

2015

CITY OF PANAMA CITY, FLORIDA COMPREHENSIVE ANNUAL FINANCIAL REPORT

**FOR THE FISCAL YEAR
ENDED SEPTEMBER 30, 2015**



"Dedicated to Excellence, People Serving People"

City of Panama City, Florida

Comprehensive Annual Financial Report For the fiscal year ended September 30, 2015

Prepared by:
The City of Panama City
Accounting Division

Cover photo: St. Andrews Bay

Photographer: Doug Dobos



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY OF PANAMA CITY, FLORIDA
FISCAL YEAR ENDED SEPTEMBER 30, 2015
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INTRODUCTORY SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

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



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

May 25, 2016

Honorable Mayor, City Commissioners,
and City Manager
City of 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, 2015. 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, 2015 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, 2015, and the opinion of the independent auditor has been included in this report on page 2. 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, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General. 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 180.

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 2015 was estimated to be 35,835. 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 2015, based upon the criteria noted above:

- Panama City Downtown Improvement Board
- Panama City Port Authority

The Panama City Community Redevelopment Agency (CRA) 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 2015 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. The general fund revenue increased by 4.5%, mostly due to the increase in utility service taxes-electric, franchise fees-electric, and merchant license fee revenue. The merchant license 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.

The levy and collection of the Panama City Tourist taxes began during 2015. Annual revenue generated by this tax approximates \$1.4 million. These funds are collected by Bay County and given to the Panama City Community Development Council, Inc. to promote tourist-related business activities. The Council plans to focus on developing key interest points for visitors within the City, including sailing and boating tourism, culinary tourism, and arts and culture tourism.

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 announced during 2015 that Oceaneering International has secured a \$100 million contract. Oceaneering International employs more than 200 employees in the Panama City area and is a major contributor to the Port's annual economic impact. This contract will create new jobs and ensure continued work for those employed with the Company. In addition, the Port plans to increase cargo tonnage to over 2.1 million tons and has committed to \$35 million in improvements over the next few years.

The Northwest Florida Beaches International Airport was awarded the STAR award, United Airlines Station of the Year, during 2015. The Start the Airline Right (STAR) is a performance competition that recognizes highest achievers. The Northwest Florida Beaches International Airport provides first-class facilities and was strategically developed for major economic development opportunities.

Bay County published reports confirm that sales tax collections were up by 1.6% and residential real estate closings were up by 24%.

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 2015, Phase I construction was completed which included the Civic Plaza improvements and repairs to the marina seawalls. Phase II construction will begin in fiscal year 2016 and include landscaping the T-dock and repairs to the remainder of the 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 include constructing 3,200 dwellings and 700,000 gross square feet of non-residential units in the 700+ acre waterfront area that is now called SweetBay. Currently, Phase I development is underway for 274 single family homes on 66 acres, which is 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 most of the costs of the projects. Significant projects were completed during fiscal year 2015. These projects included a storm water pollutant separator with a cost of \$600,000.

For the Future

During 2016, 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 anticipating the relocation of City Hall as the project to revitalize Panama City moves forward.

The Downtown CRA plan was extended until year 2034. The new revised plan includes continuing community policing efforts, improving the streetscape, encouraging increased economic and tourism based activities, and increasing the grants program. The design concept for the streetscape improvements have been completed. Public meetings will be held in the first quarter of 2016 to solicit community input.

Design work was completed during fiscal year 2015 for widening one mile on the north end of a major corridor from two lanes to five lanes (Jenks Avenue). Total cost of the project approximates \$5 million and will commence during fiscal year 2016.

The City is in the process of adding a natural gas station and purchasing natural gas-powered vehicles. The station is estimated to cost \$1.5 million. The cost savings in fuel and maintenance would be immediate. The significant advantage is to save money on fuel costs over the long-term and savings is estimated to be as much as \$2.9 million over a 20-year period according to the feasibility study.

Long-term financing has been obtained for a construction upgrade of the St. Andrews Waste Water Treatment Facility 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 is October 15, 2015 to July 18, 2016 with an estimated cost of \$31.6 million. Request for construction proposals will be issued during the first quarter of 2016.

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 reappropriated 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, 2014. This was the twenty-first consecutive year that the City has achieved 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,

A handwritten signature in black ink, appearing to read "T. D. Hachmeister". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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

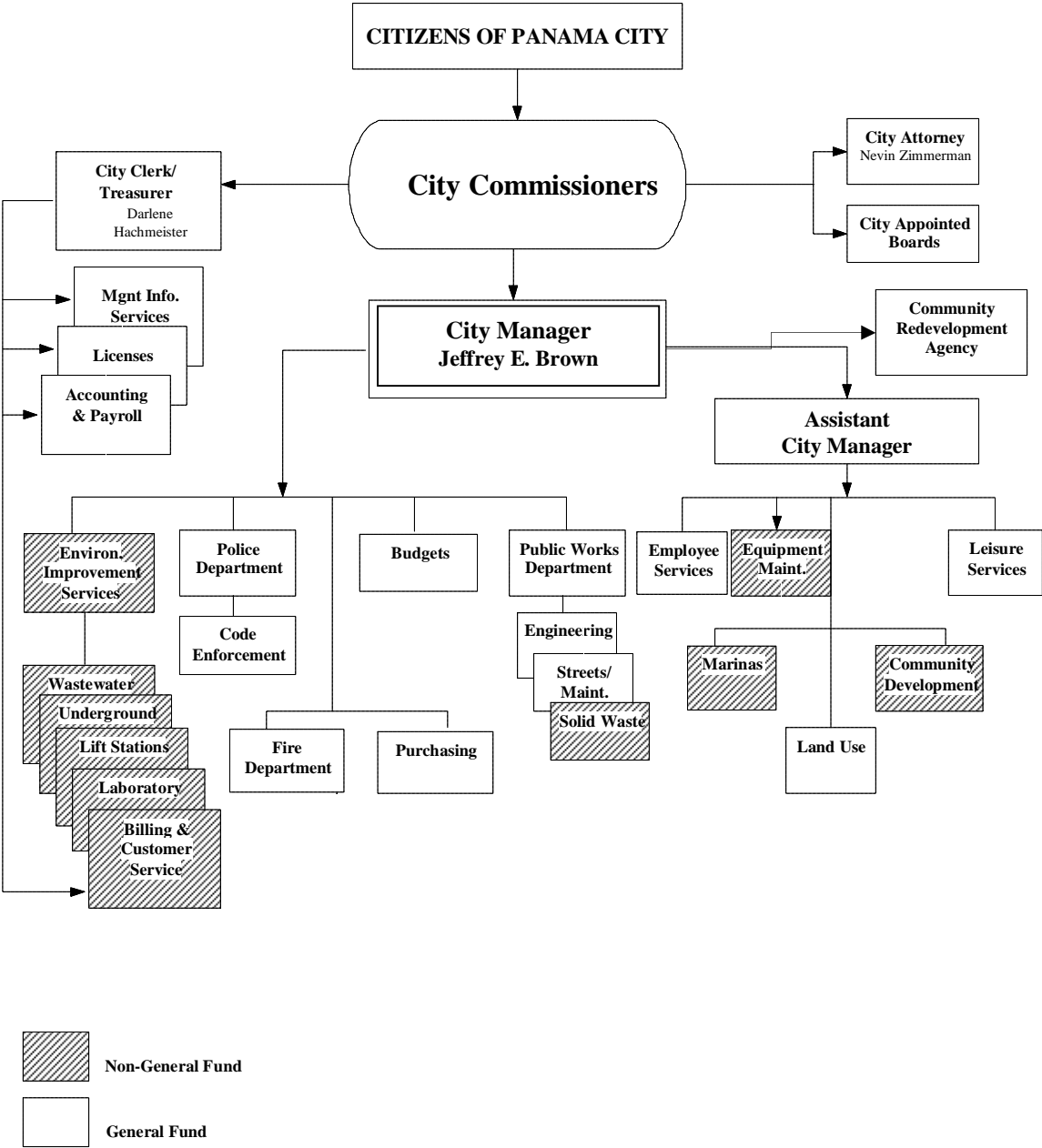
Tipton, Marler, Garner & Chastain

Fiscal Year

October 1, 2014 - September 30, 2015

ORGANIZATIONAL CHART

Fiscal Year 2015



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, 2014

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
AND SCHEDULES
- SUPPLEMENTAL INFORMATION



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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, 2015, 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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, in 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as well as Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, as of October 1, 2014. These standards significantly changed the accounting for the City's net pension liability and the related disclosures. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 16, and budget to actual comparison – major funds (general fund) on page 115 and pension and other post employment schedules on pages 116 through 127 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, 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, 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, and the schedule of expenditures of federal awards and state projects, 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 May 25, 2016, 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
May 25, 2016

City of Panama City, Florida
Management's Discussion and Analysis
For the Year Ended September 30, 2015

The City of Panama City, Florida's Management Discussion and Analysis provides an overview of the City's financial activities for the fiscal year ended September 30, 2015 and offers a comparative analysis between fiscal years 2015 and 2014. 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.

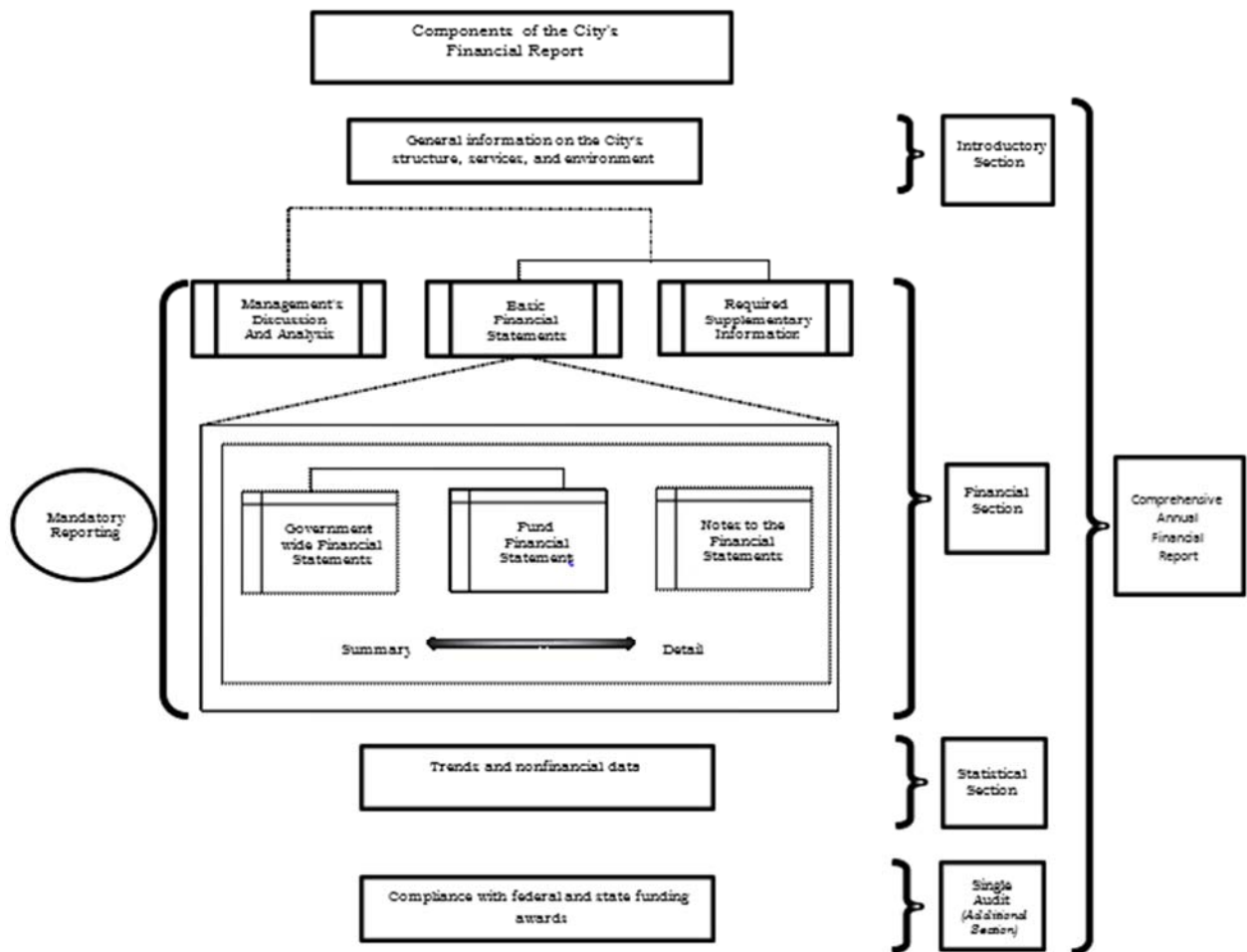
Financial Highlights

- The City implemented GASB 68 "Accounting and Financial Reporting for Pensions" in this report, which caused the City's net position to decrease \$20,889,030.
- The City's assets (\$258,102,821) and deferred outflows of resources (\$1,555,700) exceeded its liabilities (\$90,236,205) and deferred inflows of resources (\$2,108,077) as of September 30, 2015 by \$167,314,239. Of this amount, \$50,238,825 (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. \$106,608,432 of total net position is invested in capital assets (net of related debt) and the remaining \$10,466,982 is restricted.
- Total net position for the City increased \$10,425,007 (7%) over fiscal year 2014 ending net position, as restated, of \$156,889,232. Governmental activities had increased by 6.4% (\$5,229,396) at the end of fiscal year 2015 and accounted for \$87,049,961 of the City's total net position. Business-type activities increased 7% (\$5,195,611) over the previous fiscal year to \$80,264,278. Unrestricted net position for governmental activities equaled \$21,883,518 and restricted equaled \$4,740,198. Business-type activities reported net positions of \$28,355,307 in unrestricted and \$5,726,784 in restricted.
- Capital assets increased 2.8% from fiscal year 2014 to \$127,623,825 at the close of fiscal year 2015. Of this amount, \$69,612,910 are assets held in governmental activities and \$58,010,915 are assets held in business type activities.
- The General Fund reported a total fund balance of \$24,571,871 on September 30, 2015, a decrease of \$14,842 (.06%) over fiscal year 2014. The general fund ending balance represents over 50% of general fund expenditures and transfers out for fiscal year 2015.
- Total debt for fiscal year 2015 increased 53% from fiscal year 2014. The increase of \$29,509,750 was primarily due to the issuance of new debt for the St. Andrew's Waste Water Treatment Plant Upgrade.

Overview of the Financial Statements

This comprehensive annual financial report was prepared in conformity with the Governmental Accounting Standards Board's (GASB) Statement 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 are 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 fifteen 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 twelve 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 Self-Insurance, 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 114 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 115. 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 128.

Government-wide Financial Analysis

As noted earlier, net position may serve, over time, as a useful indicator of a government's financial position.

The largest component (63.7%) of the City's net position at September 30, 2015 is net investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure). This amount (\$106,608,432) 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. Approximately 30% (\$50,238,825) remains available to meet the City's ongoing obligations to citizens, creditors and customers. The remaining 6.3% of total net position (\$10,466,982) are resources subject to external restrictions on how they may be used.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and Other assets	\$ 59,923,528	\$ 60,897,893	\$ 70,555,468	\$ 32,116,783	\$ 130,478,996	\$ 93,014,676
Capital assets	69,612,910	65,020,787	58,010,915	59,165,031	127,623,825	124,185,818
Total assets	129,536,438	125,918,680	128,566,383	91,281,814	258,102,821	217,200,494
Total deferred outflows of resources	421,182	-	1,134,518	1,085,911	1,555,700	1,085,911
Current and Other liabilities	5,716,203	5,174,232	3,822,394	1,392,078	9,538,597	6,566,310
Noncurrent liabilities	35,492,883	19,039,217	45,204,725	14,902,616	80,697,608	33,941,833
Total liabilities	41,209,086	24,213,449	49,027,119	16,294,694	90,236,205	40,508,143
Total deferred inflows of resources	1,698,573		409,504		2,108,077	
Net position:						
Net investment in capital assets	60,426,245	57,092,075	46,182,187	47,083,456	106,608,432	104,175,531
Restricted	4,740,198	2,415,183	5,726,784	3,510,242	10,466,982	5,925,425
Unrestricted	21,883,518	42,197,973	28,355,307	25,479,333	50,238,825	67,677,306
Total net position	\$ 87,049,961	\$ 101,705,231	\$ 80,264,278	\$ 76,073,031	\$ 167,314,239	\$ 177,778,262

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 total net position as a whole, and individually, within the governmental and business-type activities.

The City's overall net position on September 30, 2015 decreased by \$10,464,023 from fiscal year 2014. Of this amount, \$10,425,007 is current year increase in net position and \$20,889,030 is the decrease due to the implementation of GASB 68, which changed the way the City records its net pension assets and liabilities. The City is required to report on the face of the financial statements the deferred inflows, deferred outflows, net pension assets and net pension liabilities for each of the City's pension plans and proportionate share of the Florida Retirement System (FRS). (See note 9).

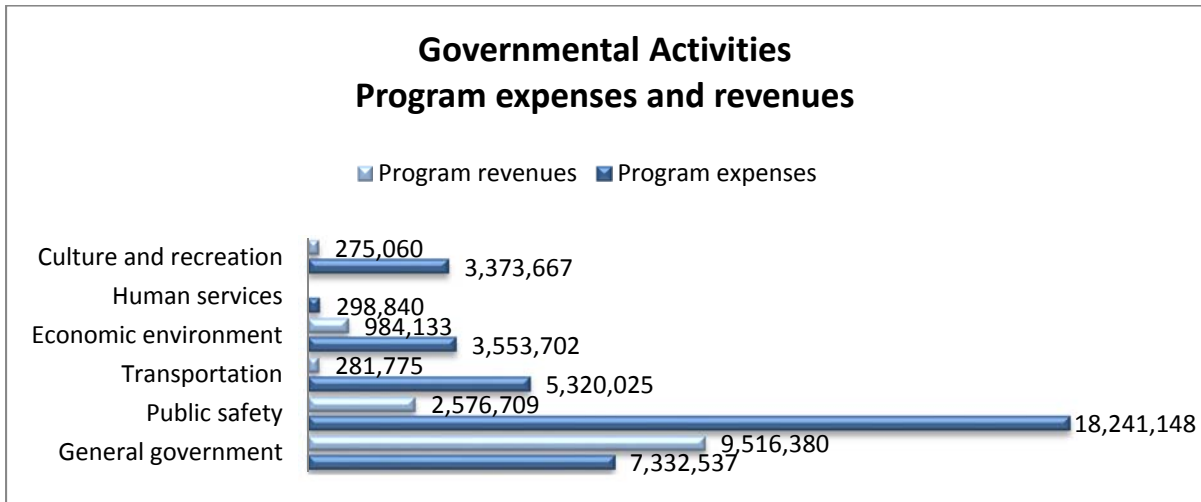
Key elements of the increases and decreases between 2014 and 2015 can be compared by examining changes in net position on the *Statement of Activities* (below). The Statement of Activities shows the governmental and business-type activities during the previous two fiscal years.

