348		
Committed	4,147,234	4,388,146	2,544,340	1,759,587		
Assigned	11,326,551	11,399,721	23,848,878	19,448,304		
Total all other governmental funds	<u>28,718,828</u>	<u>27,866,377</u>	<u>35,377,664</u>	<u>31,038,567</u>		
Total governmental funds	<u><u>\$ 49,026,843</u></u>	<u><u>\$ 48,465,507</u></u>	<u><u>\$ 57,807,685</u></u>	<u><u>\$ 55,625,280</u></u>		

Note: The City began to report fund balances consistent with GASB 54 beginning in fiscal year 2011.

CITY OF PANAMA CITY, FLORIDA
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
UNAUDITED

	Fiscal Year									
	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Revenues										
Taxes	\$ 15,245,420	\$ 17,316,799	\$ 17,079,396	\$ 17,331,352	\$ 17,600,338	\$ 17,437,305	\$ 18,487,185	\$ 18,320,020	\$ 18,817,297	\$ 19,458,430
Licenses and permits	8,655,030	9,483,433	9,001,229	8,372,329	7,567,342	6,979,627	7,523,145	7,590,601	7,966,335	8,657,993
Intergovernmental	6,664,622	6,706,092	6,883,014	6,237,620	8,179,249	7,733,274	8,476,178	10,321,430	9,006,077	9,623,619
Charges for services	1,254,835	1,293,269	1,111,686	1,283,276	1,162,828	995,548	1,075,967	1,011,432	1,253,090	1,175,095
Investment earnings	241,385	34,472	1,017,212	896,440	568,222	595,264	220,889	228,562	225,263	346,626
Miscellaneous	1,395,459	1,890,639	1,099,765	474,089	686,295	775,457	539,298	2,878,779	969,360	532,062
Total revenues	<u>33,456,751</u>	<u>36,724,704</u>	<u>36,192,302</u>	<u>34,595,106</u>	<u>35,764,274</u>	<u>34,516,475</u>	<u>36,322,662</u>	<u>40,350,824</u>	<u>38,237,422</u>	<u>39,793,825</u>
Expenditures										
Current:										
General government	5,522,504	5,018,629	5,170,341	4,839,658	4,572,820	5,090,301	4,951,169	4,555,892	5,357,993	4,928,462
Public safety	13,341,006	14,163,544	15,242,745	13,334,070	13,889,930	14,776,921	15,060,689	15,506,710	15,859,430	16,362,023
Physical environment					18,880	75,055	37,477			
Transportation	4,856,515	4,301,081	4,741,788	4,046,834	3,867,833	3,731,508	3,728,533	3,727,188	3,888,680	3,852,140
Economic environment	957,279	1,059,218	1,237,784	1,805,521	1,669,200	2,515,436	3,076,424	3,747,936	3,265,201	3,682,475
Human services	168,059	263,210	294,894	246,243	245,600	246,858	347,571	305,925	274,702	313,463
Culture and recreation	2,408,414	2,699,864	3,150,700	2,363,543	2,270,902	2,315,498	2,306,535	2,330,338	2,446,464	2,447,613
Debt service:										
Capital lease principal										395,642
Capital lease interest										10,070
Principal	1,175,000	1,255,000	1,380,000	1,420,000	1,577,000	1,631,000	1,690,000	1,771,000	1,387,000	1,187,000
Interest and other charges	1,294,024	580,159	616,570	609,780	563,129	517,256	450,642	1,618,578	715,680	418,705
Capital outlay	2,934,211	3,405,270	3,268,899	8,527,812	2,622,408	2,203,932	3,833,890	6,493,415	7,464,200	7,298,532
Total expenditures	<u>32,657,012</u>	<u>32,745,975</u>	<u>35,103,721</u>	<u>37,193,461</u>	<u>31,297,702</u>	<u>33,103,765</u>	<u>35,482,930</u>	<u>40,056,982</u>	<u>40,659,350</u>	<u>40,896,125</u>
Excess (deficiency) of revenues over expenditures	<u>799,739</u>	<u>3,978,729</u>	<u>1,088,581</u>	<u>(2,598,355)</u>	<u>4,466,572</u>	<u>1,412,710</u>	<u>839,732</u>	<u>293,842</u>	<u>(2,421,928)</u>	<u>(1,102,300)</u>
Other Financing Sources (Uses)										
Transfers - in	10,564,389	8,275,506	8,134,368	8,329,692	4,654,215	4,476,428	8,845,631	11,691,407	7,368,623	7,778,812
Transfers - out	(9,922,304)	(7,636,352)	(7,477,260)	(8,876,150)	(4,424,226)	(4,752,145)	(8,945,948)	(12,611,868)	(8,377,393)	(8,858,917)
Bond proceeds				1,922,000					14,194,945	
Debt issuance	7,285,000									
Premium on debt issuance	222,591									
Issuance of refunding bonds								2,883,000	3,315,000	
Payment to bond refunding escrow agent	(12,054,919)							(2,817,717)	(3,289,219)	
Other non-operating-refund of grant										
BP recovery									1,900,000	
Total other financing sources and uses	<u>(3,905,243)</u>	<u>639,154</u>	<u>657,108</u>	<u>1,375,542</u>	<u>229,989</u>	<u>(275,717)</u>	<u>(100,317)</u>	<u>(855,178)</u>	<u>15,111,956</u>	<u>(1,080,105)</u>
Net change in fund balances	<u>\$ (3,105,504)</u>	<u>\$ 4,617,883</u>	<u>\$ 1,745,689</u>	<u>\$ (1,222,813)</u>	<u>\$ 4,696,561</u>	<u>\$ 1,136,993</u>	<u>\$ 739,415</u>	<u>\$ (561,336)</u>	<u>\$ 12,690,028</u>	<u>\$ (2,182,405)</u>
Debt service as a percentage of noncapital expenditures	8.31%	6.25%	6.27%	7.08%	7.46%	6.95%	6.76%	10.10%	6.33%	4.84%

CITY OF PANAMA CITY, FLORIDA
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(IN THOUSANDS OF DOLLARS)
UNAUDITED

Fiscal Year	Real Property		Personal Property		Centrally Assessed		Total		Ratio of Total Assessed Value to Total Estimated Actual Value	Total Direct Rate
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value	Estimated Actual Value	
2005	\$ 1,504,168	\$ 2,399,675	\$ 276,607	\$ 447,492	\$ 5,006	\$ 35,006	\$ 1,785,781	\$ 2,882,173	61.96%	5.0000
2006	1,831,568	3,115,828	279,449	443,675	6,783	(3,217)	2,117,800	3,556,286	59.55%	4.7122
2007	2,196,594	3,555,392	277,827	445,763	11,206	11,205	2,485,627	4,012,360	61.95%	3.7610
2008	2,106,810	3,493,218	255,528	449,615	13,543	13,789	2,375,881	3,956,622	60.05%	3.8493
2009	1,944,146	3,245,508	298,081	456,805	14,325	14,401	2,256,552	3,716,714	60.71%	3.8493
2010	1,919,747	3,186,211	288,066	434,883	13,051	13,279	2,220,864	3,634,373	61.11%	3.8152
2011	1,873,704	3,094,310	282,033	429,748	13,794	14,003	2,169,530	3,538,060	61.32%	3.8152
2012	1,847,348	2,994,001	275,999	419,831	13,756	13,953	2,137,103	3,427,785	62.35%	3.8723
2013	1,910,954	2,882,465	300,007	418,383	13,761	14,011	2,224,722	3,314,859	67.11%	3.8723
2014	1,915,492	2,876,959	320,082	440,593	15,372	16,216	2,250,946	3,333,768	67.52%	3.8570

Source: Office of the Property Appraiser, Bay County, Florida

**CITY OF PANAMA CITY, FLORIDA
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
UNAUDITED**

Overlapping Rates												
Fiscal Year	City of Panama City			Bay County			Bay District Schools			Panama City Downtown Improvement Board	Northwest Florida Water Management District	Total Direct and Overlapping Rates
	Operating Millage	Debt Service Millage	Total City Millage	Operating Millage	Debt Service Millage	Total County Millage	Operating Millage	Debt Service Millage	Total School Millage			
2005	5.0000	-	5.0000	6.8472	-	6.8472	7.9350	-	7.9350	3.0000	0.0500	22.8322
2006	4.7122	-	4.7122	5.0972	-	5.0972	6.8080	-	6.8080	3.0000	0.0500	19.6674
2007	3.7610	-	3.7610	4.6678	-	4.6678	6.4710	-	6.4710	2.4700	0.0450	17.4148
2008	3.8493	-	3.8493	4.5263	-	4.5263	6.7630	-	6.7630	2.6832	0.0450	17.8668
2009	3.8493	-	3.8493	4.5840	-	4.5840	7.6230	-	7.6230	2.6832	0.0450	18.7845
2010	3.8152	-	3.8152	4.5840	-	4.5840	7.4030	-	7.4030	2.7180	0.0450	18.5652
2011	3.8152	-	3.8152	4.8025	-	4.8025	7.1180	-	7.1180	2.7180	0.0400	18.4937
2012	3.8723	-	3.8723	4.8025	-	4.8025	6.8580	-	6.8580	2.7578	0.0400	18.3306
2013	3.8723	-	3.8723	3.6500	-	3.6500	6.7610	-	6.7610	2.8918	0.0400	17.2151
2014	3.8570	-	3.8570	4.6500	-	4.6500	6.8890	-	6.8890	2.8918	0.0039	18.2917