City of Panama City, Florida
Statement of Activities
Fiscal Years Ended September 30, 2015 and 2014

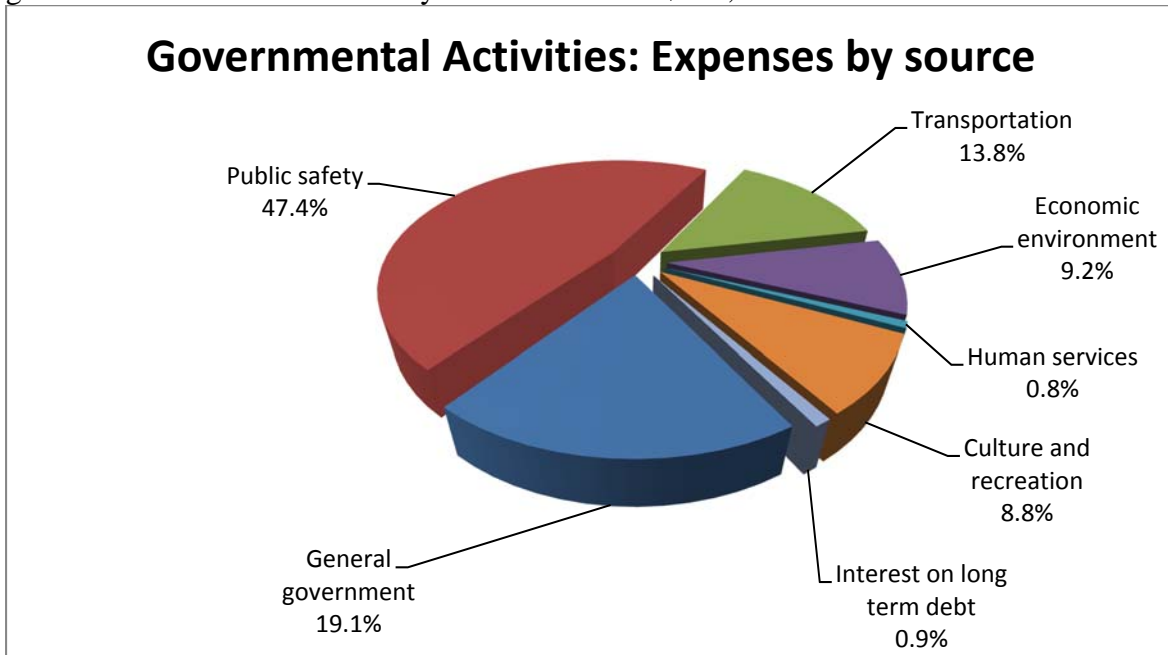
	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues						
Program Revenues:						
Charges for services-governmental	\$ 11,035,259	\$ 10,498,108			\$ 11,035,259	\$ 10,498,108
Charges for services-utilities			\$ 19,054,265	\$ 17,861,187	19,054,265	17,861,187
Charges for services-solid waste			6,749,482	6,607,800	6,749,482	6,607,800
Charges for services-marinas			3,099,610	2,976,178	3,099,610	2,976,178
Operating grants and contributions	2,573,798	2,443,538	65,550		2,639,348	2,443,538
Capital grants and contributions	25,000	25,000	178,999	138,515	203,999	163,515
General Revenues:						
Taxes:						
Ad valorem	8,511,463	8,338,872			8,511,463	8,338,872
Tax increment	2,308,216	2,095,743			2,308,216	2,095,743
Gas tax	1,410,878	1,376,850			1,410,878	1,376,850
Franchise fees	4,409,262	4,149,648			4,409,262	4,149,648
Utility service taxes	4,176,778	3,879,713			4,176,778	3,879,713
Communications service taxes	1,619,995	1,713,347			1,619,995	1,713,347
State revenue sharing	1,403,496	1,355,933			1,403,496	1,355,933
Half cent sales tax	3,110,963	2,947,185			3,110,963	2,947,185
Investment earnings	343,489	346,393	144,474	99,797	487,963	446,190
Gain (loss) on sale of capital assets	23,980	14,930	22,964	3,145	46,944	18,075
Other general revenues	941,573	608,564	6,807	13,196	948,380	621,760
Total Revenues	41,894,150	39,793,824	29,322,151	27,699,818	71,216,301	67,493,642
Expenses						
General government	7,332,537	6,094,551			7,332,537	6,094,551
Public safety	18,241,148	19,060,516			18,241,148	19,060,516
Transportation	5,320,025	5,481,149			5,320,025	5,481,149
Economic environment	3,553,702	3,728,293			3,553,702	3,728,293
Human services	298,840	341,100			298,840	341,100
Culture and recreation	3,373,667	3,505,846			3,373,667	3,505,846
Interest on long-term debt	364,137	415,035			364,137	415,035
Water and sewer utilities			13,818,774	13,575,865	13,818,774	13,575,865
Solid waste operations			5,592,968	5,450,759	5,592,968	5,450,759
Marinas operations			2,895,496	3,025,662	2,895,496	3,025,662
Total Expenses	38,484,056	38,626,490	22,307,238	22,052,286	60,791,294	60,678,776
Increase in net position before transfers	3,410,094	1,167,334	7,014,913	5,647,532	10,425,007	6,814,866
Transfers in (out)	1,819,302	1,803,068	(1,819,302)	(1,803,068)		
Increase in net position	5,229,396	2,970,402	5,195,611	3,844,464	10,425,007	6,814,866
Net position-beginning of year	101,705,231	98,734,829	76,073,031	72,228,567	177,778,262	170,963,396
Change in accounting principle- Implementation of GASB 68	(19,884,666)		(1,004,364)		(20,889,030)	
Net position - beginning of year, as restated	81,820,565	98,734,829	75,068,667	72,228,567	156,889,232	170,963,396
Net position - ending	\$ 87,049,961	\$ 101,705,231	\$ 80,264,278	\$ 76,073,031	\$ 167,314,239	\$ 177,778,262

Governmental Activities

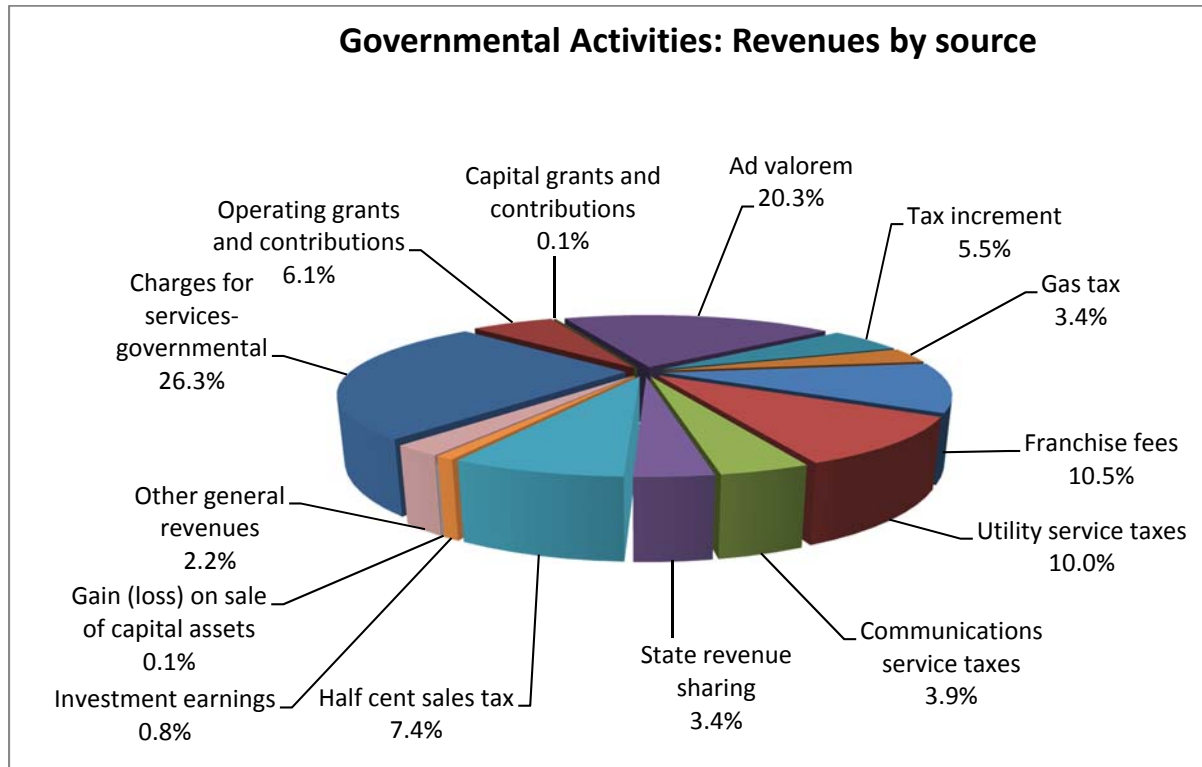
GASB Statement No. 34 reporting requires that functional expenses are matched with revenues that directly support the function. The bar chart below gives a clear indication of which functions are dependent on general revenues to support their operations. Public Safety, consisting of police and fire services,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



Expenses in the governmental activities are highest in the public safety category (47.4%) followed by general government (19.1%) and transportation (13.8%). Total governmental activity expenses decreased slightly by .37% (\$142,434) in fiscal year 2015. The largest dollar increase in expenses occurred in the General Government category (\$1,237,986) and the greatest decrease in Public Safety in the amount of \$819,368.

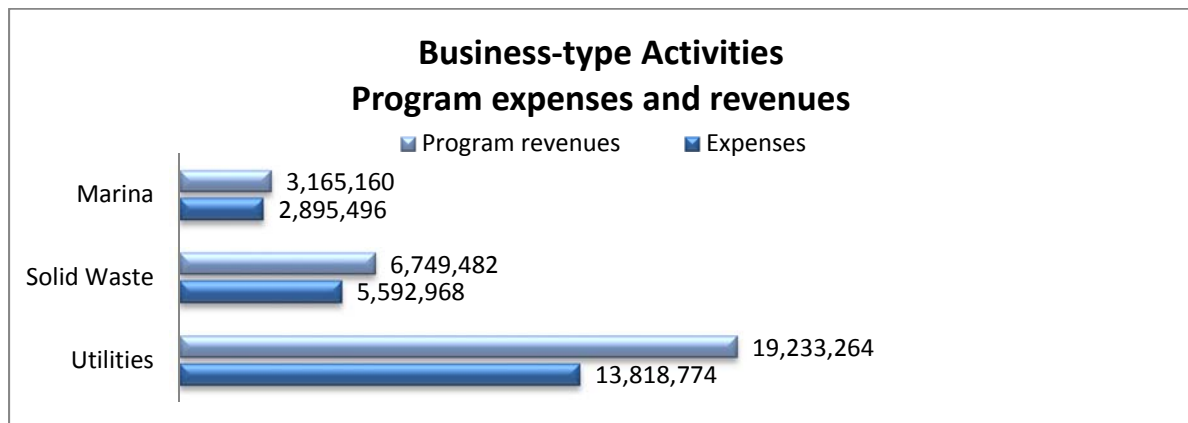


Revenues from governmental activities increased \$2,100,326 from fiscal year 2014. This increase is mainly due to increases in tax revenues. Charges for services continue to be the largest revenue source in governmental activities (26.3%), followed by ad valorem taxes (20.3%).

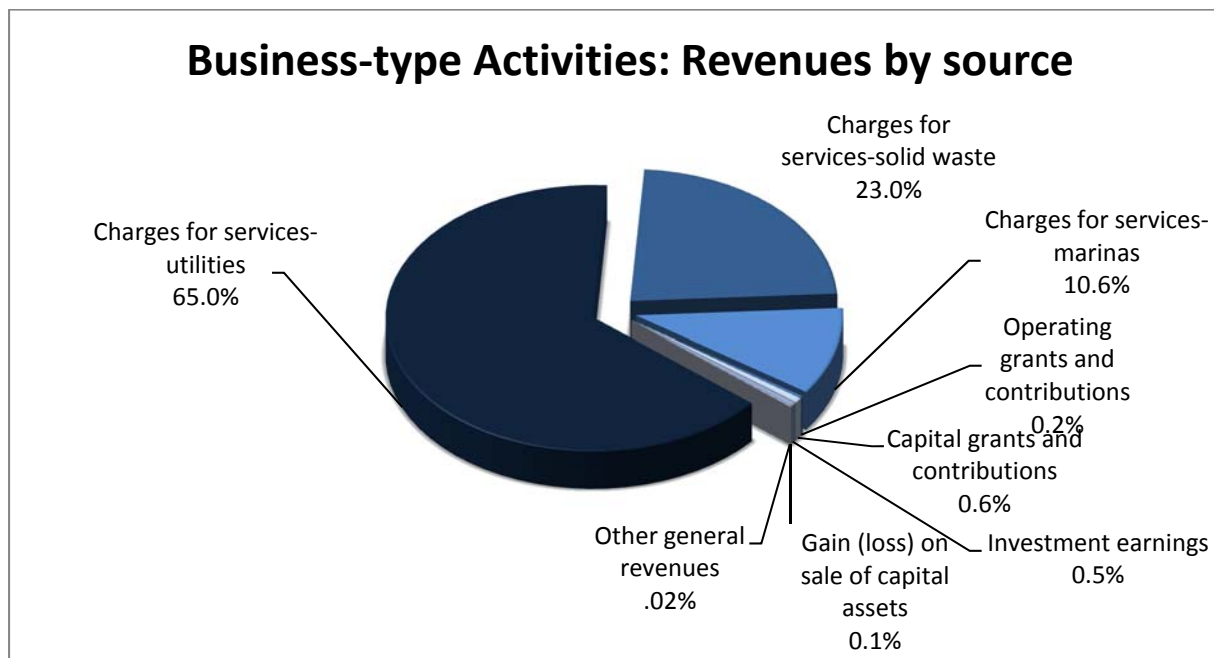


Business-type activities

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 2015.



Total expenses for business-type activities increased 1.2%, \$254,952, in fiscal year 2015. Expenses for utility activities and solid waste services had increases of 1.8%, and 2.6% and marina activities had a decrease of 4.3%. Combined business-type expenses, for the fiscal year ended September 30, 2015, were \$22,307,238. Charges for services are the major source of revenue (98.6%) for business-type activities. These charges represent \$28,903,357 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 \$1,622,333, 5.8%, over fiscal year 2014.



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, 2015, the total fund balance in the general fund was \$24,571,871 of which \$355,237 was non-spendable, \$11,396,432 was committed, \$228,760 was assigned, and \$12,591,442 was unassigned. Compared to fiscal year 2014, the total fund balance decreased \$14,842 (.06%).

General revenue increased \$1,569,703 (4.5%) in fiscal year 2015. The greatest increase (3.4%) was a result of increased taxes revenue in the amount of \$669,946. The smallest increase (3.8%) was a result of increased investment earnings of \$8,572. All general fund revenue categories had positive increases at September 30, 2015. General fund expenditures increased in fiscal year 2015 by \$2,858,767, or 9.5%. General government activities increased 10.9% (\$536,809), which was the greatest increase of all the categories. The largest decrease occurred in transportation by 5% compared to the previous fiscal year.

During fiscal year 2015, special revenue fund balances increased \$643,206. 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 Community Planning and Development with a decrease of \$85,419. 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 2015 to aid in housing stability programs. The SHIP City program increased by \$51,124 and the SHIP County increased \$181,401. 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 on September 30, 2015 was \$17,953,680, a decrease of \$1,494,624 from fiscal year 2014. 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 \$3,399,935 to the capital projects fund in fiscal year 2015.

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 \$61,428,636 at fiscal year-end, an increase of \$4,853,594 over the prior fiscal year. Operating revenues increased \$1,193,078 in fiscal year 2015, and operating expenses increased in the amount of \$532,903.

The Solid Waste Fund had a total net position of \$11,846,030 at the end of fiscal year 2015. Total net position increased by \$225,077. Operating revenues increased \$141,682 and operating expenses increased \$148,979.

The Marina Fund had a total net position of \$6,846,295 in fiscal year 2015, which was an increase of \$98,456 from the prior fiscal year. Operating revenues increased \$123,432 and operating expenses decreased in the amount of \$143,500.

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

	Operating Income (Loss)	
	2015	2014
Utility Fund	\$ 6,292,010	\$ 5,631,835
Solid Waste Fund	1,496,847	1,504,144
Marina Fund	271,966	5,034
Total	<u>\$ 8,060,823</u>	<u>\$ 7,141,013</u>

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

The individual internal service funds are reported on pages 147-150.

General Fund Budgetary Highlights

A budget to actual statement is provided for the General Fund on page 115. Columns for both the original budget, adopted in fiscal year 2015, 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 2015 budget of \$33,680,485, the general fund realized additional revenue of \$2,883,598 at the end of fiscal year 2015. Total actual revenues exceeded budgeted revenues for fiscal year 2015. Original budgeted expenditures for fiscal year 2015 were \$31,520,730, amended in the amount of \$2,988,460, to a final fiscal year 2015 budget of \$34,509,190. Actual expenditures for fiscal year 2015, however, totaled \$32,898,778 which was \$1,610,412 less than the final budget. Expenditures for general government, public safety, transportation, economic environment, 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 2015 budget to fiscal year 2016 budget was \$618,387. Overall, revenues exceeded actual expenditures for fiscal year 2015.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities, as of September 30, 2015, was \$127,623,825 (net of accumulated depreciation). This is an increase of \$3,438,007 over fiscal year 2014. Investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and drainage systems. Governmental activities accounted for \$69,612,910 and business-type activities \$58,010,915 of total capital assets of the City of Panama City on September 30, 2015. 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 49.

City of Panama City, Florida Capital Assets (net of depreciation) Fiscal Years Ended September 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 17,027,816	\$ 17,027,816	\$ 806,730	\$ 419,295	\$ 17,834,546	\$ 17,447,111
Construction in progress			2,719,435	3,078,727	2,719,435	3,078,727
Buildings	10,662,603	11,384,049	1,107,215	1,061,675	11,769,818	12,445,724
Improvements other than buildings	11,012,115	6,242,579	48,892,492	50,187,383	59,904,607	56,429,962
Machinery and equipment	4,783,494	3,242,812	4,485,043	4,417,951	9,268,537	7,660,763
Intangibles	16,333				16,333	
Infrastructure	26,110,549	27,123,531			26,110,549	27,123,531
Total	\$ 69,612,910	\$ 65,020,787	\$ 58,010,915	\$ 59,165,031	\$ 127,623,825	\$ 124,185,818

Debt Management

At the end of the fiscal year, the City had total bonded debt outstanding of \$60,464,000. 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 2015 may be found in the notes to the financial statements beginning on page 54.

Outstanding Bonded Debt As Of September 30, 2015 and 2014

Governmental Activities		Business-type Activities		Total	
2015	2014	2015	2014	2015	2014
\$ 15,616,000	\$ 17,418,000	\$ 44,848,000	\$ 13,129,000	\$ 60,464,000	\$ 30,547,000

Economic Factors

The City of Panama City, in 2015, had an unemployment rate of 5.1%. This was a decrease of .7% from the prior fiscal year.

Taxable property values, in Panama City, increased 2.3% from \$2,250,946 in 2014 to \$2,302,226 in 2015.

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, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Downtown Improvement Board	Panama City Port Authority
ASSETS					
Cash and cash equivalents	\$ 25,237,334	\$ 21,105,412	\$ 46,342,746	\$ 38,959	\$ 3,457,804
Investments	21,726,570	5,281,649	27,008,219		5,500,000
Receivables (net)					
Accounts	202,512	4,121,431	4,323,943		1,127,269
Special assessments	81,308	35,091	116,399		
Other					2,594
Internal balances	(143,261)	143,261			
Prepaid items	288,196	214	288,410	5,534	503,613
Net pension asset	175,128	27,005	202,133		
Due from other governmental unit	2,146,790		2,146,790		
Inventories	2,137,420	169,648	2,307,068		
Restricted assets:					
Cash and cash equivalents		39,671,757	39,671,757		
Notes receivable	8,071,531		8,071,531		
Capital assets					
Non-depreciable	17,027,816	3,526,165	20,553,981	786,160	14,396,595
Depreciable (net)	52,585,094	54,484,750	107,069,844	429,165	73,895,131
Total assets	129,536,438	128,566,383	258,102,821	1,259,818	98,883,006
DEFERRED OUTFLOWS OF RESOURCES					
Outflows from hedging					835,388
Charges on debt refundings		915,061	915,061		
Pension related outflows	421,182	219,457	640,639		32,572
Total deferred outflows of resources	421,182	1,134,518	1,555,700		867,960
LIABILITIES					
Accounts payable	1,538,939	508,349	2,047,288	103	997,804
Due to other governmental entities	269,617		269,617		
Accrued salaries	866,468	213,274	1,079,742		
Accrued taxes payable		9,538	9,538		
Unearned revenue		130,908	130,908	4,850	
Deposits	3,631		3,631		
Accrued interest payable		108,888	108,888	122,074	
Accrued other liabilities	75,209		75,209	1,971	316,638
Noncurrent liabilities					
Due within one year:					
Claims and judgments					24,256
Compensated absences	364,066	104,061	468,127		19,537
Other liabilities					200,000
Bonds, notes, leases and loans payable	2,598,273	1,499,697	4,097,970	6,730	2,358,380
Due in more than one year:					
Deposits		1,247,679	1,247,679		
Claims and judgments					415,183
Compensated absences	1,092,198	312,183	1,404,381		58,613
Net OPEB obligation	2,090,520	734,480	2,825,000		
Bonds, notes, leases and loans payable	14,922,458	43,379,092	58,301,550	37,300	9,306,152
Net pension liabilities	17,387,707	778,970	18,166,677		208,027
Interest rate swap agreement (net)					835,388
Total liabilities	41,209,086	49,027,119	90,236,205	173,028	14,739,978
DEFERRED INFLOWS OF RESOURCES					
Pension related inflows	1,698,573	409,504	2,108,077		72,918
NET POSITION					
Net investment in capital assets	60,426,245	46,182,187	106,608,432	1,211,295	76,627,193
Restricted for:					
Debt service	2,113,685	5,726,784	7,840,469		
Self-insurance	2,385,205		2,385,205		
Other purposes	241,308		241,308		
Unrestricted (deficit)	21,883,518	28,355,307	50,238,825	(124,505)	8,310,877
Total net position	\$ 87,049,961	\$ 80,264,278	\$ 167,314,239	\$ 1,086,790	\$ 84,938,070

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

		Program Revenues		
		Charges for	Operating	Capital
	Expenses	Services	Grants and	Grants and
			Contributions	Contributions
<u>FUNCTIONS/PROGRAMS</u>				
Primary government:				
Governmental activities:				
General government	\$ 7,332,537	\$ 9,516,380		
Public safety	18,241,148	942,066	\$ 1,634,643	
Transportation	5,320,025	281,775		
Economic environment	3,553,702	19,978	939,155	\$ 25,000
Culture and recreation	3,373,667	275,060		
Human services	298,840			
Interest on long-term debt	364,137			
Total governmental activities	38,484,056	11,035,259	2,573,798	25,000
Business-type activities:				
Utilities	13,818,774	19,054,265		178,999
Solid Waste	5,592,968	6,749,482		
Marina	2,895,496	3,099,610	65,550	
Total business-type activities	22,307,238	28,903,357	65,550	178,999
Total primary government	\$ 60,791,294	\$ 39,938,616	\$ 2,639,348	\$ 203,999
Component units:				
Panama City Downtown Improvement Board	\$ 313,896	\$ 184,713	\$ 1,374	
Panama City Port Authority	13,595,721	14,903,270		\$ 1,079,061
Total component units	\$ 13,909,617	\$ 15,087,983	\$ 1,374	\$ 1,079,061
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				
Change in accounting principle -				
Implementation of GASB 68				
Net position - beginning of year, as restated				
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
\$ 2,183,843		\$ 2,183,843		
(15,664,439)		(15,664,439)		
(5,038,250)		(5,038,250)		
(2,569,569)		(2,569,569)		
(3,098,607)		(3,098,607)		
(298,840)		(298,840)		
(364,137)		(364,137)		
(24,849,999)	-	(24,849,999)		
	\$ 5,414,490	5,414,490		
	1,156,514	1,156,514		
	269,664	269,664		
-	6,840,668	6,840,668		
(24,849,999)	6,840,668	(18,009,331)		
			\$ (127,809)	
			(127,809)	\$ 2,386,610
				2,386,610
8,511,463		8,511,463	159,472	
2,308,216		2,308,216		
1,410,878		1,410,878		
4,409,262		4,409,262		
4,176,778		4,176,778		
1,619,995		1,619,995		
1,403,496		1,403,496		
3,110,963		3,110,963		
343,489	144,474	487,963	2	15,044
23,980	22,964	46,944		448,681
941,573	6,807	948,380	11,724	
1,819,302	(1,819,302)			
30,079,395	(1,645,057)	28,434,338	171,198	463,725
5,229,396	5,195,611	10,425,007	43,389	2,850,335
101,705,231	76,073,031	177,778,262	1,043,401	82,353,280
(19,884,666)	(1,004,364)	(20,889,030)		(265,545)
81,820,565	75,068,667	156,889,232	1,043,401	82,087,735
\$ 87,049,961	\$ 80,264,278	\$ 167,314,239	\$ 1,086,790	\$ 84,938,070

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2015**

	General	Capital Projects	Capital Projects 2013	Non-Major Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 9,698,946	\$ 4,394,836	\$ 3,256,327	\$ 5,990,560	\$ 23,340,669
Investments	12,083,621	3,608,406	5,077,739	3,920	20,773,686
Receivables, net					
Accounts	135,453	23,090			158,543
Special assessments	81,308				81,308
Due from other funds	1,326,508	785,846		1,785	2,114,139
Receivables from other governments	580,236	300,000		1,262,205	2,142,441
Prepaid items	241,308			1,210	242,518
Inventories	112,279			1,930,523	2,042,802
Notes receivable	1,704,951	1,800,000		4,566,580	8,071,531
Total assets	<u>\$ 25,964,610</u>	<u>\$ 10,912,178</u>	<u>\$ 8,334,066</u>	<u>\$ 13,756,783</u>	<u>\$ 58,967,637</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 489,568	\$ 148,360	\$ 264,127	\$ 32,202	\$ 934,257
Due to other funds	14	880,077		1,177,940	2,058,031
Due to other governmental entities				269,617	269,617
Accrued wages payable	824,317			25,783	850,100
Accrued other liabilities	75,209				75,209
Deposits	3,631				3,631
Total liabilities	<u>1,392,739</u>	<u>1,028,437</u>	<u>264,127</u>	<u>1,505,542</u>	<u>4,190,845</u>
Fund balances:					
Non-spendable	355,237			1,931,733	2,286,970
Spendable:					
Restricted				8,059,411	8,059,411
Committed	11,396,432			2,260,097	13,656,529
Assigned	228,760	9,883,741	8,069,939		18,182,440
Unassigned	12,591,442				12,591,442
Total fund balances	<u>24,571,871</u>	<u>9,883,741</u>	<u>8,069,939</u>	<u>12,251,241</u>	<u>54,776,792</u>
Total liabilities and fund balances	<u>\$ 25,964,610</u>	<u>\$ 10,912,178</u>	<u>\$ 8,334,066</u>	<u>\$ 13,756,783</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.					69,529,553
Deferred outflows for pension related items.					421,182
Deferred inflows for pension related items.					(1,698,573)
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.					2,226,221
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.					(2,034,020)
Net pension asset					175,128
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					(17,520,731)
Compensated absences					(1,437,884)
Net pension liabilities					(17,387,707)
Net position of governmental activities					<u>\$ 87,049,961</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, 2015

	<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	\$ 20,128,376				\$ 20,128,376
Licenses and permits	9,163,514				9,163,514
Intergovernmental	5,267,088			\$ 4,907,014	10,174,102
Charges for services	1,189,338			19,978	1,209,316
Investment earnings	236,115	\$ 49,180	\$ 45,845	12,349	343,489
Miscellaneous	579,652	-	255	310,561	890,468
Total revenues	<u>36,564,083</u>	<u>49,180</u>	<u>46,100</u>	<u>5,249,902</u>	<u>41,909,265</u>
EXPENDITURES					
Current:					
General government	5,465,271				5,465,271
Public safety	16,248,208				16,248,208
Transportation	3,660,154				3,660,154
Economic environment	1,095,910			2,404,274	3,500,184
Human services	265,926				265,926
Culture and recreation	2,585,666	2,464			2,588,130
Debt service:					
Capital lease principal	806,349				806,349
Capital lease interest	6,666				6,666
Principal retirement				1,802,000	1,802,000
Interest and other charges				370,427	370,427
Capital outlay	2,764,628	3,455,709	2,294,414	215,171	8,729,922
Total expenditures	<u>32,898,778</u>	<u>3,458,173</u>	<u>2,294,414</u>	<u>4,791,872</u>	<u>43,443,237</u>
Excess (deficiency) of revenues over expenditures	<u>3,665,305</u>	<u>(3,408,993)</u>	<u>(2,248,314)</u>	<u>458,030</u>	<u>(1,533,972)</u>
OTHER FINANCING SOURCES (USES)					
Proceeds from long-term debt	1,888,296		-		1,888,296
Transfers in	2,587,810	4,663,433		2,216,324	9,467,567
Transfers out	(8,156,253)	(500,750)		(2,013,376)	(10,670,379)
Total other financing sources (uses)	<u>(3,680,147)</u>	<u>4,162,683</u>		<u>202,948</u>	<u>685,484</u>
Net change in fund balances	<u>(14,842)</u>	<u>753,690</u>	<u>(2,248,314)</u>	<u>660,978</u>	<u>(848,488)</u>
Fund Balances:					
Beginning of year	24,586,713	9,130,051	10,318,253	11,590,263	55,625,280
End of year	<u>\$ 24,571,871</u>	<u>\$ 9,883,741</u>	<u>\$ 8,069,939</u>	<u>\$ 12,251,241</u>	<u>\$ 54,776,792</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, 2015

Net change in fund balances - total governmental funds	\$	(848,488)
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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	8,729,922	
Less current year depreciation	(4,121,248)	4,608,674

The net effect of various miscellaneous transactions involving capital assets (e.g. sales, trade-ins, donations) is to decrease net position.		(15,114)
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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.		733,008
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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		(32,785)
Employer pension related costs		889,933

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.		(158,400)
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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.		52,568
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Change in net position of governmental activities		5,229,396
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See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2015**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Total	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 13,045,192	\$ 5,105,053	\$ 2,955,167	\$ 21,105,412	\$ 1,896,665
Investments	2,480,025	2,801,624		5,281,649	952,884
Net pension asset	13,727		13,278	27,005	
Due from other governmental unit					4,347
Due from other funds	375,649	715,310		1,090,959	
Receivables, net					
Accounts	3,005,538	1,081,344	34,549	4,121,431	43,969
Special assessments		35,091		35,091	
Inventories			169,648	169,648	94,618
Prepaid items	214			214	45,680
Total current assets	<u>18,920,345</u>	<u>9,738,422</u>	<u>3,172,642</u>	<u>31,831,409</u>	<u>3,038,163</u>
Noncurrent assets:					
Restricted cash and cash equivalents:					
Impact fee account	1,808,007			1,808,007	
Utility upgrades	32,136,966			32,136,966	
Revenue bond - future debt reserve accounts	2,162,779			2,162,779	
Revenue bond contingency (renewal and replacement) account	3,564,005			3,564,005	
Capital assets:					
Land	162,382	598,675	45,673	806,730	
Buildings	1,017,061	23,657	378,890	1,419,608	
Improvements other than buildings		11,538	14,231,582	14,243,120	
Machinery and equipment	5,861,391	6,575,173	3,103,220	15,539,784	334,577
Intangibles					5,231
Utility system	90,567,248			90,567,248	
Less accumulated depreciation	(50,058,617)	(3,490,415)	(13,735,978)	(67,285,010)	(256,453)
Construction work in progress	2,719,435			2,719,435	
Total noncurrent assets	<u>89,940,657</u>	<u>3,718,628</u>	<u>4,023,387</u>	<u>97,682,672</u>	<u>83,355</u>
Total assets	<u>108,861,002</u>	<u>13,457,050</u>	<u>7,196,029</u>	<u>129,514,081</u>	<u>3,121,518</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred charges on debt refunding	915,061			915,061	
Pension related outflows	169,259	33,851	16,347	219,457	
Total deferred outflows of resources	<u>1,084,320</u>	<u>33,851</u>	<u>16,347</u>	<u>1,134,518</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Accounts payable	230,528	177,661	100,160	508,349	604,682
Due to other funds	720,032	370,927	56	1,091,015	56,052
Accrued salaries	137,606	57,133	18,535	213,274	16,368
Compensated absences	70,052	27,388	6,621	104,061	4,595
Accrued taxes payable			9,538	9,538	
Current portion of bonds payable	1,499,697			1,499,697	
Accrued interest payable	108,888			108,888	
Unearned revenue			130,908	130,908	
Total current liabilities	<u>2,766,803</u>	<u>633,109</u>	<u>265,818</u>	<u>3,665,730</u>	<u>681,697</u>
Noncurrent liabilities:					
Compensated absences	210,157	82,164	19,862	312,183	13,785
Net OPEB obligation	460,455	209,050	64,975	734,480	56,500
Deposits	737,483	510,196		1,247,679	
Bonds, notes, and loans payable	43,379,092			43,379,092	
Net pension liability	637,360	141,610		778,970	
Total noncurrent liabilities	<u>45,424,547</u>	<u>943,020</u>	<u>84,837</u>	<u>46,452,404</u>	<u>70,285</u>
Total liabilities	<u>48,191,350</u>	<u>1,576,129</u>	<u>350,655</u>	<u>50,118,134</u>	<u>751,982</u>
DEFERRED INFLOWS OF RESOURCES					
Pension related inflows	325,336	68,742	15,426	409,504	
NET POSITION					
Net investment in capital assets	38,440,172	3,718,628	4,023,387	46,182,187	83,355
Restricted for:					
Debt service	5,726,784			5,726,784	
Claims					2,385,205
Unrestricted (deficit)	17,261,680	8,127,402	2,822,908	28,211,990	(99,024)
Total net position	<u>\$ 61,428,636</u>	<u>\$ 11,846,030</u>	<u>\$ 6,846,295</u>	<u>80,120,961</u>	<u>\$ 2,369,536</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				143,317	
Net position of business-type activities				<u>\$ 80,264,278</u>	

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, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
Operating revenues:					
Charges for services	\$ 18,609,871	\$ 6,747,665	\$ 2,753,708	\$ 28,111,244	\$ 1,554,992
Connection and hydrant fees	400,062			400,062	
Contributions					2,580,310
Miscellaneous	44,332	1,817	345,902	392,051	262,517
Total operating revenues	<u>19,054,265</u>	<u>6,749,482</u>	<u>3,099,610</u>	<u>28,903,357</u>	<u>4,397,819</u>
Operating expenses:					
Personal services	3,107,200	1,387,117	434,650	4,928,967	378,333
Operating expenses	7,169,621	3,278,713	1,985,949	12,434,283	2,514,170
Insurance claims and expenses					5,524,284
Depreciation	2,485,434	586,805	407,045	3,479,284	10,402
Total operating expenses	<u>12,762,255</u>	<u>5,252,635</u>	<u>2,827,644</u>	<u>20,842,534</u>	<u>8,427,189</u>
Operating income (loss)	<u>6,292,010</u>	<u>1,496,847</u>	<u>271,966</u>	<u>8,060,823</u>	<u>(4,029,370)</u>
Nonoperating revenues (expenses):					
Investment earnings	60,505	44,699	39,270	144,474	8,373
Grant			65,550	65,550	
Interest expense	(225,781)			(225,781)	
Other debt service costs	(163,747)			(163,747)	
Scrap sales	2,446	4,361	(1,593)	5,214	2,169
Gain (loss) on sale/disposal of asset	22,964	(24,301)		(1,337)	
Total nonoperating revenues (expenses)	<u>(303,613)</u>	<u>24,759</u>	<u>103,227</u>	<u>(175,627)</u>	<u>10,542</u>
Income (loss) before contributions and transfers	<u>5,988,397</u>	<u>1,521,606</u>	<u>375,193</u>	<u>7,885,196</u>	<u>(4,018,828)</u>
Contributions and transfers:					
Capital contributions	178,999			178,999	
Transfers in	225,000			225,000	4,176,608
Transfers out	(1,538,802)	(1,296,529)	(276,737)	(3,112,068)	(86,728)
Total contributions and transfers	<u>(1,134,803)</u>	<u>(1,296,529)</u>	<u>(276,737)</u>	<u>(2,708,069)</u>	<u>4,089,880</u>
Change in net position	<u>4,853,594</u>	<u>225,077</u>	<u>98,456</u>	<u>5,177,127</u>	<u>71,052</u>
Net position - beginning of year	<u>57,404,705</u>	<u>11,808,163</u>	<u>6,735,330</u>		<u>2,298,484</u>
Change in accounting principle - Implementation of GASB 68	<u>(829,663)</u>	<u>(187,210)</u>	<u>12,509</u>		
Net position - beginning of year, as restated	<u>56,575,042</u>	<u>11,620,953</u>	<u>6,747,839</u>		<u>2,298,484</u>
Net position - end of year	<u>\$ 61,428,636</u>	<u>\$ 11,846,030</u>	<u>\$ 6,846,295</u>		<u>\$ 2,369,536</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				18,484	
Change in net position of business-type activities				<u>\$ 5,195,611</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, 2015

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Total	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 17,890,443	\$ 7,054,880	\$ 3,108,145	\$ 28,053,468	\$ 1,559,424
Payments to suppliers	(7,566,716)	(3,221,530)	(1,873,969)	(12,662,215)	(1,089,410)
Payments to employees	(3,134,899)	(1,374,792)	(430,023)	(4,939,714)	(376,489)
Internal activity-payments (to) from other funds	192,145	8,989		201,134	
Cash received for insurance contributions					3,031,608
Claims paid					(7,110,916)
Net cash provided by (used in) operating activities	<u>7,380,973</u>	<u>2,467,547</u>	<u>804,153</u>	<u>10,652,673</u>	<u>(3,985,783)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Grants			65,550	65,550	
Transfers in	225,000			225,000	4,176,608
Transfers out	(1,538,802)	(1,296,529)	(276,737)	(3,112,068)	(86,728)
Net cash provided by (used in) noncapital financing activities	<u>(1,313,802)</u>	<u>(1,296,529)</u>	<u>(211,187)</u>	<u>(2,821,518)</u>	<u>4,089,880</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchases of capital assets	(1,212,443)	(883,641)	(229,084)	(2,325,168)	(8,966)
Proceeds from refunding bonds	32,135,000			32,135,000	
Proceeds (loss) from sales of capital assets	25,410	(19,940)	(1,593)	3,877	2,169
Principal paid on capital debt	(416,000)			(416,000)	
Interest and other debt service costs paid on capital debt	(226,375)			(226,375)	
Impact fees	178,999			178,999	
Net cash provided by (used in) capital and related financing activities	<u>30,484,591</u>	<u>(903,581)</u>	<u>(230,677)</u>	<u>29,350,333</u>	<u>(6,797)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Proceeds from maturity of investments	2,295,901	2,651,804		4,947,705	901,927
Purchase of investment securities	(2,480,025)	(2,801,624)		(5,281,649)	(952,884)
Interest and dividends	60,505	44,699	39,270	144,474	8,373
Net cash provided by (used in) investing activities	<u>(123,619)</u>	<u>(105,121)</u>	<u>39,270</u>	<u>(189,470)</u>	<u>(42,584)</u>
Net increase in cash and cash equivalents	<u>36,428,143</u>	<u>162,316</u>	<u>401,559</u>	<u>36,992,018</u>	<u>54,716</u>
Cash and cash equivalents -					
Balances - beginning of 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>
Balances - end of year	<u>\$ 52,716,949</u>	<u>\$ 5,105,053</u>	<u>\$ 2,955,167</u>	<u>\$ 60,777,169</u>	<u>\$ 1,896,665</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)	\$ 6,292,010	\$ 1,496,847	\$ 271,966	\$ 8,060,823	\$ (4,029,370)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	2,485,434	586,805	407,045	3,479,284	10,402
Change in assets and liabilities:					
Receivables, net	(946,410)	(199,490)	7,483	(1,138,417)	191,294
Due from other funds	(15,165)	508,576		493,411	
Due from other governmental units					1,919
Prepaid items	(89)			(89)	7,901
Net pension asset	(67)		(64)	(131)	
Deferred outflows	(25,818)	(1,981)	(16,347)	(44,146)	
Inventories			83,244	83,244	(25,639)
Accounts and other payables	32,841	14,367	29,694	76,902	(175,689)
Accrued expenses	(880)	3,239	1,225	3,584	2,267
Accrued interest	27,395			27,395	
Accrued taxes			965	965	
Compensated absences	(12,726)	3,516	32	(9,178)	(4,822)
Due to other funds	(517,242)	12,817	(958)	(505,383)	31,554
Deposits	49,898	35,300		85,198	
Net pension liability	67,247	14,941		82,188	
Deferred inflows	(91,315)	(23,670)	14,721	(100,264)	
Net OPEB obligation	35,860	16,280	5,060	57,200	4,400
Unearned revenue			87	87	
Net cash provided by (used in) operating activities	<u>\$ 7,380,973</u>	<u>\$ 2,467,547</u>	<u>\$ 804,153</u>	<u>\$ 10,652,673</u>	<u>\$ (3,985,783)</u>
Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:					
Cash and cash equivalents	\$ 13,045,192	\$ 5,105,053	\$ 2,955,167	\$ 21,105,412	\$ 1,896,665
Restricted cash and cash equivalents:					
Utility upgrade account	32,136,966			32,136,966	
Impact fee account	1,808,007			1,808,007	
Revenue bond - future debt reserve accounts	2,162,779			2,162,779	
Revenue bond contingency account	3,564,005			3,564,005	
Total cash and cash equivalents	<u>\$ 52,716,949</u>	<u>\$ 5,105,053</u>	<u>\$ 2,955,167</u>	<u>\$ 60,777,169</u>	<u>\$ 1,896,665</u>

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
SEPTEMBER 30, 2015

	Pension Funds	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 2,420,773	\$ 152,766
Investments:		
Corporate bonds and notes	6,263,704	
U.S. treasury bonds and notes	6,521,900	
Common stock	22,480,697	
Government agencies	3,350,004	
Mutual funds	14,959,647	
Pooled/common/commingled funds	8,712,887	
Total investments	<u>62,288,839</u>	
Accounts receivable	<u>388,435</u>	<u>-</u>
Total assets	<u><u>\$ 65,098,047</u></u>	<u><u>\$ 152,766</u></u>
LIABILITIES		
Accounts payable	\$ 667,111	
Accrued payroll deductions and matching		\$ 152,766
Prepaid expense	156,927	
Total liabilities	<u>824,038</u>	<u><u>\$ 152,766</u></u>
NET POSITION		
Restricted for pension benefits	<u><u>\$ 64,274,009</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, 2015

	Pension Trust
ADDITIONS	
Contributions:	
Employer	\$ 2,937,062
State	639,570
Plan members	494,632
Total contributions	<u>4,071,264</u>
Investment earnings:	
Net depreciation in fair value of investments	(3,189,236)
Interest	1,458,101
Total investment earnings	<u>(1,731,135)</u>
Less investment expense	<u>(395,853)</u>
Net investment earnings	<u>(2,126,988)</u>
Total additions	<u>1,944,276</u>
DEDUCTIONS	
Benefits	4,721,136
Refunds of contributions	85,772
Administrative expenses	93,161
Total deductions	<u>4,900,069</u>
Change in net position	(2,955,793)
Net Position-Restricted for Pension Benefits:	
Beginning of the year	<u>67,229,802</u>
End of the year	<u><u>\$ 64,274,009</u></u>

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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 presented in this report conform to the reporting requirements of the Governmental Accounting Standards Board (GASB), which established combined statements at the required reporting level for governmental entities that present financial statements in accordance with generally accepted accounting principles.

The significant accounting policies of the City 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'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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2015, 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, 2015**

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
413 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, 2015

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, 2015**

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.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015**

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. 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.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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/inflows of resources

In addition to assets, the Statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has three items that qualify for reporting in this category, they are the deferred outflow of resources on refunding resulting from the difference in the carrying value of refunded debt and its reacquisition price and the amount is capitalized and amortized over the shorter of the life of the refunded or refunding debt, the deferred outflow of resources on the hedging derivatives as a result 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, and deferred pension and pension expense as a result of changes in benefits, assumptions, subsequent contributions, and differences between actual and expected returns.

In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will *not* be recognized as an inflow of resources (revenue) until that time. The City has one item that qualifies for reporting in this category which is deferred pension and pension expense as a result of changes in benefits, assumptions, and differences between actual and expected returns.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

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 of service is accrued in the government-wide, proprietary, and fiduciary fund financial 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 net investment in capital assets, 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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 \$861,136 in the General Fund for the fiscal year ended September 30, 2015.

New Accounting Pronouncements

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 implemented GASB Statement No. 68 in this report.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2013. The City has implemented GASB Statement No. 69 in this report; however, it does not have any current impact on the City.

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 implemented GASB Statement No. 71 in this report.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The City is evaluating 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 Risk Disclosures* amends GASB Statement No. 3, *Deposits with Financial Institutions, Investments, and Reverse Repurchase 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 meets 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, 2015:

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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.

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.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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 (FMIT) administered by the Florida League of Cities, Inc.
- 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.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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.

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, 2015, 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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investments:

Deposits and investments as of September 30, 2015 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 46,342,746
Cash with fiscal agent	12
Restricted cash and cash equivalents	38,520,575
Investments	28,159,389

Statement of fiduciary net position:

Cash and cash equivalents	2,420,773
Investments	62,288,839
Total cash and investments	<u>\$ 177,732,334</u>

Cash on hand, deposits, and investments as of September 30, 2015 consist of the following:

Governmental and business-type investments:

Cash on hand	\$ 5,953
Deposits with financial institutions	41,523,461
SBA	32,548,718
FMIvT	10,650,581
Short term investments	158,224
Investments in U.S. treasury bonds and notes	18,356,889
Investments in federal instrumentalities	8,780,046
Commercial paper	998,850

Senior management pension plan:

Deposits with financial institutions	21,483
Investments in common stock	2,212,743
Investments in corporate bonds and notes	451,142

Police officers and firefighters pension plan:

Deposits with financial institutions	2,399,290
Investments in mutual funds	14,959,647
Investments in equity/common stock	20,267,954
Investments in U.S. treasury bonds	6,521,900
Investments in corporate bonds and notes	5,812,562
Investments in government agencies	3,350,004
Investments in pooled/common/commingled funds	8,712,887
Total cash and investments	<u>\$ 177,732,334</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Deposits and Investment Risk Disclosures:

As of September 30, 2015, 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	10,650,581				10,650,581	AAA/V1
U.S. Treasury Bonds and Notes		\$ 18,356,889			18,356,889	AAA
Federal Instrumentalities		8,780,046			8,780,046	AAA
Commercial paper	998,850				998,850	P-1
State Board of Administration LGIP	32,548,718				32,548,718	AAAm
Total primary government	\$ 44,221,754	\$ 27,136,935	\$	\$	\$ 71,358,689	

Fiduciary Funds:	Investment Maturities					Average Rating (1)
	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	Total	
U.S. Treasury Bonds and Notes	\$ 1,120,845	\$ 588,335	\$ 2,785,753	\$ 2,026,967	\$ 6,521,900	Aaa
Corporate Bonds and Notes	269,486	4,971,221	686,663	336,334	6,263,704	Aa1
Common Stock (2)	22,480,697				22,480,697	N/A
Government Agencies	167	489,894	564,794	2,295,149	3,350,004	Aaa
Pooled/common/commingled funds	8,712,887				8,712,887	NR
Mutual Funds	14,959,647				14,959,647	NR
Total fiduciary funds	\$ 47,543,729	\$ 6,049,450	\$ 4,037,210	\$ 4,658,450	\$ 62,288,839	

(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, 2015

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, 2015, 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, 2015, 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, 2015**

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 Policemen and Firemen Pension Trust Plans' 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 0.62 and a WAM of 0.70.