Source: Office of the Property Appraiser, Bay County, Florida

**CITY OF PANAMA CITY, FLORIDA
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

<u>Taxpayer</u>	2014			2005		
	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>	<u>Taxable Assessed Value</u>	<u>Rank</u>	<u>Percentage of Total Taxable Assessed Value</u>
Bay County Sacred Heart	\$ 113,257,500	1	5.03%		2	1.73%
Gulf Power Company	47,302,564	2	2.10%	\$ 30,872,534	5	1.55%
Hospital Corporation of America	45,582,465	3	2.03%	27,595,593	7	0.94%
Berg Steel Pipe Corporation	39,876,779	4	1.77%	16,779,144	6	1.07%
Panama City Mall	36,684,018	5	1.63%	19,180,955		
St. Andrew Bay Land Company, LLC	17,166,416	6	0.76%			
The Bay Line Railroad, LLC	15,669,631	7	0.70%			
Eastern Shipbuilding Group, Inc.	13,059,649	8	0.58%			
Brixmor GA Panama City LLC	12,422,785	9	0.55%			
Panama City Port Authority	12,352,612	10	0.55%			
Chapman Properties				39,941,456	1	2.24%
BellSouth Telecommunications				28,228,500	4	1.58%
Galileo Panama City, LLC				14,708,428	8	0.82%
Oceaneering International, Inc.				29,328,815	3	1.64%
Lloyd, William P., Etal				10,641,025	9	0.60%
Excel Realty Trust, Inc.				7,786,604	10	0.44%
Total Principal Taxpayers	\$ 353,374,419		15.70%	\$ 225,063,054		12.60%
Total Taxable Assessed Value	\$ 2,250,945,415			\$ 1,785,782,000		

Source: Bay County Property Appraiser's Office

CITY OF PANAMA CITY, FLORIDA
PROPERTY TAX LEVIES AND COLLECTIONS (1)
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year Ended Sept. 30</u>	<u>Total Tax Levied for the Fiscal Year</u>	<u>Collected within the Fiscal Year of the Levy</u>		<u>Collections in Subsequent Years</u>	<u>Total Collections to Date</u>	
		<u>Amount</u>	<u>Percentage of Levy</u>		<u>Amount</u>	<u>Percentage of Levy</u>
2005	\$ 7,653,366	\$ 7,339,588	95.90%	\$ 60,254	\$ 7,399,842	96.69%
2006	8,933,406	8,573,546	95.97%	68,928	8,642,474	96.74%
2007	8,831,988	8,460,189	95.79%	91,000	8,551,189	96.82%
2008	9,374,079	8,947,600	95.45%	135,691	9,083,291	96.90%
2009	9,168,565	8,768,166	95.63%	122,550	8,890,716	96.97%
2010	8,717,144	8,347,555	95.76%	103,904	8,451,459	96.95%
2011	8,506,412	8,188,062	96.26%	68,765	8,256,827	97.07%
2012	8,274,835	7,985,216	96.50%	41,374	8,026,590	97.00%
2013	8,614,083	7,903,674	91.75%	27,445	7,931,119	92.07%
2014	8,680,847	8,310,016	95.73%	28,856	8,338,872	96.06%

(1) By May 31, during each year for which taxes are levied, all taxes have been collected and remitted to the City or the delinquent taxes are raised by public auction of tax certificates and the proceeds are remitted to the City by the County Tax Collector. Therefore, there are no material unremitted tax revenues for each fiscal year on September 30.

Note: Based on information provided by Office of the Property Appraiser, Bay County, Florida

**CITY OF PANAMA CITY, FLORIDA
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
UNAUDITED**

Fiscal Year	<u>Governmental Activities</u>		<u>Business-type Activities</u>		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds	Capital Lease Obligations	Revenue Bonds				
2005	\$ 17,095,000		\$ 23,100,000	\$	40,195,000	2.76%	\$ 1,080
2006	15,840,000		22,150,000		37,990,000	3.11%	1,020
2007	14,460,000		21,180,000		35,640,000	3.54%	949
2008	14,962,000		20,185,000		35,147,000	3.80%	934
2009	13,385,000		19,165,000		32,550,000	4.19%	869
2010	11,754,000		18,120,000		29,874,000	4.55%	799
2011	10,064,000		17,035,000		27,099,000	4.97%	760
2012	7,203,000		16,400,000		23,603,000	5.75%	645
2013	18,605,000	\$ 295,945	15,202,000		34,102,945	4.42%	953
2014	17,418,000	200,303	13,129,000		30,747,303	Not Available	860

Note: For the fiscal years ended September 30. Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the schedule of Demographic and Economic Statistics on page 156 for personal income and population data. For the purpose of this schedule, personal income attributable to Panama City was utilized.