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, 2015**

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 \$1,704,951 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 2045.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2015 was as follows:

Primary Government

	Beginning Balance, <u>as Restated</u>	<u>Increases</u>	Decreases/ <u>Transfers</u>	Ending Balance
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$17,027,816	_____	_____	\$17,027,816
Capital assets, being depreciated:				
Buildings	28,721,405	\$ 296,577		29,017,982
Improvements other than buildings	11,898,756	5,845,525	\$ 16,940	17,727,341
Machinery and equipment	19,098,055	2,685,607	1,266,061	20,517,601
Intangibles		18,454		18,454
Infrastructure, excluding bridges	<u>63,918,717</u>	<u>13,000</u>	_____	<u>63,931,717</u>
Total capital assets, being depreciated	<u>123,636,933</u>	<u>8,859,163</u>	<u>1,283,001</u>	<u>131,213,095</u>
Less accumulated depreciation for:				
Buildings	17,457,631	897,748		18,355,379
Improvements other than buildings	5,656,177	1,075,989	16,940	6,715,226
Machinery and equipment	15,855,243	1,129,810	1,250,946	15,734,107
Intangibles - amortizable		2,121		2,121
Infrastructure, excluding bridges	<u>36,795,186</u>	<u>1,025,982</u>	_____	<u>37,821,168</u>
Total accumulated depreciation	<u>75,764,237</u>	<u>4,131,650</u>	<u>1,267,886</u>	<u>78,628,001</u>
Total capital assets, being depreciated, net	<u>47,872,696</u>	<u>4,727,513</u>	<u>15,115</u>	<u>52,585,094</u>
Governmental activities capital assets, net	<u>\$64,900,512</u>	<u>\$4,727,513</u>	<u>\$ 15,115</u>	<u>\$69,612,910</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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	\$ 419,295	\$ 387,435		\$ 806,730
Construction in progress	<u>3,078,727</u>	<u>227,405</u>	\$ 586,697	<u>2,719,435</u>
Total capital assets, not being depreciated	<u>3,498,022</u>	<u>614,840</u>	<u>586,697</u>	<u>3,526,165</u>
Capital assets, being depreciated:				
Buildings	1,331,629	87,979		1,419,608
Improvements other than buildings	103,741,510	1,068,858		104,810,368
Machinery and equipment	<u>15,167,916</u>	<u>1,279,787</u>	<u>907,919</u>	<u>15,539,784</u>
Total capital assets, being depreciated	<u>120,241,055</u>	<u>2,436,624</u>	<u>907,919</u>	<u>121,769,760</u>
Less accumulated depreciation for:				
Buildings	269,954	42,439		312,393
Improvements other than buildings	53,554,127	2,363,749		55,917,876
Machinery and equipment	<u>10,749,965</u>	<u>1,073,096</u>	<u>768,320</u>	<u>11,054,741</u>
Total accumulated depreciation	<u>64,574,046</u>	<u>3,479,284</u>	<u>768,320</u>	<u>67,285,010</u>
Total capital assets, being depreciated, net	<u>55,667,009</u>	<u>(1,042,660)</u>	<u>139,599</u>	<u>54,484,750</u>
Business-type activities capital assets, net	<u>\$59,165,031</u>	<u>\$ (427,820)</u>	<u>\$ 726,296</u>	<u>\$ 58,010,915</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 - CAPITAL ASSETS (Continued)

Total depreciation expense for governmental activities for fiscal year 2015 is \$4,131,650. Total depreciation expense for business-type activities for fiscal year 2015 is \$3,479,284.

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

Governmental activities:	
General government	\$ 1,253,653
Public safety	1,060,472
Highways and streets, including depreciation of general infrastructure assets	1,237,868
Culture and recreation	<u>569,255</u>
	4,121,248
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>10,402</u>
Total depreciation expense - governmental activities	<u>\$ 4,131,650</u>
Business-type activities:	
Utilities	\$ 2,485,434
Solid waste	586,805
Marina	<u>407,045</u>
Total depreciation expense - business-type activities	<u>\$ 3,479,284</u>

Discretely Presented Component Units

Activity for the Panama City Downtown Improvement Board for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 786,160			\$ 786,160
Capital assets, being depreciated:				
Improvements other than buildings	872,681			872,681
Furniture and equipment	<u>31,447</u>	\$ 4,671		<u>36,118</u>
Total capital assets, being depreciated	<u>904,128</u>	<u>4,671</u>		<u>908,799</u>
Less accumulated depreciation for:				
Improvements other than buildings	425,172	27,783		452,955
Furniture and equipment	<u>24,807</u>	<u>1,872</u>		<u>26,679</u>
Total accumulated depreciation	<u>449,979</u>	<u>29,655</u>		<u>479,634</u>
Total capital assets, being depreciated, net	<u>454,149</u>	<u>(24,984)</u>		<u>429,165</u>
Downtown Improvement Board capital assets, net	<u>\$1,240,309</u>	<u>\$ (24,984)</u>		<u>\$ 1,215,325</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 4 - CAPITAL ASSETS (Continued)

Activity for the Panama City Port Authority for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 9,862,493			\$ 9,862,493
Construction in progress	<u>7,762,991</u>	<u>\$ 5,042,637</u>	<u>\$ 8,271,526</u>	<u>4,534,102</u>
Total capital assets, not being depreciated	<u>17,625,484</u>	<u>5,042,637</u>	<u>8,271,526</u>	<u>14,396,595</u>
Capital assets, being depreciated:				
Buildings and improvements	53,699,570	1,823,652		55,523,222
Improvements other than buildings	48,687,927	1,659,639		50,347,566
Machinery and equipment	<u>14,884,401</u>	<u>4,768,835</u>	<u>2,399,270</u>	<u>17,253,966</u>
Total capital assets, being depreciated	<u>117,271,898</u>	<u>8,252,126</u>	<u>2,399,270</u>	<u>123,124,754</u>
Less accumulated depreciation for:				
Buildings and improvements	21,340,826	1,710,203		23,051,029
Improvements other than buildings	18,039,902	2,017,575		20,057,477
Machinery and equipment	<u>7,378,042</u>	<u>991,025</u>	<u>2,247,950</u>	<u>6,121,117</u>
Total accumulated depreciation	<u>46,758,770</u>	<u>4,718,803</u>	<u>2,247,950</u>	<u>49,229,623</u>
Total capital assets, being depreciated, net	<u>70,513,128</u>	<u>3,533,323</u>	<u>151,320</u>	<u>73,895,131</u>
Port Authority capital assets, net	<u>\$88,138,612</u>	<u>\$ 8,575,960</u>	<u>\$ 8,422,846</u>	<u>\$ 88,291,726</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, 2015**

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, 2015, have been estimated and accrued at present value as a liability as of September 30, 2015. Changes in the balances of claims liabilities during the fiscal years 2015 and 2014 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>
2015	\$ 719,338	\$ 6,665,713	\$ 6,831,383	\$ 553,668
2014	350,778	5,893,889	5,525,329	719,338

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 - LONG-TERM DEBT

Primary Government - *Governmental Activities*:

Long-term obligations at September 30, 2015, includes the following debt issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2015</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	\$ 1,151,000
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	293,000
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	2,361,000
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>11,811,000</u>
Total	<u>\$ 19,628,000</u>	<u>\$ 15,616,000</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 - LONG-TERM DEBT (Continued)

Primary Government - *Business-Type Activities*:

Long-term obligations at September 30, 2015 includes the following issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2015</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 wastewater system.	\$ 5,465,000	\$ 5,314,000
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 wastewater system.	7,758,000	7,399,000
Water and Sewer Revenue Note, Series 2015: dated September 22, 2015, interest 2.94%, 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 wastewater system.	<u>32,135,000</u>	<u>32,135,000</u>
Total	<u>\$ 45,358,000</u>	<u>\$ 44,848,000</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended September 30, 2015, 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	\$ 1,284,000		\$ 133,000	\$ 1,151,000	\$ 135,000
2012 Capital Improvement Refunding Revenue Note	586,000		293,000	293,000	293,000
2013A Capital Improvement Taxable Revenue Refunding Note	2,966,000		605,000	2,361,000	621,000
2013B Capital Improvement Revenue Note	12,582,000		771,000	11,811,000	789,000
Add (Deduct) deferred amounts on premium	<u>35,437</u>		<u>12,957</u>	<u>22,480</u>	<u>9,859</u>
Total bonds/notes payable	17,453,437		1,814,957	15,638,480	1,847,859
Capital lease obligation	200,303	\$ 1,888,296	506,348	1,582,251	450,414
Loan from other government unit	600,000		300,000	300,000	300,000
Net pension liability	19,177,223	163,324	1,952,840	17,387,707	
Other post employment benefits	1,927,720	162,800		2,090,520	
Compensated absences	<u>1,428,302</u>	<u>1,335,692</u>	<u>1,307,730</u>	<u>1,456,264</u>	<u>364,066</u>
Total long-term liabilities	<u>\$40,786,985</u>	<u>\$ 3,550,112</u>	<u>\$ 5,881,875</u>	<u>\$38,455,222</u>	<u>\$ 2,962,339</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 Note Series 2012	\$ 5,371,000		\$ 57,000	\$ 5,314,000	\$ 58,000
Refunding Bond Series 2014 Note Series 2015	7,758,000	\$ 32,135,000	359,000	7,399,000	1,434,000
Add (Deduct) deferred amounts on premium	<u>38,486</u>		<u>7,697</u>	<u>30,789</u>	<u>7,697</u>
Total bonds/notes payable	13,167,486	32,135,000	423,697	44,878,789	1,499,697
Other post employment benefits	677,280	57,200		734,480	
Net pension liability	696,782	147,933	65,745	778,970	
Compensated absences	<u>425,422</u>	<u>375,104</u>	<u>384,282</u>	<u>416,244</u>	<u>104,061</u>
Total long-term liabilities	<u>\$14,966,970</u>	<u>\$32,715,237</u>	<u>\$ 873,724</u>	<u>\$46,808,483</u>	<u>\$ 1,603,758</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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 September 22, 2015, the City issued Water and Sewer Revenue Note, Series 2015, in the amount of \$32,135,000. Proceeds were placed in the utilities fund for capital improvements related to its water and wastewater system.

<u>Note 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>
2015	2.94%	2.94%	10/1/2019	\$ 32,135,000	\$ 135,000

Discretely Presented Component Units

Panama City Downtown Improvement Board

Changes in long-term liability obligations for the year ended September 30, 2015 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 - Doral Bank Interest currently at 5.5%, maturing October 1, 2014.	\$ 5,014	\$ -	\$ 5,014	\$ -	\$ -

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 - 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.	<u>55,000</u>	<u>-</u>	<u>15,000</u>	<u>40,000</u>	<u>5,623</u>
Total notes payable	110,014		70,014	40,000	5,623
Capital lease obligation	<u>-</u>	<u>4,671</u>	<u>641</u>	<u>4,030</u>	<u>1,107</u>
Total long-term debt	<u>\$ 110,014</u>	<u>\$ 4,671</u>	<u>\$ 70,655</u>	<u>\$ 44,030</u>	<u>\$ 6,730</u>

Debt service requirements to maturity for long-term debt subsequent to September 30, 2015 is as follows:

Year Ended 9/30	Note Payable		Capital Lease	
	Principal	Interest	Principal	Interest
2016	\$ 5,623	\$ 377	\$ 1,107	\$ 177
2017	5,680	320	1,164	120
2018	5,737	263	1,224	60
2019	5,794	206	535	
2020	5,853	147		
2021-2024	11,313	117		
	<u>\$ 40,000</u>	<u>\$ 1,430</u>	<u>\$ 4,030</u>	<u>\$ 357</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 6 - LONG-TERM DEBT (Continued)

Panama City Port Authority

Changes in long-term liability obligations for the year ended September 30, 2015, 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 1.0086%; 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.	\$ 5,546,937		\$ 331,492	\$ 5,215,445	\$ 258,380
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

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 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>4,535,573</u>		<u>186,486</u>	<u>4,349,087</u>	
Total notes payable	12,182,510		517,978	11,664,532	2,358,380
Claims and judgments	428,266	11,173		439,439	24,256
Net pension liability	171,954	36,073		208,027	
Compensated absences	<u>68,439</u>	<u>9,711</u>		<u>78,150</u>	<u>19,537</u>
Total long-term liabilities	<u>\$12,851,169</u>	<u>\$ 56,957</u>	<u>\$ 517,978</u>	<u>\$ 12,390,148</u>	<u>\$ 2,402,173</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 - LONG-TERM DEBT (Continued)

Debt service requirements to maturity subsequent to September 30, 2015, are as follows:

Year Ended September 30	Notes Payable		Line of Credit	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$2,100,000	\$ 45,000	\$ 258,380	\$ 228,697
2017			358,060	210,987
2018			374,188	192,523
2019			391,042	173,055
2020			408,655	153,252
2021-2025			2,336,520	451,621
2026-2027			<u>1,088,600</u>	<u>35,145</u>
Total	<u>\$2,100,000</u>	<u>\$ 45,000</u>	<u>\$5,215,445</u>	<u>\$1,445,280</u>

Year Ended September 30	State Infrastructure Loan Agreement	
	<u>Principal</u>	<u>Interest</u>
2016		\$ 173,964
2017	\$ 193,945	166,206
2018	201,703	158,138
2019	209,771	149,747
2020	218,162	141,020
2021-2025	1,228,901	561,486
2026-2030	1,495,147	284,592
2031-2033	<u>801,458</u>	<u>23,277</u>
Total	<u>\$ 4,349,087</u>	<u>\$1,658,430</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 - LONG-TERM DEBT (Continued)

Derivative instruments outstanding as of September 30, 2015 are as follows:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	9/30/2015 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	\$ (835,388)

Derivative instrument A is considered a hedging derivative instrument for 2015.

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, variable-rate 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 instrument is based on a rate or index other than interest rates the Port pays on its hedged variable-rate debt. At September 30, 2015, 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	.009	.009

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015 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, 2015, 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 a forward implied interest rate on the variable interest rates that the Port will receive from the hedging derivative instrument. As these rates vary, interest payments on variable-rate bonds and net receipts/payments on the hedging derivative instrument will vary. The hedging derivative instrument column reflects only net receipts/payments on derivative instruments that qualify for hedge accounting.

Fiscal Year Ending September 30	Principal	Interest	Hedging Derivatives, Net	Total
2016	\$ 258,380	\$ 228,697	\$ (53,049)	\$ 434,028
2017	358,060	210,987	(65,202)	503,845
2018	374,188	192,523	(72,811)	493,900
2019	391,042	173,055	(74,911)	489,186
2020	408,655	153,252	(73,795)	488,112
2021-2025	2,336,520	451,621	(249,183)	2,538,958
2026-2027	1,088,600	35,145	(20,941)	1,102,804
	<u>\$ 5,215,445</u>	<u>\$ 1,445,280</u>	<u>\$ (609,892)</u>	<u>\$ 6,050,833</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 6 - LONG-TERM DEBT (Continued)

Derivative Instruments – Fair Value

The fair value balances and notional amounts of the derivative instrument outstanding at September 30, 2015, 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, 2015</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	\$ 4,528	Debt	\$ (835,388)	\$ 7,500,000
	Outflow				

Compensated Absences

The amount of accrued annual and sick leave pay at September 30, 2015, is as follows:

Primary Government	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Governmental activities	\$ 364,066	\$ 1,092,198	\$ 1,456,264
Business-type activities	<u>104,061</u>	<u>312,183</u>	<u>416,244</u>
Total	<u>\$ 468,127</u>	<u>\$ 1,404,381</u>	<u>\$ 1,872,508</u>

Component Unit	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Panama City Port Authority	\$ 19,537	\$ 58,613	\$ 78,150

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, 2015**

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 9/30/15</u>
Water and Sewer Revenue Bonds	Utility	1996	\$11,560,000	10/01/19	\$ 7,190,000
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	7,285,000
Transportation Improvement Revenue Bonds	Capital Improv.	1997	3,295,000	10/01/17	1,160,000
Capital Improvement Revenue Refunding Bonds	Capital Improv.	1999	3,645,000	10/01/19	1,270,000
Capital Improvement Revenue and Refunding Bonds - Series 2001B	Capital Improv.	2001	4,810,000	9/30/16	530,000
Capital Improvement Revenue and Refunding Bonds - Series 2005	Capital Improv.	2005	7,285,000	10/01/19	2,390,000

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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
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
2021-2023	449,000	15,228				
	<u>\$ 1,151,000</u>	<u>\$ 96,806</u>	<u>\$ 293,000</u>	<u>\$ 1,582</u>	<u>\$ 2,361,000</u>	<u>\$ 106,097</u>

Year Ending September 30	Capital Improvement Revenue Note - Series 2013B		Capital Leases		Loan from Other Government Unit	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 789,000	\$ 263,721	\$ 450,414	\$ 62,601	\$ 300,000	
2017	808,000	245,276	362,567	45,269		
2018	826,000	226,403	377,068	30,768		
2019	845,000	207,103	392,202	15,686		
2020	865,000	187,353				
2021-2025	4,633,000	624,128				
2026-2028	3,045,000	106,572				
	<u>\$ 11,811,000</u>	<u>\$ 1,860,556</u>	<u>\$ 1,582,251</u>	<u>\$ 154,324</u>	<u>\$ 300,000</u>	

Business-type Activities

Year Ending September 30	Water & Sewer Refunding Revenue Note - Series 2012		Water & Sewer Refunding Revenue Note - Series 2014		Water & Sewer Refunding Revenue Note - Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 58,000	\$ 101,967	\$ 1,434,000	\$ 92,457		\$ 968,388
2017	59,000	100,822	1,453,000	69,936	\$ 1,180,000	910,077
2018	60,000	99,658	1,480,000	46,996	1,240,000	873,621
2019	61,000	98,474	1,503,000	23,700	1,275,000	836,136
2020	62,000	97,272	1,529,000		1,315,000	797,475
2021-2025	5,014,000	98,533			7,165,000	3,367,917
2026-2030					8,290,000	2,216,907
2031-2035					9,580,000	886,998
2036					2,090,000	
	<u>\$ 5,314,000</u>	<u>\$ 596,726</u>	<u>\$ 7,399,000</u>	<u>\$ 233,089</u>	<u>\$32,135,000</u>	<u>\$ 10,857,519</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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 \$176,605 in the General Fund during the fiscal year ended September 30, 2015. As of September 30, 2015, minimum rentals collectible on the noncancellable lease in the General Fund totaled \$1,000,000 as follows:

<u>Year</u>	
2016	\$ 20,000
2017	20,000
2018	20,000
2019	20,000
2020	20,000
2021-2025	100,000
2026-2030	100,000
2031-2035	100,000
2036-2040	100,000
2041-2045	100,000
2046-2050	100,000
2051-2055	100,000
2056-2060	100,000
2061-2065	<u>100,000</u>
Total	<u>\$ 1,000,000</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 \$2,475,533 and is included in equipment. Accumulated depreciation for the equipment is \$263,086 as of September 30, 2015, which makes the net value \$2,212,447. The future minimum lease obligations and the net present value of these lease payments as of September 30, 2015 are as follows:

<u>Year</u>	
2016	\$ 513,014
2017	407,836
2018	407,836
2019	<u>407,889</u>
	1,736,575
Less amount representing interest	<u>(154,324)</u>
Present value of minimum lease payments	<u>\$ 1,582,251</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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, 2015, are as follows:

<u>Year</u>	
2016	\$ 2,182,225
2017	2,192,281
2018	2,202,142
2019	2,250,786
2020	<u>2,270,652</u>
Total	<u>\$ 11,098,086</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>(6,937,043)</u>
Total	<u>\$ 11,894,396</u>

The Port Authority recognized \$2,499,300 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, 2015.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 7 - LEASES (Continued)

Future minimum rental commitments at September 30, 2015, are as follows:

<u>Year</u>	
2016	\$ 20,000
2017	20,000
2018	20,000
2019	20,000
2020	20,000
2021-2025	100,000
2026-2030	100,000
2031-2035	100,000
2036-2040	100,000
2041-2045	100,000
2046-2050	100,000
2051-2055	100,000
2056-2060	100,000
2061-2065	<u>100,000</u>
 Total	 <u>\$ 1,000,000</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at September 30, 2015, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Primary Government:		
Governmental Funds -		
Major -		
General Fund	\$ 1,326,508	\$ 14
Capital Projects	785,846	880,077
Special Revenue Funds -		
Community Planning and Development	1,389	20,753
State Housing Initiative Partnership-County	360	1,401
State Housing Initiative Partnership-City		371
General Grants		1,141,495
Panama City Community Redevelopment		
Agency-Millville	6	
Panama City Community Redevelopment		
Agency-St. Andrews	30	
Panama City Community Redevelopment		
Agency-Downtown North		15
Debt Service Funds -2008		13,905
Proprietary Funds -		
Major -		
Utilities	375,649	720,032
Solid Waste	715,310	370,927
Marina		56
Nonmajor -		
Equipment and Maintenance	<u> </u>	<u>56,052</u>
Total	<u>\$3,205,098</u>	<u>\$3,205,098</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, 2015**

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	\$ 2,587,810	\$ 8,156,253
Capital Projects	<u>4,663,433</u>	<u>500,750</u>
Aggregate Major	<u>7,251,243</u>	<u>8,657,003</u>
Nonmajor		
General Grants		1,644,422
Community Planning and Development	26,441	129,633
State Housing Initiative Partnership-City		25,213
State Housing Initiative Partnership-County		4,196
Panama City Community Redevelopment		
Agency - St. Andrews		19,922
Panama City Community Redevelopment		
Agency - Downtown		7,152
Panama City Community Redevelopment		
Agency - Downtown North		15,218
Panama City Community Redevelopment		
Agency - Millville		167,620
Debt Service 2008	157,989	
Debt Service 2012	296,165	
Debt Service 2013A	673,886	
Debt Service 2013B	<u>1,061,843</u>	
Aggregate Nonmajor	<u>2,216,324</u>	<u>2,013,376</u>
Proprietary Funds -		
Major		
Utility	225,000	1,538,802
Solid Waste		1,296,529
Marina		<u>276,737</u>
Aggregate Major	<u>225,000</u>	<u>3,112,068</u>
Nonmajor		
Medical	4,070,386	
Dental	106,222	
Equipment Maintenance		<u>86,728</u>
Aggregate Nonmajor	<u>4,176,608</u>	<u>86,728</u>
	<u>\$ 13,869,175</u>	<u>\$ 13,869,175</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, 2015**

NOTE 9 - RETIREMENT PLANS

The City and component unit, the Panama City Port Authority (Port Authority), have 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 and the Port Authority maintain 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

Plan Administration:

All full time City and Port Authority employees hired before January 1, 1996, except Police and Fire sworn personnel, are eligible to participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost-sharing, multiple-employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan ("Pension Plan") and the Retiree Health Insurance Subsidy ("HIS Plan"). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan ("Investment Plan") alternative to the FRS Pension Plan, which is administered by the State Board of Administration ("SBA"). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the web site:
www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description:

The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program ("DROP") for eligible employees.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

a. *Benefits Provided*

Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Senior Management Service class members who retire at or after age 62 with at least six years of credited service for 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, and Elected Officers' class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3.0% determined by dividing the sum of the pre-July 2011 service credit at retirement multiplied by 3.0%. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

b. *Contributions*

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute 3.0% of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively, were as follows: Regular – 7.37% and 7.26%; Senior Management Service – 21.14% and 21.43%; and DROP participants – 12.28% and 12.88%. These employer contribution rates include 1.26%

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

and 1.66% HIS Plan subsidy for the periods October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015, respectively.

The contributions, including employee contributions, to the Pension Plan for the fiscal year ended September 30, 2015 are as follows:

<u>Primary Government</u>	<u>Component Unit</u>
\$181,258	\$27,514

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Primary Government:

At September 30, 2015, the City reported a liability of \$909,448 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was .007041064 percent, which was a decrease of .002762979 percent from its proportionate share measured as of June 30, 2014.

Component Unit:

At September 30, 2015, the Port Authority reported a liability of \$108,961 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Port Authority's proportionate share of the net pension liability was based on the Port Authority's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the Port Authority's proportionate share was .000843587 percent, which was a decrease of .000174127 percent from its proportionate share measured as of June 30, 2014.

Primary Government and Component Unit:

The pension expense amounts recognized for the fiscal year ended September 30, 2015 are as follows:

<u>Primary Government</u>	<u>Component Unit</u>
\$28,798	\$2,754

In addition, the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

	Primary Government		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 96,011	\$ 21,569	\$ 11,503	\$ 2,584
Change of assumptions	60,363		7,232	
Difference between projected and actual earnings on investments		217,161		26,018
Differences in proportion and differences between Pension Plan contributions and proportionate share of contributions	138,447	362,623		25,966
Pension Plan contributions subsequent to the measurement date	31,799		4,803	
Total Pension Plan	\$ 326,620	\$ 601,353	\$ 23,538	\$ 54,568

The deferred outflows of resources related to the Pension Plan, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2016. Subsequent contributions are as follows;

<u>Primary Government</u>	<u>Component Unit</u>
\$31,799	\$4,803

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Fiscal Year Ending September 30:	Primary Government	Component Unit
2016	\$ (58,257)	\$ (7,676)
2017	(58,257)	(7,676)
2018	(58,257)	(7,676)
2019	(58,257)	(7,676)
2020	(80,795)	(7,168)
Thereafter	7,291	2,039
Total	<u>\$ (306,532)</u>	<u>\$ (35,833)</u>

Actuarial Assumptions:

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Investment rate of return	7.65%, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP 2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

The long-term expected rate of return on the Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.2%	3.1%	1.7%
Fixed income	18.0%	4.8%	4.7%	4.7%
Global equity	53.0%	8.5%	7.2%	17.7%
Real estate (property)	10.0%	6.8%	6.2%	12.0%
Private equity	6.0%	11.9%	8.2%	30.0%
Strategic investments	12.0%	6.7%	6.1%	11.4%
Assumed Inflation - Mean		2.6%		1.9%

(1) As outlined in the Pension Plan's investment policy

Discount Rate:

The discount rate used to measure the total pension liability was 7.65%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation of the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate:

The following represents the proportionate shares of the net pension liability calculated using the discount rate of 7.65%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.65%) or one percentage point higher (8.65%) than the current rate:

	1% Decrease 6.65%	Current Discount Rate 7.65%	1% Increase 8.65%
City's proportionate share of the net pension liability	\$ 2,356,585	\$ 909,448	\$ (294,808)
Port Authority's proportionate share of the net pension liability	\$ 282,341	\$ 108,961	\$ (35,321)

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan Fiduciary Net Position:

Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Component Unit:

Payables to the Pension Plan:

At September 30, 2015, the Port Authority reported a payable in the amount of \$1,535 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2015.

HIS Plan

Plan Description:

The HIS Plan is a cost-sharing, multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida legislature at any time. The benefit is a monthly payment to assist retirees of the State, administered by the Florida Department of Management Services, Division of Retirement.

a. ***Benefits Provided***

For the fiscal year ended September 30, 2015, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

b. ***Contributions***

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2015, the HIS contribution for the period October 1, 2014 through June 30, 2015 and from July 1, 2015 through September 30, 2015 was 1.26% and 1.66%, respectively. The City and the Port Authority contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

The contributions to the HIS Plan totaled for the fiscal year ended September 30, 2015, are as follows:

<u>Primary Government</u>	<u>Component Unit</u>
\$27,071	\$3,981

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

Primary Government:

At September 30, 2015, the City reported a liability of \$729,538 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The City's proportionate share of the net pension liability was based on the City's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the City's proportionate share was .007153432 percent, which was a decrease of .002128312 percent from its proportionate share measured as of June 30, 2014.

Component Unit:

At September 30, 2015, the Port Authority reported a liability of \$99,066 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2015. The Port Authority's proportionate share of the net pension liability was based on the Port Authority's 2014-15 fiscal year contributions relative to the 2013-14 fiscal year contributions of all participating members. At June 30, 2015, the Port Authority's proportionate share was .000971372 percent, which was a decrease of .000203552 percent from its proportionate share measured as of June 30, 2014.

Primary Government and Component Unit:

The pension expense amounts recognized for the fiscal year ended September 30, 2015, are as follows:

<u>Primary Government</u>	<u>Component Unit</u>
\$22,118	\$4,342

In addition, the reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

	Primary Government		Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Change of assumptions	\$ 57,396		\$ 7,794	
Difference between projected and actual earnings on investments	395		54	
Differences in proportion and differences between Pension Plan contributions and proportionate share of contributions		\$ 194,249		\$ 18,350
Pension Plan contributions subsequent to the measurement date	7,387		1,186	
Total HIS Plan	\$ 65,178	\$ 194,249	\$ 9,034	\$ 18,350

The deferred outflows of resources related to the City and HIS Plan, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30 2016. Subsequent contributions are as follows:

<u>Primary Government</u>	<u>Component Unit</u>
\$7,387	\$1,186

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30:	Primary Government	Component Unit
2016	\$ (24,500)	\$ (1,989)
2017	(24,500)	(1,989)
2018	(24,500)	(1,989)
2019	(24,500)	(1,989)
2020	(24,500)	(1,989)
Thereafter	(13,958)	(557)
Total	\$ (136,458)	\$ (10,502)

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Actuarial Assumptions:

The total pension liability in the July 1, 2015 actuarial valuation was determined using the following actuarial assumption, applied to all periods included in the measurement:

Inflation	2.60%
Salary increases	3.25%, average, including inflation
Municipal Bond Rate	3.80%

Mortality rates were based on the Generational RP 2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013 of the FRS Pension Plan.

Discount Rate:

The discount rate used to measure the total pension liability was 3.8%. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate:

The following represents the City and the Port Authority's proportionate share of the net pension liability calculated using the discount rate of 3.8%, as well as what the City and the Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.8%) or one percentage point higher (4.8%) than the current rate:

	1% Decrease 2.8%	Current Discount Rate 3.8%	1% Increase 4.8%
City's proportionate share of the net pension liability	\$ 831,274	\$ 729,538	\$ 644,704
Port Authority's proportionate share of the net pension liability	\$ 112,880	\$ 99,066	\$ 87,545

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Plan Fiduciary Net Position:

Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Component Unit:

Payables to the Plan:

At September 30, 2015, the Port Authority reported a payable in the amount of \$368 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2015.

Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular class, Elected County Officers, etc.) as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2014-15 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30%, Special Risk Administrative Support class 7.95%, Special Risk class 14.00%, Senior Management Service class 7.67% and County Elected Officers class 11.34%.

For all membership classes, employees are immediately vested in their own contributions are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended September 30, 2015, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the City.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The City's Investment Plan pension expense totaled \$1,423 for the fiscal year ended September 30, 2015.

9.2 Policemen, Firemen, and Senior Management Pension Trust Funds

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, 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. Full-time sworn police officers participate as a condition of employment. Full-time firefighters participate as a condition of employment. Designated employees (Senior Management) of the City of Panama City, including designated managers and directors, the City Engineer, the City Commission, the City Manager, the Assistant City Manager, and the City Clerk participate as a condition of employment.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

c. *Plan Membership*

Membership of each plan consisted of the following:

	Policemen Pension <u>10/1/14</u>	Firemen Pension <u>10/1/14</u>	Senior Management Pension <u>10/1/15</u>
Inactive plan members or beneficiaries currently receiving benefits	84	78	14
Inactive plan members entitled to but not yet receiving benefits	6	2	1
Active plan members	<u>91</u>	<u>66</u>	<u>17</u>
Total members	<u>181</u>	<u>146</u>	<u>32</u>
Number of participating employers	1	1	1

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

d. *Benefits Provided*

Normal Retirement

	Policemen <u>Pension</u>	Firemen <u>Pension</u>	Senior Management <u>Pension</u>																																		
Date	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.	Earlier of: 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 1 and 2 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 3 employees.
<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, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Early Retirement

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Date	Earlier of: 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, 2015**

NOTE 9 - RETIREMENT PLANS (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 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 1/1/1994 and 9/30/1997). 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, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

e. Contributions

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Employee	8.13% of salary	7.5% of salary	4.5% of pensionable earnings
Employer	Remaining amount necessary after member and State contributions for payment of normal cost and amortization of accrued past service liability over 30 years.	Remaining amount necessary after member and State contributions for payment of normal cost and amortization of accrued past service liability over 30 years. In no event less than 7.5% of total salaries of the members.	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, 2015:

	<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	32.00%	32.00%	Core bonds	16.00%
International equity	15.00%	15.00%	Multi-sector	24.00%
Bonds	24.00%	24.00%	U. S. large cap equity	39.00%
High yield bonds	5.00%	5.00%	U. S. small cap equity	11.00%
Convertibles	8.00%	8.00%	Non-U.S. equity	10.00%
Private real estate	5.00%	5.00%		
REITS	5.00%	5.00%		
MLPs	5.00%	5.00%		
Cash	1.00%	1.00%		

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, 2015**

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, 2015 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was (3.19) percent.	For the year ended September 30, 2015 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was (3.45) percent.	For the year ended September 30, 2015 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was 9.08 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

<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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. The DROP balance as of September 30, 2015 is \$198,752.</p>	<p>6.5% per annum, credited quarterly. The DROP balance as of September 30, 2015 is \$1,802,044.</p>	<p>None provided</p>

Employer Reporting of Pension Liabilities, Pension Expense, Deferred Outflows of Resources, Deferred Inflows of Resources, and Actuarial Assumptions (Employer Reporting)

Reporting Date, Measurement Date, and Valuation Date (Employer Reporting):

Net pension liabilities, deferred pension outflows of resources, deferred pension inflows of resources, and pension expense are all presented as of the City's reporting date (September 30, 2015) and for the City's reporting period (the year ended September 30, 2015). These amounts are measured as of the measurement date and for the measurement period (the period between the prior and current measurement dates). GASB Statement No. 68 requires that the current measurement date be no earlier than the end of the employer's prior fiscal year. For the reporting date of September 30, 2015, the City has chosen to use the end of the prior fiscal year (September 30, 2014 as the measurement date, and the year ended September 30, 2014 as the measurement period for the Policemen and Firemen Pensions and September 30, 2015 as the measurement date, and the year ended September 30, 2015 as the measurement period for Senior Management Pension.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

The total pension liability is determined by an actuarial valuation performed as of the measurement date, or by the use of update procedures to roll forward to the measurement date amounts from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end. The City has elected to apply update procedures to roll forward amounts from an actuarial valuation performed as of October 1, 2013 to the measurement date of September 30, 2014 for the Policemen and Firemen Pensions, and to apply update procedures to roll forward amounts from an actuarial valuation performed as of October 1, 2014, to the measurement date of September 30, 2015 for the Senior Management Pension.

Net Pension Liability (Employer Reporting):

The components of the net pension liability of the sponsor on September 30, 2015 were as follows:

Policemen			
Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2013	\$ 33,822,008	\$ 27,929,466	\$ 5,892,542
Changes for a year:			
Service cost	1,110,917		1,110,917
Interest	2,710,277		2,710,277
Contributions – Employer		1,411,641	(1,411,641)
Contributions – State		292,899	(292,899)
Contributions – Employee		220,523	(220,523)
Net investment income		2,905,224	(2,905,224)
Benefit payments, including refunds of employee contributions	(2,108,924)	(2,108,924)	
Administrative expense		(29,479)	29,479
Net changes	1,712,270	2,691,884	(979,614)
Balances at September 30, 2014	\$ 35,534,278	\$ 30,621,350	\$ 4,912,928

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

Firemen

Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2013	\$ 44,228,422	\$ 31,713,016	\$ 12,515,406
Changes for a year:			
Service cost	753,886		753,886
Interest	3,478,697		3,478,697
Contributions – Employer		1,433,019	(1,433,019)
Contributions – State		355,576	(355,576)
Contributions – Employee		207,185	(207,185)
Net investment income		3,164,093	(3,164,093)
Benefit payments, including refunds of employee contributions	(2,984,580)	(2,984,580)	
Administrative expense		(26,647)	26,647
Net changes	1,248,003	2,148,646	(900,643)
Balances at September 30, 2014	\$ 45,476,425	\$ 33,861,662	\$ 11,614,763

Senior Management

Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2014	\$ 2,545,633	\$ 2,746,790	\$ (201,157)
Changes for a Year:			
Service cost	77,922		77,922
Interest	230,283	246,599	(16,316)
Differences between expected and actual experience	58,580		58,580
Contributions – Employer		75,852	(75,852)
Contributions – Employee		54,179	(54,179)
Net investment income		(244,761)	244,761
Benefit payments, including refunds of employee contributions	(178,688)	(174,790)	(3,898)
Assumption changes	(250,495)		(250,495)
Administrative expense		(18,501)	18,501
Net changes	(62,398)	(61,422)	(976)
Balances at September 30, 2015	\$ 2,483,235	\$ 2,685,368	\$ (202,133)

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Pension Expense (Employer Reporting):

For the year ended September 30, 2015 the Sponsor will recognize a pension expense of:

<u>Policemen</u>	<u>Firemen</u>	<u>Senior Management</u>
\$975,547	\$1,066,513	\$50,127

Deferred Pension Outflows of Resources and Deferred Pension Inflows of Resources (Employer Reporting):

On September 30, 2015, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Policemen</u>		<u>Firemen</u>		<u>Senior Management</u>	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected actual experience					\$ 53,033	
Changes in assumptions						\$ 226,774
Net difference between projected and actual earnings on pension plan investments		\$ 543,522		\$ 534,137	195,808	8,042
Total	\$	\$ 543,522	\$	\$ 534,137	\$ 248,841	\$ 234,816

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in Pension Expense as follows:

Fiscal Year Ending September 30:	Policemen	Firemen	Senior Management
2016	\$ (135,880)	\$ (133,534)	\$ 28,097
2017	(135,880)	(133,534)	28,097
2018	(135,881)	(133,534)	28,097
2019	(135,881)	(133,535)	30,779
2020			(18,174)
Thereafter			(82,871)
Total	<u>\$ (543,522)</u>	<u>\$ (534,137)</u>	<u>\$ 14,025</u>

Actuarial Assumptions (Employer Reporting):

The total pension liability was determined by an actuarial valuation as of October 1, 2014 updated to September 30, 2015 using the following actuarial assumptions applied to all measurement periods.

	Policemen Pension	Firemen Pension	Senior Management Pension
Actuarial cost method	Entry age normal	Entry age normal	Aggregate cost method
Amortization method	Level % of pay, Layered Closed	Level % of pay, Layered 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
Inflation	3.00%	3.00%	3.59%
Salary Increases	Service based	6.00%	4.00%
Investment rate of return	8.00%	8.00%	4.48%

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Mortality Rates:

Policemen and Firemen - 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).

Senior Management - 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.

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 are summarized in the following tables:

Policemen and Firemen as of September 30, 2014

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	32.00%	7.80%
International equity	15.00%	2.20%
Bonds	24.00%	3.70%
High yield bonds	5.00%	5.20%
Convertibles	8.00%	5.30%
Private real estate	5.00%	4.90%
REITS	5.00%	8.20%
MLPs	5.00%	12.70%
Cash	1.00%	1.20%

Senior Management as of September 30, 2015

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core bonds	16.00%	2.48%
Multi-sector	24.00%	2.20%
U.S. large cap equity	39.00%	7.14%
U.S. small cap equity	11.00%	8.45%
Non-U.S. equity	10.00%	8.43%

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Discount Rate (Employer Reporting):

The discount rate used to measure the total pension liability was 8.00 percent for policemen and firemen, 9.08 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 the Net Pension Liability to Changes in the Discount Rate (Employer Reporting):

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability			
Policemen	\$ 8,809,592	\$ 4,912,928	\$ 1,626,774
Firemen	16,603,172	11,614,763	7,430,808
	1% Decrease 8.08%	Current Discount Rate 9.08%	1% Increase 10.08%
Senior Management	\$ 45,652	\$ (202,133)	\$ (410,996)

Net Pension Liability and Disclosures Required by GASB Statement No. 67 (Plan Reporting)

This section includes the information that is required to be presented by GASB Statement No. 67, reporting on the financial statement for the defined benefit plans for the year ended September 30, 2015. Separate valuations were performed by actuaries to calculate the total pension liability in accordance with this standard for financial reporting by pension plans and calculates the net pension liability (NPL). The plans elected to base the valuations on plan data as of September 30, 2015. In addition to presenting the NPL, this section also includes information on the actuarial assumptions used in the valuation, the discount rate that was used to calculate the NPL, and disclosures as to the sensitivity of the NPL to changes in the discount rate.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Net Pension Liabilities (Plan Reporting):

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>
Total pension liability	\$ 39,090,709	\$ 47,622,609	\$ 2,483,235
Plan fiduciary net position	<u>(29,303,443)</u>	<u>(32,285,198)</u>	<u>(2,685,368)</u>
Sponsor's net pension liability	<u>\$ 9,787,266</u>	<u>\$ 15,337,411</u>	<u>\$ (202,133)</u>
Plan fiduciary net position as a percentage of total pension liability	74.96%	67.79%	108.14%

Actuarial Assumptions (Plan Reporting):

The September 30, 2015 total pension liability for firemen and policemen was determined by rolling forward the total pension liability as of September 30, 2014 to September 30, 2015, using the actuarial assumptions and methods used in the October 1, 2014 actuarial valuation on the plans. Except for the changes listed as follows in the policemen pension, there have been no other changes. For the 2015 fiscal year, amounts reported as changes of benefit terms for the policemen pension plan resulted from:

- The member contribution rate increased from 5.58% to 8.13%, effective October 1, 2015.
- Effective October 1, 2015, the supplemental benefit shall increase from \$450 to \$650 per month for Members who retire as of or after October 1, 2015. This supplemental benefit is payable to service retirees (Early and Normal) and Members with vested deferred benefits who terminate employment.

For the 2015 fiscal year, amounts reported as changes of assumptions for the policemen pension plan resulted from an actuarial experience study dated December 2, 2015. The Board has approved a number of changes to the actuarial assumptions, including the following:

- The assumed rate of salary increases has been changed from a flat assumption of 6.00% per year to a service-based assumption table.
- The mortality table assumption has been changed from the RP 2000 Combined Healthy Mortality Table (sex-distinct) with no adjustment for future mortality improvements for healthy lives and a 5-year set forward for disabled lives to the mortality table assumption that is in compliance with Chapter 2015-157, Florida Statutes. Specifically, the new mortality table assumption is the special risk mortality tables reflected in the Florida Retirement System Actuarial Valuation as of July 1, 2014.
- The assumed probability of early retirement has increased from 5.0% to 10.0% per year.
- The assumed probability of normal retirement has been changed from 100% retirement probability for any member who has satisfied the requirements for normal retirement eligibility to a table with 50% probability at first eligibility, 75% the following year, and 100% two (2) years following first eligibility.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

- The assumed rate of termination has been changed from an age-based table to a service-based table.
- The assumed rate of disablement has been reduced in half at each age.