CITY OF PANAMA CITY, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
UNAUDITED
(dollars in thousands)

Governmental Unit	Debt Outstanding ¹	Estimated Percent Applicable ²	Estimated Share of Overlapping Debt
Bay County:			
Bonds Payable	\$ 91,121	15.94%	\$ 14,526
Capital Leases	92	15.94%	15
Bay County School Board:			
State School Bonds	2,975	14.76%	439
Sales Tax Revenue Anticipation Note	36,375	14.76%	5,370
Certificates of Participation	84,243	14.76%	<u>12,437</u>
Subtotal of Overlapping Debt			32,787
City of Panama City Direct Debt	18,605		<u>18,605</u>
Total Direct and Overlapping Debt			<u><u>\$ 51,392</u></u>

1 The percentage of overlapping debt applicable is estimated using taxable assessed property values provided by the Bay County Property Appraiser's Office. The applicable percentages were calculated by dividing the City's taxable assessed value by the County or School Board taxable assessed value.

Source: - Bay County Clerk of Court & Comptroller for Fiscal Year Ended September 30, 2013

- District School Board of Bay County Superintendent's Annual Financial Report for the Fiscal Year ended June 30, 2014

CITY OF PANAMA CITY, FLORIDA
PLEDGED-REVENUE COVERAGE - GOVERNMENTAL ACTIVITIES
LAST TEN FISCAL YEARS
UNAUDITED

<u>Local Option Gas Transportation Bonds</u>					<u>Utility Service Tax Bonds</u>				
<u>Fiscal Year</u>	<u>Revenue Collected</u>	<u>Debt Service</u>		<u>Coverage</u>	<u>Revenue Collected</u>	<u>Debt Service</u>		<u>Coverage</u>	
		<u>Principal</u>	<u>Interest</u>			<u>Principal</u>	<u>Interest</u>		
2005	\$ 1,138,124	\$ 220,000	\$ 200,515	2.71	\$ 2,878,815	\$ 955,000	\$ 737,204	1.70	
2006	1,355,406	230,000	27,560	5.26	3,124,967	1,025,000	358,309	2.26	
2007	1,337,733	250,000	16,875	5.01	3,095,354	900,000	317,073	2.54	
2008	1,307,175	250,000	5,625	5.11	3,007,323	930,000	280,950	2.48	
2009	1,361,984	-	-	-	3,011,492	975,000	242,574	2.47	
2010	1,389,891	-	-	-	3,309,913	1,010,000	201,908	2.73	
2011	1,272,508	-	-	-	3,462,259	865,000	162,555	3.37	
2012	1,269,175	-	-	-	3,100,905	910,000	73,420	3.15	
2013	1,394,258	-	-	-	3,479,637	515,000	12,253	6.60	
2014	1,376,850	-	-	-	3,879,713	291,000	7,900	12.98	

Utility Service Tax, Communications Services Tax, and
Merchants' License Fee Bonds

<u>Fiscal Year</u>	<u>Revenue Collected(1)</u>	<u>Debt Service</u>		<u>Coverage</u>	
		<u>Principal</u>	<u>Interest</u>		
2013	\$ 12,025,916	\$ 750,000	\$ 87,756	14.35	
2014	13,801,666	349,000	66,438	33.22	

(1) Revenue Collected for Utility Service Tax, Communications Services Tax, and Merchants' License Fee Bonds includes the amount remaining after principal and interest payments for the bonds covered solely by Utility Service Taxes, plus the Communications Services Tax and the Merchants' License Fees.

CITY OF PANAMA CITY, FLORIDA
PLEDGED - REVENUE COVERAGE - BUSINESS-TYPE ACTIVITIES (1)
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Gross Revenue (2)	Expenses (3)	Net Revenue Available for Debt Service (4)	DEBT SERVICE REQUIREMENTS			Coverage
				Principal	Interest	Total	
2005	\$ 12,574,602	\$ 7,735,771	\$ 4,838,831	\$ 850,000	\$ 924,810	\$ 1,774,810	2.73
2006	13,938,578	8,198,752	5,739,826	950,000	905,810	1,855,810	3.09
2007	13,926,023	8,607,107	5,318,916	970,000	884,248	1,854,248	2.87
2008	15,100,542	9,414,616	5,685,926	995,000	859,373	1,854,373	3.07
2009	14,986,968	9,799,263	5,187,705	1,020,000	829,960	1,849,960	2.80
2010	15,008,581	9,930,201	5,078,380	1,045,000	797,916	1,842,916	2.76
2011	16,484,624	10,167,967	6,316,657	1,085,000	761,203	1,846,203	3.42
2012	16,202,985	10,573,093	5,629,892	1,647,000	165,837	1,812,837	3.11
2013	17,500,817	10,642,101	6,858,716	1,198,000	519,315	1,717,315	3.99
2014	\$ 17,914,768	\$ 10,140,302	\$ 7,774,466	\$ 1,261,000	\$ 520,473	\$ 1,781,473	4.36

NOTES: (1) Includes Utilities Fund only.