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, 2015 are summarized in the following table:

Asset Class	Policemen Pension Long-Term	Firemen Pension Long-Term
	Expected Real Rate of Return	Expected Real Rate of Return
Domestic equity	8.0%	8.0%
International equity	3.0%	3.0%
Bonds	4.4%	4.4%
High yield bonds	6.0%	6.0%
Convertibles	6.4%	6.4%
Private real estate	4.6%	4.6%
REITS	7.0%	7.0%
MLPs	10.4%	10.4%
Cash	1.1%	1.1%

Discount Rate (Plan Reporting):

The discount rate used to measure the total pension liability was 8.00 percent for policemen and firemen, and 9.08 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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Plan Reporting):

	1% Decrease 7.00%	Current Discount Rate 8.00%	1% Increase 9.00%
Sponsor's Net Pension Liability			
Policemen	\$ 14,311,347	\$ 9,787,266	\$ 6,014,779
Firemen	20,519,101	15,337,411	10,991,232
	1% Decrease 8.08%	Current Discount Rate 9.08%	1% Increase 10.08%
Senior Management	\$ 45,652	\$ (202,133)	\$ (410,996)

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

Combining Statement of Pension Plan Net Position
September 30, 2015

	Policemen Pension	Firemen Pension	Senior Management Pension	Total
Assets				
Cash and cash equivalents				
Short term investments	\$ 1,003,407	\$ 1,347,978		\$ 2,351,385
Savings account		47,905		47,905
Cash			\$ 21,483	21,483
Total cash and equivalents	1,003,407	1,395,883	21,483	2,420,773
Receivables				
State contributions	312,431			312,431
Investment income	37,125	38,879		76,004
Total receivables	349,556	38,879		388,435
Investments				
U. S. bonds and bills	3,203,229	3,318,671		6,521,900
Federal agency guaranteed securities	1,526,968	1,823,036		3,350,004
Corporate bonds	2,767,942	3,044,620	451,142	6,263,704
Stocks	11,438,635	8,829,319	2,212,743	22,480,697
Mutual funds				
Fixed income	1,329,369	1,454,964		2,784,333
Equity	6,468,188	5,707,126		12,175,314
Pooled/common/commingled funds				
Fixed income		1,222,920		1,222,920
Equity	1,531,060	2,657,231		4,188,291
Real estate		3,301,676		3,301,676
Total investments	28,265,391	31,359,563	2,663,885	62,288,839
Total Assets	<u>\$ 29,618,354</u>	<u>\$ 32,794,325</u>	<u>\$ 2,685,368</u>	<u>\$ 65,098,047</u>
Liabilities				
Payables				
Benefit payments		\$ 2,849		\$ 2,849
Prior refunds	\$ 668	575		1,243
Total payables	304,911	362,200		667,111
Prepaid city contribution	10,000	146,927		156,927
Total liabilities	314,911	509,127		824,038
Net Position				
Net position held in trust for pension benefits	29,303,443	32,285,198	\$ 2,685,368	64,274,009
Total Liabilities and Net Position	<u>\$ 29,618,354</u>	<u>\$ 32,794,325</u>	<u>\$ 2,685,368</u>	<u>\$ 65,098,047</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

Combining Statement of Changes In Net Position
Fiscal Year Ended September 30, 2015

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management Pension</u>	<u>Total</u>
Additions				
Contributions-				
Plan member	\$ 221,583	\$ 218,870	\$ 54,179	\$ 494,632
Employer	1,292,438	1,568,772	75,852	2,937,062
State	<u>312,431</u>	<u>327,139</u>	<u> </u>	<u>639,570</u>
Total contributions	<u>1,826,452</u>	<u>2,114,781</u>	<u>130,031</u>	<u>4,071,264</u>
Investment income-				
Net appreciation in fair value of investments	(1,533,620)	(1,657,455)	1,839	(3,189,236)
Interest revenue	<u>780,797</u>	<u>677,304</u>	<u> </u>	<u>1,458,101</u>
	(752,823)	(980,151)	1,839	(1,731,135)
Less investment expense	<u>(213,625)</u>	<u>(182,228)</u>	<u> </u>	<u>(395,853)</u>
Net investment income	<u>(966,448)</u>	<u>(1,162,379)</u>	<u>1,839</u>	<u>(2,126,988)</u>
Total additions	<u>860,004</u>	<u>952,402</u>	<u>131,870</u>	<u>1,944,276</u>
Deductions				
Distributions to members-				
Benefit payments	2,095,238	2,379,693	171,949	4,646,880
Lump sum DROP distributions		74,256		74,256
Refunds of member contributions	<u>41,032</u>	<u>41,898</u>	<u>2,842</u>	<u>85,722</u>
Total distributions	2,136,270	2,495,847	174,791	4,806,908
Administrative	<u>41,641</u>	<u>33,019</u>	<u>18,501</u>	<u>93,161</u>
Total deductions	<u>2,177,911</u>	<u>2,528,866</u>	<u>193,292</u>	<u>4,900,069</u>
Change in Net Position	(1,317,907)	(1,576,464)	(61,422)	(2,955,793)
Net Position Held in Trust For Pension Benefits				
Beginning of year	<u>30,621,350</u>	<u>33,861,662</u>	<u>2,746,790</u>	<u>67,229,802</u>
End of year	<u>\$ 29,303,443</u>	<u>\$32,285,198</u>	<u>\$ 2,685,368</u>	<u>\$ 64,274,009</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

9.3 Aggregate Schedule of Retirement Plan Information

For the fiscal year ended September 30, 2015, in total, reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	Primary Government		Component Unit	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 149,044	\$ 21,569	\$ 11,503	\$ 2,584
Change of assumptions	117,759	226,774	15,026	
Difference between projected and actual earnings on investments	196,203	1,302,862	54	26,018
Differences in proportion and differences between Pension Plan contributions and proportionate share of contributions	138,447	556,872		44,316
Pension Plan contributions subsequent to the measurement date	39,186		5,989	
Total	\$ 640,639	\$ 2,108,077	\$ 32,572	\$ 72,918

Pension Expense

For the fiscal year ended September 30, 2015, the City recognized total pension expense of \$2,143,103.

For the fiscal year ended September 30, 2015, the Port Authority recognized total pension expense of \$7,096.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 9 - RETIREMENT PLANS (Continued)

9.4 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, are eligible to participate in the Plan. 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.

Each participant who is an employee on his or her attainment of normal retirement age or is terminated as a result of death or disability, to the extent not then vested, shall become fully vested. Upon the death of the participant, the participant's vested plan account shall be paid to the participant's beneficiary. If a participant's employment terminates for any reason other than retirement, disability or death, the benefits shall be vested as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 2	0%
2	20%
3	40%
4	60%
5	80%
6 or more	100%

The unvested portion shall be forfeited on the day the participant's employment is terminated. Any forfeitures that result from a participant's termination before he or she completes at least 12 months of service will be returned to the employer. All other forfeitures are allocated to the employer contribution accounts of eligible participants.

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 \$784,902, of which \$106,387 was forfeitures, for the fiscal year ended September 30, 2015. 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>
9/30/15	\$ 784,902	100%	0
9/30/14	752,255	100%	0
9/30/13	708,677	100%	0

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

- 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.

9.5 Component Units

Retirement Plan and Trust for the General Employees

The Port Authority participated in the Retirement Plan and Trust for the General Employees of the Panama City Port Authority for employees hired after January 1, 1996, who were not eligible to participate in the Florida Retirement System.

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 single-employer defined contribution plan administered by the Florida League of Cities, Inc.

b. *Plan Provisions and Eligibility:*

All Port Authority full-time employees hired after January 1, 1996, are eligible to participate in the Fund. Employees 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 benefits shall be vested as follows:

<u>Years of Service</u>	<u>Vested Percentage</u>
1-5	0%
6	60%
7	70%
8	80%
9	90%
10	100%

Any forfeited amounts are allocated to future plan contributions, and plan administrative expenditures.

c. *Contribution Obligations:*

The Port Authority is required to contribute seven percent of participants' salaries to the plan. Total pension expense amounted to \$146,249, \$149,829, and \$135,529, of which \$0 was paid

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

NOTE 9 - RETIREMENT PLANS (Continued)

through forfeitures, for the years ended September 30, 2015, 2014, and 2013, respectively. This is a noncontributory plan. Contributions made equaled required contributions for the current and preceding years.

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

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, 2015, 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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

Blue Cross \$1,250 Deductible:

Retiree (each enrolled participant)	\$ 608.73
Retiree +1	\$ 898.25
Retiree + 2 or more	\$1,172.14
Medicare Supplement (each participant)	\$ 281.22

Dental Insurance:

Retiree	\$ 19.80
Retiree +1 or more	\$ 79.00

The number of participants included is as follows:

Current retirees:

Under age 65	47
Over age 65	23
Dependents	<u>34</u>
Total current retirees	<u>104</u>

Active employees:

Active employees fully eligible for benefits	61
Active employees not fully eligible for benefits	<u>420</u>
Total active employees	<u>481</u>

Total number of participants	<u>585</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	\$ 620,000
Interest on net OPEB obligation	104,000
Adjustment to annual required contribution	<u>(309,000)</u>
Annual OPEB cost	415,000
Contributions made	(191,000)
Interest on employer contributions	<u>(4,000)</u>
Increase in net OPEB obligation	220,000
Net OPEB obligation - beginning of year	<u>2,605,000</u>
Net OPEB obligation - end of year	<u>\$ 2,825,000</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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

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>
9/30/2015	\$ 415,000	47%	\$ 2,825,000
9/30/2014	352,000	30%	2,605,000
9/30/2013	350,000	28%	2,360,000

- d. *Funded Status and Funding Progress* - As of October 1, 2015, the most recent actuarial valuation date, the plan funded status was as follows:

Actuarial accrued liability (AAL)	\$ 3,398,000
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 3,398,000</u>
Funded ratio (actuarial value of plan assets/AAL)	0%
Covered payroll	\$ 16,818,000
UAAL as a percentage of covered payroll	20.2%

- 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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

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 2015 estimate (calculated as of October 1, 2015) used the following actuarial methods and assumptions:

Valuation date	October 1, 2015	
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	7.75% for 2015/16 graded to 5.25% for 2020/21	Not applicable
Ultimate rate	5.00% per annum	3.50% per annum

- 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 \$4,306,928 as of September 30, 2015. Since the City has no fiduciary responsibilities other than administrative in connection with the plans, the assets are not presented in these financial statements.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 11 - AGENCY FUNDS (Continued)

- 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.

NOTE 12 - ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2015, is as follows:

Governmental Funds-

General Fund	\$ 329,746
Community Planning and Development	341
Capital Projects Fund	331,038
Capital Projects 2013	58,566
Panama City Redevelopment Agency - St. Andrews	1,265
Panama City Redevelopment Agency - Downtown	2,281
Panama City Redevelopment Agency - Downtown North	314,672
State Housing Initiative Partnership - City	669
State Housing Initiative Partnership - County	95

Proprietary Funds-

Equipment Maintenance	20,354
Marina Fund	164,532
Solid Waste Fund	542,076
Utility Fund	<u>1,294,267</u>

Total	<u>\$ 3,059,902</u>
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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:

Non-spendable – 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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

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

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.

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.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015

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, 2015 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	\$ 112,279				\$ 160,762	\$ 1,769,761		
Prepaid items	241,308				-			\$ 395
Other	1,650							
Total non-spendable	<u>355,237</u>				<u>160,762</u>	<u>1,769,761</u>		<u>395</u>
Spendable:								
Restricted for:								
General Government				\$ 124,342				
Housing and Urban Development					1,376,576	3,726,457	\$ 718,351	
Debt Service								
Total restricted				<u>124,342</u>	<u>1,376,576</u>	<u>3,726,457</u>	<u>718,351</u>	
Committed to:								
Disaster/Emergency Reserve	11,396,432							
Community Redevelopment								143,964
Total committed	<u>11,396,432</u>	<u>-</u>						<u>143,964</u>
Assigned	<u>228,760</u>	<u>\$ 8,069,939</u>	<u>\$ 9,883,741</u>					
Unassigned	<u>12,591,442</u>	<u>-</u>	<u>-</u>					
Total	<u>\$ 24,571,871</u>	<u>\$ 8,069,939</u>	<u>\$ 9,883,741</u>	<u>\$ 124,342</u>	<u>\$ 1,537,338</u>	<u>\$ 5,496,218</u>	<u>\$ 718,351</u>	<u>\$ 144,359</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
\$ 420	\$ 395	-				
420	395	-				
			\$ 648,559	\$ 931,419	\$ 468,343	\$ 65,364
			648,559	931,419	468,343	65,364
183,936	1,930,858	\$ 1,339				
183,936	1,930,858	1,339				
\$ 184,356	\$ 1,931,253	\$ 1,339	\$ 648,559	\$ 931,419	\$ 468,343	\$ 65,364

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 14 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

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, 2015, 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 \$312,971 that begins on October 1, 2015.

Self-Insurance Programs. The City is self-insured for employee health. See Note 5 for further details.

Litigation. The City is the defendant in several lawsuits incurred in the normal course of operations. Management believes that amounts not covered by insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

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, 2015, are as follows:

General Fund	\$	1,829
Capital Projects		63,338
Capital Projects 2013		304,414
Special Revenue:		
Community Redevelopment Agency		15,130
Enterprise:		
Utilities		1,154,641
Solid Waste		257,304
Marina		118,272

Other Subsequent Events. The City did not have any other subsequent events requiring disclosure or recording in these financial statements through May 25, 2016 which is the date these financial statements were issued.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2015**

NOTE 15 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2015, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, that requires that employers and non-employer contributing entities report a net pension liability and related pension expense as determined by the plans under the requirements contained in GASB Statement No. 67, *Financial Reporting for Pension Plans*. Previously, GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, required employers to report a net pension obligation as determined under the requirements of GASB Statement No. 25, *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans*.

Also during the year ended September 30, 2015, the State implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, that requires that upon implementation of GASB Statement No. 68, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability.

In addition, an adjustment was made to governmental activities due to a correction for an unrecorded fixed asset. Beginning capital assets being depreciated (buildings) and accumulated depreciation (buildings) both increased by \$120,275, resulting in no net change.

The aggregate impact of these adjustments is shown on the financial statements. Details of the adjustments are as follows:

	Primary Government Government-wide Activities	Component Unit- Government-wide Activities
Beginning balance, as previously reported	\$ 177,778,262	\$ 82,353,280
Prior period adjustments:		
Change in accounting principle GASB 68	(20,889,030)	(265,545)
Beginning balance, as restated	<u>\$ 156,889,232</u>	<u>\$ 82,087,735</u>

	Proprietary Fund-Solid Waste	Proprietary Fund- Marina	Proprietary Fund-Utilities
Beginning balance, as previously reported	\$ 11,808,163	\$ 6,735,330	\$ 57,404,705
Prior period adjustments:			
Change in accounting principle GASB 68	(187,210)	12,509	(829,663)
Beginning balance, as restated	<u>\$ 11,620,953</u>	<u>\$ 6,747,839</u>	<u>\$ 56,575,042</u>



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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, 2015**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Taxes	\$ 18,952,909	\$ 18,952,909	\$ 20,128,376	\$ 1,175,467
Licenses and permits	8,278,000	8,278,000	9,163,514	885,514
Intergovernmental	4,568,100	4,568,100	5,267,088	698,988
Charges for services	1,391,476	1,391,476	1,189,338	(202,138)
Investment earnings	185,000	185,000	236,115	51,115
Miscellaneous	305,000	305,000	579,652	274,652
Total revenues	<u>33,680,485</u>	<u>33,680,485</u>	<u>36,564,083</u>	<u>2,883,598</u>
Expenditures:				
Current-				
General government	5,562,116	6,103,091	5,465,271	637,820
Public safety	16,781,766	17,224,588	16,248,208	976,380
Transportation	4,122,892	4,264,525	3,660,154	604,371
Economic environment	1,100,474	1,100,474	1,095,910	4,564
Human services	315,000	315,000	265,926	49,074
Culture/recreation	2,784,126	2,785,005	2,585,666	199,339
Debt Service				
Debt service principal		300,000	806,349	(506,349)
Debt service interest			6,666	(6,666)
Capital outlay	854,356	2,416,507	2,764,628	(348,121)
Total expenditures	<u>31,520,730</u>	<u>34,509,190</u>	<u>32,898,778</u>	<u>1,610,412</u>
Excess (deficiency) of revenues over (under) expenditures	2,159,755	(828,705)	3,665,305	4,494,010
Other Financing Sources (Uses):				
Transfers - in	2,159,350	2,713,811	2,587,810	(126,001)
Transfers - out	(8,054,592)	(8,164,527)	(8,156,253)	8,274
Proceeds from long-term debt			1,888,296	1,888,296
Total other financing sources (uses)	<u>(5,895,242)</u>	<u>(5,450,716)</u>	<u>(3,680,147)</u>	<u>1,770,569</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(3,735,487)	(6,279,421)	(14,842)	6,264,579
Fund Balances:				
Beginning of year	<u>24,586,713</u>	<u>24,586,713</u>	<u>24,586,713</u>	
End of year	<u>\$ 20,851,226</u>	<u>\$ 18,307,292</u>	<u>\$ 24,571,871</u>	<u>\$ 6,264,579</u>

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, 2015
Last 10 Fiscal Years

	Policemen Pension 9/30/2015	Policemen Pension 9/30/2014
Total Pension Liability		
Service cost	\$ 1,254,367	\$ 1,110,917
Interest	2,907,190	2,710,277
Changes in benefit terms	619,363	
Differences between expected and actual experience	726,890	
Changes in assumptions	184,891	
Benefit payments, including refunds of employee contributions	(2,136,270)	(2,108,924)
Net change in total pension liability	3,556,431	1,712,270
Total pension liability - beginning	35,534,278	33,822,008
Total pension liability - ending (a)	39,090,709	35,534,278
Plan Fiduciary Net Position		
Contributions - employer	1,292,438	1,411,641
Contributions - state	312,431	292,899
Contributions - employee	221,583	220,523
Net investment income	(966,448)	2,905,224
Benefit payments including refunds of employee contributions	(2,136,270)	(2,108,924)
Administrative expense	(41,641)	(29,479)
Net change in plan fiduciary net position	(1,317,907)	2,691,884
Plan fiduciary net position - beginning	30,621,350	27,929,466
Plan fiduciary net position - ending (b)	29,303,443	30,621,350
Net pension liability - ending (a) - (b)	<u>\$ 9,787,266</u>	<u>\$ 4,912,928</u>
Plan fiduciary net position as a percentage of the total pension	74.96%	86.17%
Covered employee payroll	\$ 4,041,893	\$ 3,952,031
Net pension liability as a percentage of covered employee payroll	242.15%	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 CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2015
Last 10 Fiscal Years

	Policemen Pension 9/30/2015	Policemen Pension 9/30/2014
Actuarially determined contribution	\$ 1,604,869	\$ 1,704,540
Contributions in relation to the actuarially determined contributions	<u>1,604,869</u>	<u>1,704,540</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 4,041,893	\$ 3,952,031
Contributions as a percentage of covered employee payroll	39.71%	43.13%

Notes to Schedule

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, Layered 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: 2.2% per year.

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:

Age	<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 CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2015
Last 10 Fiscal Years**

	Firemen Pension 9/30/2015	Firemen Pension 9/30/2014
Total Pension Liability		
Service cost	\$ 840,054	\$ 753,886
Interest	3,604,980	3,478,697
Differences between expected and actual experience	196,997	
Changes in assumptions		
Benefit payments, including refunds of employee contributions	(2,495,847)	(2,984,580)
Net change in total pension liability	2,146,184	1,248,003
Total pension liability - beginning	45,476,425	44,228,422
Total pension liability - ending (a)	47,622,609	45,476,425
Plan Fiduciary Net Position		
Contributions - employer	1,568,772	1,433,019
Contributions - state	327,139	355,576
Contributions - employee	218,870	207,185
Net investment income	(1,162,379)	3,164,093
Benefit payments including refunds of employee contributions	(2,495,847)	(2,984,580)
Administrative expense	(33,019)	(26,647)
Net change in plan fiduciary net position	(1,576,464)	2,148,646
Plan fiduciary net position - beginning	33,861,662	31,713,016
Plan fiduciary net position - ending (b)	32,285,198	33,861,662
Net pension liability - ending (a) - (b)	<u>\$ 15,337,411</u>	<u>\$ 11,614,763</u>
Plan fiduciary net position as a percentage of the total pension	67.79%	74.46%
Covered employee payroll	\$ 3,402,962	\$ 2,656,214
Net pension liability as a percentage of covered employee payroll	450.71%	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 CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2015
Last 10 Fiscal Years**

	Firemen Pension 9/30/2015	Firemen Pension 9/30/2014
Actuarially determined contribution	\$ 1,895,911	\$ 1,788,595
Contributions in relation to the actuarially determined contributions	<u>1,895,911</u>	<u>1,788,595</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 3,402,962	\$ 2,656,214
Contributions as a percentage of covered employee payroll	55.71%	67.34%

Notes to Schedule

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, Layered 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	3.00%	0.07%
30	2.50%	0.11%
40	1.30%	0.19%
50	0.50%	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 CHANGES IN NET PENSION
LIABILITY AND RELATED RATIOS
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2015
Last 10 Fiscal Years**

	Senior Management Pension 9/30/2015	Senior Management Pension 9/30/2014
Total Pension Liability		
Service cost	\$ 77,922	\$ 82,808
Interest	230,283	194,644
Differences Between Expected and Actual Experience	58,580	
Changes in Assumptions	(250,495)	
Benefit payments, including refunds of employee contributions	(178,688)	(119,587)
Net change in total pension liability	(62,398)	157,865
Total pension liability - beginning	2,545,633	2,387,768
Total pension liability - ending (a)	2,483,235	2,545,633
Plan Fiduciary Net Position		
Contributions - employer	75,852	83,416
Contributions - employee	54,179	59,205
Net investment income	1,838	218,211
Benefit payments including refunds of employee contributions	(174,790)	(142,266)
Administrative expense	(18,501)	(18,611)
Net change in plan fiduciary net position	(61,422)	199,955
Plan fiduciary net position - beginning	2,746,790	2,546,835
Plan fiduciary net position - ending (b)	2,685,368	2,746,790
Net pension liability - ending (a) - (b)	\$ (202,133)	\$ (201,157)
Plan fiduciary net position as a percentage of the total pension	108.14%	107.90%
Covered employee payroll	\$ 1,177,075	\$ 1,250,562
Net pension liability as a percentage of covered employee payroll	Not applicable	Not applicable

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, 2015
Last 10 Fiscal Years

	Senior Management Pension 2015	Senior Management Pension 2014
Actuarially determined contribution	\$ 77,852	\$ 83,416
Contributions in relation to the actuarially determined contributions	<u>77,852</u>	<u>83,416</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
Covered employee payroll	\$ 1,177,075	\$ 1,250,562
Contributions as a percentage of covered employee payroll	6.61%	6.67%

Notes to Schedule

Sponsors Net Pension Liability

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 10/01/2014)
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
SCHEDULE OF PROPORTIONATE SHARE OF
NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2015
Last 10 Fiscal Years**

Florida Retirement
System
9/30/2015

City's proportion of the net pension liability	0.704106400%
City's proportionate share of the net pension liability	\$ 909,448
City's covered-employee payroll	2,166,895
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	41.97%
Plan fiduciary net position as a percentage of the total pension liability	92.00%

Notes to Schedule

The amounts presented were determined by an actuarial valuation on July 1 of the fiscal year. The measurement period and measurement date is June 30 of the fiscal year.