(2) Includes all operating and nonoperating revenues except impact fees.

(3) Includes all operating and nonoperating expenses except interest expense and depreciation expense.

(4) Before operating transfers out.

**CITY OF PANAMA CITY, FLORIDA
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
UNAUDITED**

<u>Year</u>	<u>Estimated City Population *(1)</u>	<u>Estimated County Population *(2)</u>	<u>City to County Population Ratio</u>	<u>Personal Income (1)</u>	<u>Per Capita Personal Income *(1)</u>	<u>Unemployment Rate (3)</u>
2005	37,238	161,586	23.05%	\$ 5,134,916	\$ 31,778	3.5%
2006	37,540	163,802	22.92%	5,505,789	33,612	3.1%
2007	37,640	163,300	23.05%	5,793,131	35,475	3.7%
2008	37,457	163,802	22.87%	5,965,743	36,420	5.6%
2009	37,408	164,767	22.70%	5,983,630	36,316	9.2%
2010	37,120	168,852	21.98%	6,280,322	37,194	10.6%
2011	36,590	169,278	21.62%	6,456,932	38,144	10.7%
2012	35,800	169,392	21.13%	6,568,180	38,775	9.3%
2013	35,720	169,866	21.03%	6,634,581	42,179	7.8%
2014	35,773	170,781	20.95%	Not Available	Not Available	5.8%

* In thousands of dollars.

Source: (1) Florida Legislature, Office of Economic and Demographic Research
(2) U.S. Census Bureau
(3) U.S. Bureau of Labor Statistics

**CITY OF PANAMA CITY, FLORIDA
PRINCIPAL EMPLOYERS (1)
CURRENT YEAR AND NINE YEARS AGO
UNAUDITED**

Employer	2014			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Tyndall Air Force Base	6,471	1	7.44%	4,715	2	6.01%
Bay District Schools	4,411	3	5.07%	4,910	1	6.26%
Naval Support Activity Panama City	3,170	2	3.65%	2,800	3	3.57%
Bay Medical Center	2,000	4	2.30%	2,077	4	2.65%
Wal-Mart and Sam's Club	1,500	5	1.72%	1,240	5	1.58%
Eastern Shipbuilding Group	1,450	7	1.67%			
Bay County Constitutional Officers	1,214	6	1.40%			
Gulf Coast Medical Center	631	8	0.73%	850	7	
Trane Company	575	9	0.66%			0.00%
City of Panama City	488	10	0.56%			0.00%
Sallie Mae				1,200	6	1.53%
Nextel Partners				675	9	
Smurfit-Stone Container Corp.				650	10	0.83%
Gulf Coast Community College			0.00%	727	8	0.93%
	<u>21,910</u>		<u>25.18%</u>	<u>19,844</u>		<u>23.35%</u>
Total Bay County Labor Force	<u>86,967</u>			<u>78,426</u>		

(1) Data presented reflects Bay County

Source: Bay County Economic Development Alliance

**CITY OF PANAMA CITY, FLORIDA
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED**

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Governmental activities:</u>										
Police:										
Total crime arrests	5,287	6,384	6,938	6,921	6,171	5,083	4,210	4,190	4,074	5,807
Traffic violations	12,460	14,005	12,769	12,859	11,706	7,544	10,551	11,240	10,286	6,683
Parking violations	779	849	565	399	248	151	315	104	135	154
Code enforcement reports	1,881	2,096	1,875	1,567	1,649	1,342	839	1,022	2,059	2,707
Calls for service		43,082	41,238	46,233	54,115	53,291	56,398	56,880	54,480	53,421
Fire:										
Structure fires	84	61	62	45	56	40	39	49	48	44
Total calls for service	1,577	1,671	1,624	1,576	1,605	1,740	1,756	1,870	1,821	2,479
Inspections	372	605	1,762	1,969	1,729	2,412	1,985	2,132	1,721	1,870
<u>Business-type activities:</u>										
Wastewater system:										
Number of service connections	14,973	14,973	15,009	14,947	14,734	14,583	14,575	14,554	14,643	14,730
Water system:										
Number of service connections	17,255	17,277	17,392	17,312	17,138	16,948	16,933	16,928	17,011	17,052

Source: City Departments

CITY OF PANAMA CITY, FLORIDA
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Governmental activities:</u>										
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of substations	5	5	5	7	5	4	3	3	3	2
Number of vehicles in fleet	142	142	130	119	120	119	121	118	121	120
Fire:										
Number of stations	5	5	5	5	5	5	5	6	6	6
Transportation:										
Miles of paved streets	205	205	205	205	205	201	198	198	198	198
Number of street lights	4,353	4,353	4,353	4,544	4,544	4,544	4,401	4,832	4,846	4,857
Culture and recreation:										
Community centers	7	7	8	8	8	8	8	8	8	8
Parks	29	29	33	30	33	33	33	33	33	34
Park acreage	130	130	140	140	146	146	146	146	146	150
Baseball & softball fields	14	14	13	13	13	13	13	13	13	13
Public marinas	2	2	2	2	2	2	2	2	2	2
Public boat launching areas	4	4	4	5	4	4	4	4	4	4
Civic centers	1	1	1	1	1	1	1	1	1	1
<u>Business-type activities:</u>										
Water system:										
Miles of water mains	314	325	344	354	360	364	365	368	338	337
Number of fire hydrants	1,477	1,508	1,549	1,581	1,611	1,618	1,635	1,677	1,681	1,683
Daily average consumption in gallons	6,452,100	6,905,410	6,531,000	5,923,100	5,447,000	5,416,000	5,807,000	5,754,000	6,049,000	5,190,000
Wastewater system:										
Miles of sanitary sewers	277	280	283	285	286	289	290	294	295	292
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Daily average treatment in gallons	5,393,000	5,263,000	5,189,000	5,793,000	5,453,000	5,117,000	4,435,000	4,775,000	6,074,000	5,244,000

Source: City Departments

CITY OF PANAMA CITY, FLORIDA
FULL-TIME-EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
UNAUDITED

Function/Program	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Governmental activities:</u>										
General government	71	71	70	68	69	66	66	65	67	67
Public safety	227	227	223	223	221	219	220	220	220	213
Transportation	63	63	61	61	61	50	50	50	50	39
Culture and recreation	35	35	30	28	27	25	25	28	25	24
Economic environment	8	10	10	8	7	5	5	8	7	14
<u>Business-type activities:</u>										
Utilities	88	93	93	93	92	92	92	93	91	79
Solid waste	42	42	42	42	39	39	39	39	39	39
Marinas	<u>10</u>	<u>11</u>	<u>10</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>9</u>	<u>13</u>
Total	<u><u>544</u></u>	<u><u>552</u></u>	<u><u>539</u></u>	<u><u>532</u></u>	<u><u>525</u></u>	<u><u>505</u></u>	<u><u>506</u></u>	<u><u>512</u></u>	<u><u>508</u></u>	<u><u>488</u></u>

Source: City of Panama City Annual Budget

SINGLE AUDIT SECTION

THIS SECTION CONTAINS THE FOLLOWING:

- SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS..... *p. 161*
- 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*..... *p. 163*
- INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL..... *p. 166*
- SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT..... *p. 168*
- INDEPENDENT AUDITOR’S MANAGEMENT LETTER.....*p. 170*
- SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS RELATED TO THE DEEPWATER HORIZON OIL SPILL..... *p. 174*

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE PROJECTS
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

PRIMARY GOVERNMENT

Federal/State Agency, Pass-Through Entity, Federal Program/State Project	CFDA/ CSFA Number	Expenditures
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grants	14.219	\$ 513,418
<i>Passed through Department of Economic Opportunity :</i>		
Neighborhood Stabilization Program	14.228	326,643
Neighborhood Stabilization Program-Bay County	14.228	117,680
Total U.S. Department of Housing and Urban Development		<u>957,741</u>
U.S. Department of Justice:		
Direct programs:		
Federal Juvenile Justice	16.548	57,216
2012 Edward Byrne Memorial Justice Assistance Grant	16.738	21,746
<i>Passed through Florida Dept of Law Enforcement :</i>		
Juvenile Assistance Grant-Countywide	16.738	13,404
Total U.S. Department of Justice		<u>92,366</u>
U.S. Department of Homeland Security:		
Direct programs:		
Port Security Grant Program-2008	97.056	319,767
Port Security Grant Program-2013	97.056	5,828
Port Security Grant Program-2013 Fire Department	97.056	23,760
Total U.S. Department of Homeland Security		<u>349,355</u>
Total Expenditures of Federal Awards		<u><u>\$ 1,399,462</u></u>

See independent auditor's report.