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, 2015
Last 10 Fiscal Years**

	Florida Retirement System 2015
Actuarially determined contribution	\$ 133,750
Contributions in relation to the actuarially determined contributions	<u>133,750</u>
Contribution deficiency (excess)	<u><u>-</u></u>
Covered employee payroll	\$ 1,979,255
Contributions as a percentage of covered employee payroll	6.76%

Notes to Schedule

Sponsors Net Pension Liability

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:	Ultimate Entry Age Normal
Amortization Method:	Level Percent, Closed, Layered
Remaining Amortization Period:	17 Years
Asset Valuation Method:	5 years, Asymptotic, 80%-120% of fair market value
Inflation:	2.60%
Salary Increases:	0.65%
Investment Rate of Return:	7.65%
Cost of Living Adjustments:	3% for pre-July benefit 2011 service; 0% thereafter
Mortality:	Generational RP 2000 with Projection Scale BB

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 PROPORTIONATE SHARE OF
NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
FISCAL YEAR ENDED SEPTEMBER 30, 2015
Last 10 Fiscal Years**

	Health Insurance Subsidy Program 9/30/2015
City's proportion of the net pension liability	0.715343200%
City's proportionate share of the net pension liability	\$ 729,538
City's covered-employee payroll	2,166,895
City's proportionate share of the net pension liability as a percentage of its covered-employee payroll	33.67%
Plan fiduciary net position as a percentage of the total pension liability	0.50%

Notes to Schedule

The amounts presented were determined by an actuarial valuation on July 1 of the fiscal year. The measurement period and measurement date is June 30 of the fiscal year.

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, 2015
Last 10 Fiscal Years**

	Health Insurance Subsidy Program 2015
	<hr/>
Actuarially determined contribution	\$ 27,071
Contributions in relation to the actuarially determined contributions	<hr/> 27,071
Contribution deficiency (excess)	<hr/> <hr/> -
Covered employee payroll	\$ 2,003,319
Contributions as a percentage of covered employee payroll	1.35%

Notes to Schedule

Sponsors Net Pension Liability

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:	Ultimate Entry Age Normal
Amortization Method:	Level Percent, Closed, Layered
Remaining Amortization Period:	17 years
Asset Valuation Method:	5 years, Asymptotic, 80%-120% of fair market value
Inflation:	2.60%
Salary Increases:	0.65%
Investment Rate of Return	7.65%
Cost of Living Adjustments	3% for pre-July benefit 2011 service; 0% thereafter
Mortality	Generational RP 2000 with Projection Scale BB

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, 2015
Last 10 Fiscal Years**

	<u>9/30/2015</u>	<u>9/30/2014</u>
<u>Policemen</u>		
Annual Money-Weighted Rate of Return		
Net of Investment Expense	(3.19%)	10.49%
<u>Firemen</u>		
Annual Money-Weighted Rate of Return		
Net of Investment Expense	(3.45%)	10.13%
<u>Senior Management</u>		
Annual Money-Weighted Rate of Return		
Net of Investment Expense	9.08%	8.60%
<u>Florida Retirement System</u>		
Annual Money-Weighted Rate of Return		
Net of Investment Expense	3.77%	17.57%
<u>Health Insurance Subsidy</u>		
Annual Money-Weighted Rate of Return		
Net of Investment Expense	3.77%	17.57%

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
OTHER POST EMPLOYMENT BENEFITS (OPEB)
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2015**

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>
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%
2015	10/1/15		3,398,000	3,398,000	0.00%	16,818,000	20.20%

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%
9/30/14	538,000	105,000	20.0%
9/30/15	620,000	191,000	31.0%

See independent auditor's report.



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COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES

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, 2015**

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	\$ 109,395	\$ 6,853	\$ 558,969	\$ 904,770	\$ 156,059	\$ 187,829	\$ 1,938,881
Investments							
Due from other governmental entities	1,156,442	14,889		90,724			
Due from other funds		1,389		360	30		
Prepaid items					395	420	395
Inventories		160,762	1,769,761				
Notes receivable		1,394,391	3,172,189				
Total Assets	<u>\$ 1,265,837</u>	<u>\$ 1,578,284</u>	<u>\$ 5,500,919</u>	<u>\$ 995,854</u>	<u>\$ 156,484</u>	<u>\$ 188,249</u>	<u>\$ 1,939,276</u>
LIABILITIES AND FUND BALANCES							
Liabilities:							
Accounts payable		\$ 6,964	\$ 3,365	\$ 6,485	\$ 8,693	\$ 1,174	\$ 4,281
Due to other funds	\$ 1,141,495	20,753	371	1,401			15
Due to other governmental entities				269,617			
Accrued salaries		13,229	965		3,432	2,719	3,727
Total liabilities	<u>1,141,495</u>	<u>40,946</u>	<u>4,701</u>	<u>277,503</u>	<u>12,125</u>	<u>3,893</u>	<u>8,023</u>
Fund Balances:							
Non-Spendable		160,762	1,769,761		395	420	395
Spendable:							
Restricted	124,342	1,376,576	3,726,457	718,351			
Committed					143,964	183,936	1,930,858
Total fund balances	<u>124,342</u>	<u>1,537,338</u>	<u>5,496,218</u>	<u>718,351</u>	<u>144,359</u>	<u>184,356</u>	<u>1,931,253</u>
Total Liabilities and Fund Balances	<u>\$ 1,265,837</u>	<u>\$ 1,578,284</u>	<u>\$ 5,500,919</u>	<u>\$ 995,854</u>	<u>\$ 156,484</u>	<u>\$ 188,249</u>	<u>\$ 1,939,276</u>

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
\$ 4,134	\$ 648,559	\$ 931,419	\$ 464,423 3,920	\$ 79,269	\$ 5,990,560 3,920
150					1,262,205
6					1,785
					1,210
					1,930,523
					4,566,580
<u>\$ 4,290</u>	<u>\$ 648,559</u>	<u>\$ 931,419</u>	<u>\$ 468,343</u>	<u>\$ 79,269</u>	<u>\$ 13,756,783</u>
\$ 1,240				\$ 13,905	\$ 32,202
					1,177,940
					269,617
1,711					25,783
<u>2,951</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,905</u>	<u>1,505,542</u>
-					1,931,733
	\$ 648,559	\$ 931,419	\$ 468,343	65,364	8,059,411
<u>1,339</u>					<u>2,260,097</u>
<u>1,339</u>	<u>648,559</u>	<u>931,419</u>	<u>468,343</u>	<u>65,364</u>	<u>12,251,241</u>
<u>\$ 4,290</u>	<u>\$ 648,559</u>	<u>\$ 931,419</u>	<u>\$ 468,343</u>	<u>\$ 79,269</u>	<u>\$ 13,756,783</u>

**CITY OF PANAMA CITY, FLORIDA
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2015**

	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	\$ 1,634,643	\$ 441,012	\$ 99,447	\$ 398,696	\$ 414,719	\$ 266,695	\$ 1,380,203
Charges for services			19,978				
Investment earnings		2,723	9,310				
Miscellaneous	9,724	522	140,763	108,447	40	205	48,820
Total revenues	<u>1,644,367</u>	<u>444,257</u>	<u>269,498</u>	<u>507,143</u>	<u>414,759</u>	<u>266,900</u>	<u>1,429,023</u>
Expenditures:							
Current:							
Economic environment		426,484	193,161	321,546	298,843	273,804	736,609
Debt service-							
Principal retirement							
Interest							
Capital outlay					111,911	16,490	86,770
Total expenditures		<u>426,484</u>	<u>193,161</u>	<u>321,546</u>	<u>410,754</u>	<u>290,294</u>	<u>823,379</u>
Excess (deficiency) of revenues over expenditures	<u>1,644,367</u>	<u>17,773</u>	<u>76,337</u>	<u>185,597</u>	<u>4,005</u>	<u>(23,394)</u>	<u>605,644</u>
Other Financing Sources (Uses):							
Transfers - in	-	26,441					
Transfers - out	<u>(1,644,422)</u>	<u>(129,633)</u>	<u>(25,213)</u>	<u>(4,196)</u>	<u>(19,922)</u>	<u>(7,152)</u>	<u>(15,218)</u>
Total other financing sources (uses)	<u>(1,644,422)</u>	<u>(103,192)</u>	<u>(25,213)</u>	<u>(4,196)</u>	<u>(19,922)</u>	<u>(7,152)</u>	<u>(15,218)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(55)	(85,419)	51,124	181,401	(15,917)	(30,546)	590,426
Fund Balances:							
Beginning of year	<u>124,397</u>	<u>1,622,757</u>	<u>5,445,094</u>	<u>536,950</u>	<u>160,276</u>	<u>214,902</u>	<u>1,340,827</u>
End of year	<u>\$ 124,342</u>	<u>\$ 1,537,338</u>	<u>\$ 5,496,218</u>	<u>\$ 718,351</u>	<u>\$ 144,359</u>	<u>\$ 184,356</u>	<u>\$ 1,931,253</u>

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
\$ 271,599					\$ 4,907,014
			\$ 316		19,978
2,040					12,349
273,639			316		310,561
					5,249,902
153,827					2,404,274
	\$ 605,000	\$ 771,000	293,000	\$ 133,000	1,802,000
	59,662	281,739	4,747	24,279	370,427
					215,171
153,827	664,662	1,052,739	297,747	157,279	4,791,872
119,812	(664,662)	(1,052,739)	(297,431)	(157,279)	458,030
	673,886	1,061,843	296,165	157,989	2,216,324
(167,620)					(2,013,376)
(167,620)	673,886	1,061,843	296,165	157,989	202,948
(47,808)	9,224	9,104	(1,266)	710	660,978
49,147	639,335	922,315	469,609	64,654	11,590,263
\$ 1,339	\$ 648,559	\$ 931,419	\$ 468,343	\$ 65,364	\$ 12,251,241

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, 2015

	Original Budget	Final Budget	Actual	Variance
Legislative	\$ 317,149	\$ 720,687	\$ 720,635	\$ 52
Executive	771,486	771,486	607,575	163,911
Finance and Administration - City Clerk	867,865	867,865	807,542	60,323
Finance and Administration - Purchasing	34,760	39,386	32,940	6,446
Finance and Administration - Human Resources	400,264	422,077	421,291	786
Finance and Administration - Data Processing	584,849	579,468	557,146	22,322
Finance and Administration - Legal Counsel	575,000	696,126	646,115	50,011
Public Works - Engineering	805,890	816,151	656,891	159,260
Public Works - Street	4,547,416	4,404,320	3,746,247	658,073
Public Works - Other	871,886	872,400	749,420	122,980
Police	10,205,084	12,155,290	12,127,561	27,729
Fire	6,687,882	6,955,104	6,953,087	2,017
Leisure Services	2,225,755	2,269,326	2,051,319	218,007
Non-departmental	2,625,444	2,939,504	2,821,009	118,495
Total General Fund				
Expenditures by Department	<u>\$ 31,520,730</u>	<u>\$ 34,509,190</u>	<u>\$ 32,898,778</u>	<u>\$ 1,610,412</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, 2015**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 43,600	\$ 588,061	\$ 1,634,643	\$ 1,046,582
Miscellaneous	15,000	15,000	9,724	(5,276)
Total revenues	<u>58,600</u>	<u>603,061</u>	<u>1,644,367</u>	<u>1,041,306</u>
Excess of revenues over expenditures	<u>58,600</u>	<u>603,061</u>	<u>1,644,367</u>	<u>1,041,306</u>
Other Financing Sources (Uses):				
Transfers - out	<u>(58,600)</u>	<u>(1,814,370)</u>	<u>(1,644,422)</u>	<u>169,948</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	-	(1,211,309)	(55)	1,211,254
Fund Balances:				
Beginning of year	<u>124,397</u>	<u>124,397</u>	<u>124,397</u>	
End of year	<u>\$ 124,397</u>	<u>\$ (1,086,912)</u>	<u>\$ 124,342</u>	<u>\$ 1,211,254</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, 2015**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 324,812	\$ 324,812	\$ 441,012	\$ 116,200
Investment earnings	3,500	3,500	2,723	(777)
Miscellaneous			522	522
Total revenues	<u>328,312</u>	<u>328,312</u>	<u>444,257</u>	<u>115,945</u>
Expenditures:				
Current-				
Economic environment -				
Housing and Urban Development	<u>678,583</u>	<u>682,233</u>	<u>426,484</u>	<u>255,749</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(350,271)</u>	<u>(353,921)</u>	<u>17,773</u>	<u>371,694</u>
Other Financing Sources (Uses):				
Transfers - in			26,441	26,441
Transfers - out	<u>(336,074)</u>	<u>(336,074)</u>	<u>(129,633)</u>	<u>206,441</u>
Total other financing sources (uses)	<u>(336,074)</u>	<u>(336,074)</u>	<u>(103,192)</u>	<u>232,882</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(686,345)	(689,995)	(85,419)	604,576
Fund Balances:				
Beginning of year	<u>1,622,757</u>	<u>1,622,757</u>	<u>1,622,757</u>	
End of year	<u>\$ 936,412</u>	<u>\$ 932,762</u>	<u>\$ 1,537,338</u>	<u>\$ 604,576</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, 2015**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 408,588	\$ 408,588	\$ 99,447	\$ (309,141)
Charges for services			19,978	19,978
Investment earnings			9,310	9,310
Miscellaneous			140,763	140,763
Total revenues	<u>408,588</u>	<u>408,588</u>	<u>269,498</u>	<u>(139,090)</u>
Expenditures:				
Current-				
Economic environment -				
Housing and Urban Development	<u>592,433</u>	<u>600,620</u>	<u>193,161</u>	<u>407,459</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(183,845)</u>	<u>(192,032)</u>	<u>76,337</u>	<u>268,369</u>
Other Financing Sources (Uses):				
Transfers - out	<u>(2,800)</u>	<u>(2,800)</u>	<u>(25,213)</u>	<u>(22,413)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(186,645)</u>	<u>(194,832)</u>	<u>51,124</u>	<u>245,956</u>
Fund Balances:				
Beginning of year	<u>5,445,094</u>	<u>5,445,094</u>	<u>5,445,094</u>	
End of year	<u><u>\$ 5,258,449</u></u>	<u><u>\$ 5,250,262</u></u>	<u><u>\$ 5,496,218</u></u>	<u><u>\$ 245,956</u></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, 2015**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 520,000	\$ 520,000	\$ 398,696	\$ (121,304)
Miscellaneous			108,447	108,447
Total revenues	<u>520,000</u>	<u>520,000</u>	<u>507,143</u>	<u>(12,857)</u>
Expenditures:				
Current-				
Economic environment -				
Housing and Urban Development	<u>15,649</u>	<u>169,032</u>	<u>321,546</u>	<u>(152,514)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>504,351</u>	<u>350,968</u>	<u>185,597</u>	<u>(165,371)</u>
Other Financing Sources (Uses):				
Transfers - out			<u>(4,196)</u>	<u>(4,196)</u>
Excess of revenues and other financing sources over expenditures and other financing uses	<u>504,351</u>	<u>350,968</u>	<u>181,401</u>	<u>(169,567)</u>
Fund Balances:				
Beginning of year	<u>536,950</u>	<u>536,950</u>	<u>536,950</u>	
End of year	<u>\$ 1,041,301</u>	<u>\$ 887,918</u>	<u>\$ 718,351</u>	<u>\$ (169,567)</u>

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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 358,392	\$ 414,005	\$ 414,719	\$ 714
Investment earnings	500	500		(500)
Miscellaneous			40	40
Total revenues	<u>358,892</u>	<u>414,505</u>	<u>414,759</u>	<u>254</u>
Expenditures:				
Current -				
Economic environment	408,783	432,067	298,843	133,224
Capital outlay	<u>26,609</u>	<u>57,111</u>	<u>111,911</u>	<u>(54,800)</u>
Total expenditures	<u>435,392</u>	<u>489,178</u>	<u>410,754</u>	<u>78,424</u>
Excess (deficiency) of revenues over (under) expenditures	(76,500)	(74,673)	4,005	78,678
Other Financing Sources (Uses):				
Transfers - out	<u>(13,500)</u>	<u>(13,500)</u>	<u>(19,922)</u>	<u>(6,422)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(90,000)	(88,173)	(15,917)	72,256
Fund Balances:				
Beginning of year	<u>160,276</u>	<u>160,276</u>	<u>160,276</u>	
End of year	<u>\$ 70,276</u>	<u>\$ 72,103</u>	<u>\$ 144,359</u>	<u>\$ 72,256</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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 232,795	\$ 263,310	\$ 266,695	\$ 3,385
Miscellaneous			205	205
Total revenues	<u>232,795</u>	<u>263,310</u>	<u>266,900</u>	<u>3,590</u>
Expenditures:				
Current -				
Economic environment	405,778	312,900	273,804	39,096
Capital outlay	33,000	152,198	16,490	135,708
Total expenditures	<u>438,778</u>	<u>465,098</u>	<u>290,294</u>	<u>174,804</u>
Excess (deficiency) of revenues over (under) expenditures	(205,983)	(201,788)	(23,394)	178,394
Other Financing Sources (Uses):				
Transfers - out	<u>(12,800)</u>	<u>(12,800)</u>	<u>(7,152)</u>	<u>5,648</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(218,783)	(214,588)	(30,546)	184,042
Fund Balances:				
Beginning of year	<u>214,902</u>	<u>214,902</u>	<u>214,902</u>	
End of year	<u>\$ (3,881)</u>	<u>\$ 314</u>	<u>\$ 184,356</u>	<u>\$ 184,042</u>

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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 1,202,197	\$ 1,362,213	\$ 1,380,203	\$ 17,990
Miscellaneous	40,001	40,001	48,820	8,819
Total revenues	<u>1,242,198</u>	<u>1,402,214</u>	<u>1,429,023</u>	<u>26,809</u>
Expenditures:				
Current -				
Economic environment	1,915,303	1,905,314	736,609	1,168,705
Capital outlay	731,936	386,399	86,770	299,629
Total expenditures	<u>2,647,239</u>	<u>2,291,713</u>	<u>823,379</u>	<u>1,468,334</u>
Excess (deficiency) of revenues over (under) expenditures	(1,405,041)	(889,499)	605,644	1,495,143
Other Financing Sources (Uses):				
Transfers - out	<u>(22,885)</u>	<u>(22,885)</u>	<u>(15,218)</u>	<u>7,667</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,427,926)	(912,384)	590,426	1,502,810
Fund Balances:				
Beginning of year	<u>1,340,827</u>	<u>1,340,827</u>	<u>1,340,827</u>	
End of year	<u>\$ (87,099)</u>	<u>\$ 428,443</u>	<u>\$ 1,931,253</u>	<u>\$ 1,502,810</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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 240,494	\$ 272,312	\$ 271,599	\$ (713)
Investment earnings	200	200	2,040	1,840
Total revenues	<u>240,694</u>	<u>272,512</u>	<u>273,639</u>	<u>1,127</u>
Expenditures:				
Current -				
Economic environment	101,386	181,833	153,827	28,006
Capital outlay		8,628		8,628
Total expenditures	<u>101,386</u>	<u>190,461</u>	<u>153,827</u>	<u>36,634</u>
Excess of revenues over expenditures	139,308	82,051	119,812	37,761
Other Financing Sources (Uses):				
Transfers - out	<u>(168,289)</u>	<u>(168,289)</u>	<u>(167,620)</u>	<u>669</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(28,981)	(86,238)	(47,808)	38,430
Fund Balances:				
Beginning of year	<u>49,147</u>	<u>49,147</u>	<u>49,147</u>	
End of year	<u>\$ 20,166</u>	<u>\$ (37,091)</u>	<u>\$ 1,339</u>	<u>\$ 38,430</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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings				
Expenditures:				
Debt service -				
Principal retirement	\$ 605,000	\$ 605,000	\$ 605,000	
Interest	59,662	59,662	59,662	
Total expenditures	664,662	664,662	664,662	
Excess (deficiency) of revenues over (under) expenditures	(664,662)	(664,662)	(664,662)	
Other Financing Sources (Uses):				
Transfers - in	673,886	673,886	673,886	
Excess of revenues and other financing sources over expenditures and other financing uses	9,224	9,224	9,224	
Fund Balances:				
Beginning of year	639,335	639,335	639,335	
End of year	\$ 648,559	\$ 648,559	\$ 648,559	

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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings				
Expenditures:				
Debt service -				
Principal retirement	\$ 771,000	\$ 771,000	\$ 771,000	
Interest	281,739	281,739	281,739	
Total expenditures	1,052,739	1,052,739	1,052,739	
Excess (deficiency) of revenues over (under) expenditures	(1,052,739)	(1,052,739)	(1,052,739)	
Other Financing Sources (Uses):				
Transfers - in	1,061,843	1,061,843	1,061,843	
Excess of revenues and other financing sources over expenditures and other financing uses	9,104	9,104	9,104	
Fund Balances:				
Beginning of year	922,315	922,315	922,315	
End of year	\$ 931,419	\$ 931,419	\$ 931,419	

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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings	\$ 1,000	\$ 1,000	\$ 316	\$ (684)
Expenditures:				
Debt service -				
Principal retirement	293,000	293,000	293,000	
Interest	4,747	4,747	4,747	
Total expenditures	297,747	297,747	297,747	
Excess (deficiency) of revenues over (under) expenditures	(296,747)	(296,747)	(297,431)	(684)
Other Financing Sources (Uses):				
Transfers - in	296,165	296,165	296,165	
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(582)	(582)	(1,266)	(684)
Fund Balances:				
Beginning of year	469,609	469,609	469,609	
End of year	\$ 469,027	\$ 469,027	\$ 468,343	\$ (684)

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, 2015

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings				
Expenditures:				
Debt service -				
Principal retirement	\$ 133,000	\$ 133,000	\$ 133,000	-
Interest	24,279	24,279	24,279	
Total expenditures	157,279	157,279	157,279	
Excess (deficiency) of revenues over (under) expenditures	(157,279)	(157,279)	(157,279)	
Other Financing Sources (Uses):				
Transfers - in	157,989	157,989	157,989	
Excess of revenues and other financing sources over expenditures and other financing uses	710	710	710	
Fund Balances:				
Beginning of year	64,654	64,654	64,654	
End of year	\$ 65,364	\$ 65,364	\$ 65,364	