Federal/State Agency, Pass-Through Entity, Federal Program/State Project	CFDA/ CSFA Number	Expenditures
Northwest Florida Water Management District:		
Surface Water Improvement and Management Grant	37.039	\$ 477,768
Florida Department of Environmental Protection:		
Stormwater Management Facility Grant	37.802	72,140
Florida Housing Finance Corp:		
State Housing Institutions Partnership Program	52.901	101,365
Florida Housing Finance Corp:		
Passed through Bay County State Housing Institutions Partnership Program	52.901	151,186
Total Expenditures of State Projects		\$ 802,459

COMPONENT UNIT - Panama City Port Authority

Florida Department of Transportation:

Grant No.	42836429401	AQC52	\$ 241,395
Grant No.	42059079401	AQU64	113,181
Grant No.	42836489401	AR477	279,616
Grant No.	42836479401	AR480	504,461
Grant No.	42836499401	AR792	119,212
Grant No.	42836479402	AR794	2,225,600
Total Expenditures of State Projects			\$ 3,483,465

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Panama City, Florida, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See independent auditor's report.



**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, City Commissioners,
and City Manager
City of Panama City, 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, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Panama City, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Panama City, Florida's basic financial statements, and have issued our report thereon dated March 26, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Panama City, Florida'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 of Panama City, Florida's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Panama City, Florida's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material

weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, as described below that we consider to be significant deficiencies.

- **Primary Government**

No reportable items

- **Component Unit – Panama City Downtown Improvement Board**

Segregation of Duties 2007-1

Due to the limited number of people working in the office, many duties are combined and assigned to the available employees. To the extent possible duties should be segregated to serve as a check and balance and to maintain the best control system possible. Oversight provided by the Board has been a mitigating factor which prevents this from being a material weakness. We recommend that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

Panama City Downtown Improvement Board's Response to Findings

The Board is in the process of reviewing the duties. Continued oversight by the Board of Directors has been provided during the year.

Fundraising Activities 2014-1

In December of 2013, the Panama City Downtown Improvement Board (DIB) hosted a series of events. During our test of the internal controls over these events, we noted no supporting documentation (invoices) for cash disbursements paid to vendors. We also noted no supporting documentation for cash receipts received on the night of the events. The actual cash deposits for the events were exactly \$1,000 for three consecutive weeks. Due to the lack of documentation and proper controls over these events, the accounting records do not reflect the overall gross cash receipts and gross cash expenditures for the events. In addition, a cash deposit of \$850 for the events was made almost two months after the events had ended.

We recommend that the Board reevaluate its control policies for all events that are sponsored by the DIB. At a minimum, a cash count should be done each night of the events and two or more members should verify the count. The cash receipts should be kept under lock and key until they are deposited into the DIB's bank account at the earliest opportunity. All cash disbursements should be supported by the appropriate documentation, such as invoices. The gross amounts of both cash receipts and cash disbursements should be recorded in the accounting system to properly reflect the overall activity of the Panama City Downtown Improvement Board.

Panama City Downtown Improvement Board's Response to Finding

The Director has taken steps to strengthen the DIB's internal controls for fund raising activities both conducted by staff and by committee. All cash generated during such events will be collected, counted by a minimum of two staff and/or board members, and locked in the safe until such a time it can be deposited.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Panama City, Florida'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, Florida's Response to Finding

The City of Panama City, Florida's responses to the findings identified in our audit are described previously. The City of Panama City, Florida's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

The Independent Auditor's Management Letter contains additional items that were communicated to management.

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.



Panama City, Florida
March 26, 2015



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER
10.550, RULES OF THE AUDITOR GENERAL**

Honorable Mayor, City Commissioners,
and City Manager
Panama City, Florida

Report on Compliance for Each Major Federal Program and State Project

We have audited the City of Panama City, Florida's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on each of the City of Panama City, Florida's major federal programs and state projects for the year ended September 30, 2014. The City of Panama City, Florida's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Panama City, Florida's major federal programs and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the City of Panama City, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the City of Panama City, Florida, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and state projects for the year ended September 30, 2014.

Report on Internal Control over Compliance

Management of the City of Panama City, Florida, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Panama City, Florida's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program or state project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and state project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Panama City, Florida's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Panama City, Florida
March 26, 2015

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT
FISCAL YEAR ENDED SEPTEMBER 30, 2014

A. Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Panama City, Florida.
2. No significant deficiencies relating to the audit of the financial statements of the primary government were disclosed by the audit of the financial statements as reported in the 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*. Two significant deficiencies relating to the audit of the financial statements of the component unit – Panama City Downtown Improvement Board were disclosed by the audit of the financial statements as reported in the 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*.
3. No instances of noncompliance material to the financial statements of the City of Panama City, Florida, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal programs or state projects are reported in the Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.
5. The auditor's report on compliance with requirements that could have a direct and material effect on each major federal awards programs and state projects for the City of Panama City, Florida, expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to federal programs under section 510(a) or OMB Circular A-133, nor did our audit disclose any findings related to state projects required to be disclosed under Chapter 10.557 for local government entities.
7. The programs/projects tested as major programs/projects included the following:

<u>Federal Programs</u>	<u>Federal CFDA No.</u>
Community Development Block Grant	14.219
Neighborhood Stabilization Program	14.228
Port Security Grant	97.056
 <u>State Project</u>	 <u>State CSFA No.</u>
Surface Water Improvement Management Grant	37.039

8. The threshold for distinguishing Types A and B programs was \$300,000 for major federal award programs and \$300,000 for major state financial assistance projects.
9. The City of the Panama City, Florida, was determined to be a low-risk auditee pursuant to OMB Circular A-133.

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT
FISCAL YEAR ENDED SEPTEMBER 30, 2014**

B. Findings - Financial Statements

NONE

C. Findings and Questioned Costs - Major Federal Programs

NONE

D. Findings and Questioned Costs - Major State Projects

NONE

E. Prior Year Findings and Questioned Costs - Major Federal Award Programs

NONE

F. Prior Year Findings and Questioned Costs – Major State Projects

NONE



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor, City Commissioners, and City Manager
City of Panama City, Florida

Report on the Financial Statements

We have audited the financial statements of the City of Panama City, Florida, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated March 26, 2015.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance Required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated March 26, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Prior Year Findings and Recommendations

- **Component Unit – Panama City Downtown Improvement Board:**

The following finding has been included in this report since 2007:

Segregation of Duties 2007-1

As noted in the current year, the Board continues to have a significant deficiency in internal control from the lack of segregation of duties in their accounting function. Due to the limited number of people working in the office, many duties are combined and assigned to the available employees. To the extent possible, duties should be segregated to serve as a check and balance and to maintain the best control system possible. Oversight provided by the Board has been a mitigating factor which prevents this from being a material weakness. We recommend that the segregation of duties be reviewed and adjusted where possible to strengthen the system of internal control.

Panama City Downtown Improvement Board's Response to Findings

The Board is in the process of reviewing the duties. Continued oversight by Board of Directors has been provided during the year.

The following finding has been included in this report since 2013:

Deficit Fund Balance 2013-2b

See current year finding 2014-1.

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. We determined that the City of Panama City compiled this information in Note 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the City of Panama City, Florida 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 of Panama City, Florida 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 of Panama City, Florida'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.

- **Component Unit-Panama City Downtown Improvement Board:**

Deficit Fund Balance 2014-1

During the current year audit, we performed an assessment of the Board's financial condition which was unfavorable due to the deficit in fund balance. For the last two years the Panama City Downtown Improvement Board has had a deficit in the general fund unassigned balance. Although the Board of Directors has taken significant steps in 2014 to reduce the deficit, we recommend they continue their efforts to eliminate this deficit.

Panama City Downtown Improvement Board's Response to Findings

The Board has had and will have more budget workshops to address the negative fund balance. The Board wants consideration given to the fact that some liabilities in the financial statements are out of the Board's control.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the City of Panama City, Florida for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Section 10.554(1)(i)6.e. Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity complied with State and Federal laws, rules, regulations, contracts, or grant agreements governing the receipt and expenditure of those funds. Funds related to the Deepwater Horizon oil spill may include, but are not limited to, funds received pursuant to Section 288.8017, Florida Statutes, and Public Law 112-141 (33 U.S.C.A. ss. 1321(t)); State or Local grants; and moneys received directly from British Petroleum. In connection with our audit, we determined that the City of Panama City, Florida has complied with State and Federal laws, rules, regulations, and contracts governing the receipt and expenditure of the funds they received related to the Deepwater Horizon oil spill.

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 did have recommendations concerning segregation of duties, fundraising activities and deficit fund balance.

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

Lynda M. Carter, Esq. Chairman

Panama City, Florida

March 26, 2015

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS RELATED TO THE
DEEPWATER HORIZON OIL SPILL
YEAR ENDED SEPTEMBER 30, 2014**

Primary Government:

<u>Source</u>	<u>Amount Received in the 9/30/2014 Fiscal Year</u>	<u>Amount Expended in the 9/30/2014 Fiscal Year</u>
British Petroleum: Litigation Settlement	\$ 1,900,000	\$ 918,859

Component Unit:

Panama City Downtown Improvement Board:

<u>Source</u>	<u>Amount Received in the 9/30/2014 Fiscal Year</u>	<u>Amount Expended in the 9/30/2014 Fiscal Year</u>
British Petroleum: Promotional Tourism Grant	\$ 31,250	\$ 40,625

Note: This does not include funds related to the Deepwater Horizon Oil spill that are considered Federal awards or State financial assistance. The Schedule of Expenditures of Federal Awards and State Projects includes \$0 of expenditures of Federal awards, and \$0 of expenditures of State financial assistance, that are related to the Deepwater Horizon Oil Spill.



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