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, 2015**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings			\$ 49,180	\$ 49,180
Expenditures:				
Current-				
Leisure services		\$ 2,464	2,464	-
Capital outlay-				
General government	\$ 300,000	360,000	43,457	316,543
Public safety	50,000	62,104	44,681	17,423
Transportation	2,848,334	4,069,260	3,146,227	923,033
Leisure services	525,000	189,218	221,344	(32,126)
Total expenditures	3,723,334	4,683,046	3,458,173	1,224,873
Excess (deficiency) of revenues over (under) expenditures	(3,723,334)	(4,683,046)	(3,408,993)	1,274,053
Other Financing Sources (Uses):				
Transfers - in	3,600,000	3,699,935	4,663,433	963,498
Transfers - out	(500,750)	(500,750)	(500,750)	-
Total other financing sources	3,099,250	3,199,185	4,162,683	963,498
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(624,084)	(1,483,861)	753,690	2,237,551
Fund Balances:				
Beginning of year	9,130,051	9,130,051	9,130,051	
End of year	\$ 8,505,967	\$ 7,646,190	\$ 9,883,741	\$ 2,237,551

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, 2015**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Investment earnings			\$ 45,845	\$ 45,845
Miscellaneous			255	255
Total revenues	-	-	46,100	46,100
Expenditures:				
Capital outlay-				
General government		\$ 2,073,484	2,294,414	(220,930)
Excess (deficiency) of revenues over (under) expenditures	-	(2,073,484)	(2,248,314)	(174,830)
Fund Balances:				
Beginning of year	\$ 10,318,253	10,318,253	10,318,253	
End of year	\$ 10,318,253	\$ 8,244,769	\$ 8,069,939	\$ (174,830)

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, 2015**

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
ASSETS				
Current Assets:				
Cash and cash equivalents	\$ 100	\$ 1,536,260	\$ 360,305	\$ 1,896,665
Investments		952,884		952,884
Accounts receivable	225	43,744		43,969
Due from other government units	4,347			4,347
Inventory	94,618			94,618
Prepaid items		45,680		45,680
Total current assets	99,290	2,578,568	360,305	3,038,163
Property, Plant, and Equipment:				
Machinery and equipment	334,577			334,577
Intangibles	5,231			5,231
Less accumulated depreciation	(256,453)			(256,453)
Total property, plant, and equipment	83,355			83,355
Total Assets	\$ 182,645	\$ 2,578,568	\$ 360,305	\$ 3,121,518
LIABILITIES				
Current Liabilities:				
Due to other funds	\$ 56,052			\$ 56,052
Accounts payable	51,014	\$ 553,668		604,682
Accrued wages payable	16,368			16,368
Accrued annual leave - current portion	4,595			4,595
Total current liabilities	128,029	553,668	-	681,697
Noncurrent Liabilities:				
Net OPEB obligation	56,500			56,500
Accrued wages payable - Accrued annual leave (net of current portion)	13,785			13,785
Total noncurrent liabilities	70,285			70,285
Total liabilities	198,314	553,668	-	751,982
NET POSITION				
Net investment in capital assets	83,355			83,355
Restricted for claims		2,024,900	\$ 360,305	2,385,205
Unrestricted (deficit)	(99,024)			(99,024)
Total net position	(15,669)	2,024,900	360,305	2,369,536
Total Liabilities and Net Position	\$ 182,645	\$ 2,578,568	\$ 360,305	\$ 3,121,518

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, 2015

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
Operating Revenues:				
Charges for services	\$ 1,554,992			\$ 1,554,992
Contributions -				
Employee contributions		\$ 546,935	\$ 83,076	630,011
Other agency contributions		1,097,284	47,114	1,144,398
Retired employee contributions		754,784	51,117	805,901
Miscellaneous	2,738	259,779		262,517
Total operating revenues	<u>1,557,730</u>	<u>2,658,782</u>	<u>181,307</u>	<u>4,397,819</u>
Operating Expenses:				
Personal services	378,333			378,333
Operating expenses -				
Operating expenses	1,086,247			1,086,247
Depreciation	10,402			10,402
Administration fees		1,141,429	286,494	1,427,923
Claims		5,524,284		5,524,284
Total operating expenses	<u>1,474,982</u>	<u>6,665,713</u>	<u>286,494</u>	<u>8,427,189</u>
Operating income (loss)	<u>82,748</u>	<u>(4,006,931)</u>	<u>(105,187)</u>	<u>(4,029,370)</u>
Nonoperating Revenue:				
Scrap sales	2,169			2,169
Investment earnings		8,373		8,373
Total nonoperating revenue	<u>2,169</u>	<u>8,373</u>		<u>10,542</u>
Income (loss) before transfers	<u>84,917</u>	<u>(3,998,558)</u>	<u>(105,187)</u>	<u>(4,018,828)</u>
Transfers:				
Transfers - in		4,070,386	106,222	4,176,608
Transfers - out	(86,728)			(86,728)
Total transfers in (out)	<u>(86,728)</u>	<u>4,070,386</u>	<u>106,222</u>	<u>4,089,880</u>
Change in Net Position	(1,811)	71,828	1,035	71,052
Net Position - Beginning of year	<u>(13,858)</u>	<u>1,953,072</u>	<u>359,270</u>	<u>2,298,484</u>
Net Position - End of year	<u>\$ (15,669)</u>	<u>\$ 2,024,900</u>	<u>\$ 360,305</u>	<u>\$ 2,369,536</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,559,424			\$ 1,559,424
Cash paid to suppliers	(1,089,410)			(1,089,410)
Cash paid to employees	(376,489)			(376,489)
Cash received for insurance contributions		\$ 2,850,301	\$ 181,307	3,031,608
Cash paid for insurance claims		(6,823,482)	(287,434)	(7,110,916)
Net cash provided (used) by operating activities	93,525	(3,973,181)	(106,127)	(3,985,783)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers - in		4,070,386	106,222	4,176,608
Transfers - out	(86,728)			(86,728)
Net cash provided (used) by noncapital financing activities	(86,728)	4,070,386	106,222	4,089,880
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Purchases of capital assets	(8,966)			(8,966)
Proceeds from sales of capital assets	2,169			2,169
Net cash provided (used) by capital and related financing activities	(6,797)			(6,797)
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from maturity of investments		901,927		901,927
Purchase of investment securities		(952,884)		(952,884)
Investment earnings		8,373		8,373
Net cash provided (used) by investing activities		(42,584)		(42,584)
Net increase (decrease) in cash and cash equivalents	-	54,621	95	54,716
Cash and cash equivalents				
Beginning of year	100	1,481,639	360,210	1,841,949
End of Year	\$ 100	\$ 1,536,260	\$ 360,305	\$ 1,896,665

See independent auditor's report.

	Equipment Maintenance	Medical Self - Insurance	Dental Insurance	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 82,748	\$ (4,006,931)	\$ (105,187)	\$ (4,029,370)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	10,402			10,402
Change in assets and liabilities - (Increase) Decrease -				
Accounts receivable	(225)	191,519		191,294
Inventory	(25,639)			(25,639)
Due from other governmental units	1,919			1,919
Prepaid items		7,901		7,901
Increase (Decrease) -				
Accounts payable	(9,079)	(165,670)	(940)	(175,689)
Accrued wages	2,267			2,267
Accrued annual leave	(4,822)			(4,822)
Due to other funds	31,554			31,554
Net OPEB obligation	4,400			4,400
Net cash provided (used) by operating activities	<u>\$ 93,525</u>	<u>\$ (3,973,181)</u>	<u>\$ (106,127)</u>	<u>\$ (3,985,783)</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, 2015**

	Policemen Pension	Firemen Pension	Senior Management Pension	Total
Assets:				
Cash and cash equivalents				
Short term investments	\$ 1,003,407	\$ 1,347,978		\$ 2,351,385
Savings account		47,905		47,905
Cash			\$ 21,483	21,483
Total cash and equivalents	1,003,407	1,395,883	21,483	2,420,773
Receivables				
State contributions	312,431			312,431
Investment income	37,125	38,879		76,004
Total receivables	349,556	38,879		388,435
Investments				
U.S. bonds and bills	3,203,229	3,318,671		6,521,900
Federal agency guaranteed securities	1,526,968	1,823,036		3,350,004
Corporate bonds	2,767,942	3,044,620	451,142	6,263,704
Stocks	11,438,635	8,829,319	2,212,743	22,480,697
Mutual funds				
Fixed income	1,329,369	1,454,964		2,784,333
Equity	6,468,188	5,707,126		12,175,314
Pooled/common/commingled funds				
Fixed income		1,222,920		1,222,920
Equity	1,531,060	2,657,231		4,188,291
Real estate		3,301,676		3,301,676
Total investments	28,265,391	31,359,563	2,663,885	62,288,839
Total Assets	\$ 29,618,354	\$ 32,794,325	\$ 2,685,368	\$ 65,098,047
Liabilities:				
Payables				
Benefit payments		\$ 2,849		\$ 2,849
Prior refunds	\$ 668	575		1,243
To broker for investments purchased	304,243	358,776		663,019
Total payables	304,911	362,200		667,111
Prepaid city contribution	10,000	146,927		156,927
Total liabilities	314,911	509,127		824,038
Net Position:				
Net position held in trust for pension benefits	29,303,443	32,285,198	\$ 2,685,368	64,274,009
Total Liabilities and Net Position	\$ 29,618,354	\$ 32,794,325	\$ 2,685,368	\$ 65,098,047

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, 2015

	Policemen Pension	Firemen Pension	Senior Management Pension	Total
Additions				
Contributions -				
Plan members	\$ 221,583	\$ 218,870	\$ 54,179	\$ 494,632
Employer	1,292,438	1,568,772	75,852	2,937,062
State	312,431	327,139		639,570
Total contributions	<u>1,826,452</u>	<u>2,114,781</u>	<u>130,031</u>	<u>4,071,264</u>
Investment income -				
Net appreciation (depreciation) in fair value of investments	(1,533,620)	(1,657,455)	1,839	(3,189,236)
Interest revenue	<u>780,797</u>	<u>677,304</u>		<u>1,458,101</u>
	(752,823)	(980,151)	1,839	(1,731,135)
Less investment expense	<u>(213,625)</u>	<u>(182,228)</u>		<u>(395,853)</u>
Net investment income	<u>(966,448)</u>	<u>(1,162,379)</u>	<u>1,839</u>	<u>(2,126,988)</u>
Total additions	<u>860,004</u>	<u>952,402</u>	<u>131,870</u>	<u>1,944,276</u>
Deductions				
Distributions to members-				
Benefit payments	2,095,238	2,379,693	171,949	4,646,880
Lump sum DROP distributions		74,256		74,256
Refunds of member contributions	<u>41,032</u>	<u>41,898</u>	<u>2,842</u>	<u>85,772</u>
Total distributions	<u>2,136,270</u>	<u>2,495,847</u>	<u>174,791</u>	<u>4,806,908</u>
Administration	<u>41,641</u>	<u>33,019</u>	<u>18,501</u>	<u>93,161</u>
Total deductions	<u>2,177,911</u>	<u>2,528,866</u>	<u>193,292</u>	<u>4,900,069</u>
Change in Net Position	(1,317,907)	(1,576,464)	(61,422)	(2,955,793)
Net Position Held in Trust for Pension Benefits				
Beginning of year	<u>30,621,350</u>	<u>33,861,662</u>	<u>2,746,790</u>	<u>67,229,802</u>
End of year	<u>\$ 29,303,443</u>	<u>\$ 32,285,198</u>	<u>\$ 2,685,368</u>	<u>\$ 64,274,009</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, 2015

	Balance October 1, 2014	Additions	Deductions	Balance September 30, 2015
ASSETS				
Cash		\$ 359,894	\$ 207,128	\$ 152,766
Accounts receivable	\$ 21,228		21,228	
Total Assets	<u>\$ 21,228</u>	<u>\$ 359,894</u>	<u>\$ 228,356</u>	<u>\$ 152,766</u>
LIABILITIES				
Payroll deductions and matchings -				
Accounts payable	\$ 21,228	\$ 203,582	\$ 224,810	
Due to employees		152,866	100	\$ 152,766
Total Liabilities	<u>\$ 21,228</u>	<u>\$ 356,448</u>	<u>\$ 224,910</u>	<u>\$ 152,766</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, 2015

	Final Budget	Actual	Variance
Operating Revenues:			
Charges for services	\$ 17,192,755	\$ 18,609,871	\$ 1,417,116
Connection fees	265,000	337,062	72,062
Hydrant fees	63,000	63,000	
Miscellaneous	25,250	44,332	19,082
Total operating revenues	<u>17,546,005</u>	<u>19,054,265</u>	<u>1,508,260</u>
Operating Expenses:			
Personal services	3,468,657	3,107,200	361,457
Operating expenses	7,708,915	7,169,621	539,294
Depreciation	2,350,000	2,485,434	(135,434)
Total operating expenses	<u>13,527,572</u>	<u>12,762,255</u>	<u>765,317</u>
Operating income	<u>4,018,433</u>	<u>6,292,010</u>	<u>2,273,577</u>
Nonoperating Revenues (Expenses):			
Investment earnings	35,000	60,505	25,505
Interest expense	(425,401)	(225,781)	199,620
Other debt service costs	(110,000)	(163,747)	(53,747)
Scrap sales		2,446	2,446
Gain on disposal of assets		22,964	22,964
Total nonoperating revenues (expenses)	<u>(500,401)</u>	<u>(303,613)</u>	<u>196,788</u>
Income before contributions and transfers	3,518,032	5,988,397	2,470,365
Contributions and Transfers:			
Capital contributions	103,700	178,999	75,299
Transfers - in	225,000	225,000	-
Transfers - out	(1,541,000)	(1,538,802)	2,198
Total contributions and transfers	<u>(1,212,300)</u>	<u>(1,134,803)</u>	<u>77,497</u>
Change in Net Position	2,305,732	4,853,594	2,547,862
Net position - beginning of year	57,404,705	57,404,705	
Change in accounting principle - Implementation of GASB 68	<u>(829,663)</u>	<u>(829,663)</u>	
Net Position - beginning of year, as restated	<u>56,575,042</u>	<u>56,575,042</u>	
Net Position - end of year	<u>\$ 58,880,774</u>	<u>\$ 61,428,636</u>	<u>\$ 2,547,862</u>

See independent auditor's report.

**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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 6,600,000	\$ 6,747,665	\$ 147,665
Miscellaneous		1,817	1,817
Total operating revenues	<u>6,600,000</u>	<u>6,749,482</u>	<u>149,482</u>
Operating Expenses:			
Personal services	1,474,546	1,387,117	87,429
Operating expenses	3,690,270	3,278,713	411,557
Depreciation	460,000	586,805	(126,805)
Total operating expenses	<u>5,624,816</u>	<u>5,252,635</u>	<u>372,181</u>
Operating income	<u>975,184</u>	<u>1,496,847</u>	<u>521,663</u>
Nonoperating Revenues (Expenses):			
Investment earnings	70,000	44,699	(25,301)
Scrap sales		4,361	4,361
Loss on sale of asset		(24,301)	(24,301)
Total nonoperating revenues (expenses)	<u>70,000</u>	<u>24,759</u>	<u>(45,241)</u>
Income before transfers	1,045,184	1,521,606	476,422
Transfers:			
Transfers - out	<u>(1,297,100)</u>	<u>(1,296,529)</u>	<u>571</u>
Change in Net Position	(251,916)	225,077	476,993
Net position - beginning of year	11,808,163	11,808,163	
Change in accounting principle - Implementation of GASB 68	<u>(187,210)</u>	<u>(187,210)</u>	
Net Position - beginning of year, as restated	<u>11,620,953</u>	<u>11,620,953</u>	
Net Position - end of year	<u><u>\$ 11,369,037</u></u>	<u><u>\$ 11,846,030</u></u>	<u><u>\$ 476,993</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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Rent	\$ 1,258,900	\$ 1,252,846	\$ (6,054)
Gas	500,000	474,502	(25,498)
Diesel	1,205,000	1,026,360	(178,640)
Miscellaneous	378,400	345,902	(32,498)
Total operating revenues	<u>3,342,300</u>	<u>3,099,610</u>	<u>(242,690)</u>
Operating Expenses:			
Personal services	451,756	434,650	17,106
Operating expenses	2,281,662	1,985,949	295,713
Depreciation	350,000	407,045	(57,045)
Total operating expenses	<u>3,083,418</u>	<u>2,827,644</u>	<u>255,774</u>
Operating income	<u>258,882</u>	<u>271,966</u>	<u>13,084</u>
Nonoperating Revenues (Expenses):			
Grant	74,522	65,550	(8,972)
Scrap sales		(1,593)	(1,593)
Investment earnings	2,000	39,270	37,270
Total nonoperating revenues (expenses)	<u>76,522</u>	<u>103,227</u>	<u>26,705</u>
Income before transfers	335,404	375,193	39,789
Transfers:			
Transfers - out	<u>(277,202)</u>	<u>(276,737)</u>	<u>465</u>
Change in Net Position	58,202	98,456	40,254
Net position - beginning of year	6,735,330	6,735,330	
Change in accounting principle - Implementation of GASB 68	<u>12,509</u>	<u>12,509</u>	
Net Position - beginning of year, as restated	<u>6,747,839</u>	<u>6,747,839</u>	
Net Position - end of year	<u>\$ 6,806,041</u>	<u>\$ 6,846,295</u>	<u>\$ 40,254</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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 1,391,434	\$ 1,554,992	\$ 163,558
Miscellaneous	5,000	2,738	(2,262)
Total operating revenues	<u>1,396,434</u>	<u>1,557,730</u>	<u>161,296</u>
Operating Expenses:			
Personal services	414,995	378,333	36,662
Operating expenses	1,109,971	1,086,247	23,724
Depreciation	8,000	10,402	(2,402)
Total operating expenses	<u>1,532,966</u>	<u>1,474,982</u>	<u>57,984</u>
Operating income (loss)	<u>(136,532)</u>	<u>82,748</u>	<u>219,280</u>
Nonoperating Revenue:			
Scrap sales	<u></u>	<u>2,169</u>	<u>2,169</u>
Income (loss) before transfers	(136,532)	84,917	221,449
Transfers:			
Transfers - out	<u>(77,300)</u>	<u>(86,728)</u>	<u>(9,428)</u>
Change in Net Position	(213,832)	(1,811)	212,021
Net Position - Beginning of year	<u>(13,858)</u>	<u>(13,858)</u>	<u></u>
Net Position - End of year	<u>\$ (227,690)</u>	<u>\$ (15,669)</u>	<u>\$ 212,021</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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Contributions -			
Employee contributions	\$ 585,000	\$ 546,935	\$ (38,065)
Other agency contributions	1,050,000	1,097,284	47,284
Retired employee contributions	770,000	754,784	(15,216)
Miscellaneous		259,779	259,779
Total operating revenues	<u>2,405,000</u>	<u>2,658,782</u>	<u>253,782</u>
Operating Expenses:			
Administrative fees	1,370,954	1,141,429	229,525
Claims	5,220,905	5,524,284	(303,379)
Total operating expenses	<u>6,591,859</u>	<u>6,665,713</u>	<u>(73,854)</u>
Operating income (loss)	(4,186,859)	(4,006,931)	179,928
Nonoperating Revenue:			
Investment earnings	<u>10,000</u>	<u>8,373</u>	<u>(1,627)</u>
Income (loss) before transfers	(4,176,859)	(3,998,558)	178,301
Transfers:			
Transfers - in	<u>4,113,405</u>	<u>4,070,386</u>	<u>(43,019)</u>
Change in Net Position	(63,454)	71,828	135,282
Net Position - Beginning of year	<u>1,953,072</u>	<u>1,953,072</u>	
Net Position - End of year	<u>\$ 1,889,618</u>	<u>\$ 2,024,900</u>	<u>\$ 135,282</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, 2015**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Contributions -			
Employee contributions	\$ 70,000	\$ 83,076	\$ 13,076
Other agency contributions	40,000	47,114	7,114
Retired employee contributions	36,000	51,117	15,117
Total operating revenues	<u>146,000</u>	<u>181,307</u>	<u>35,307</u>
Operating Expenses:			
Administrative charges	<u>286,494</u>	<u>286,494</u>	<u>-</u>
Operating income (loss)	(140,494)	(105,187)	35,307
Transfers:			
Transfers - in	<u>104,954</u>	<u>106,222</u>	<u>1,268</u>
Change in Net Position	(35,540)	1,035	36,575
Net Position - Beginning of year	<u>359,270</u>	<u>359,270</u>	
Net Position - End of year	<u><u>\$ 323,730</u></u>	<u><u>\$ 360,305</u></u>	<u><u>\$ 36,575</u></u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
FISCAL YEAR ENDED SEPTEMBER 30, 2015

Governmental Activities

Year Ending September 30	Revenue Note		Capital Improvement Refunding Revenue		Capital Improvement Taxable Revenue Refunding	
	Series 2008-Modified		Note - Series 2012		Note - Series 2013A	
	Principal	Interest	Principal	Interest	Principal	Interest
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>\$ 1,151,000</u>	<u>\$ 96,806</u>	<u>\$ 293,000</u>	<u>\$ 1,582</u>	<u>\$ 2,361,000</u>	<u>\$ 106,097</u>

	Capital Improvement Revenue		Capital Leases		Loan from Other Government Unit	
	Note - Series 2013B					
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 789,000	\$ 263,721	\$ 450,414	\$ 62,601	\$ 300,000	
2017	808,000	245,276	362,567	45,269		
2018	826,000	226,403	377,068	30,768		
2019	845,000	207,103	392,202	15,686		
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>\$ 11,811,000</u>	<u>\$ 1,860,556</u>	<u>\$ 1,582,251</u>	<u>\$ 154,324</u>	<u>\$ 300,000</u>	

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
FISCAL YEAR ENDED SEPTEMBER 30, 2015

Business-type Activities

Year Ending September 30	Water & Sewer Refunding Revenue Note - Series 2012		Water & Sewer Refunding Revenue Note - Series 2014		Water & Sewer Refunding Revenue Note - Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2016	\$ 58,000	\$ 101,967	\$ 1,434,000	\$ 92,457		\$ 968,388
2017	59,000	100,822	1,453,000	69,936	\$ 1,180,000	910,077
2018	60,000	99,658	1,480,000	46,996	1,240,000	873,621
2019	61,000	98,474	1,503,000	23,700	1,275,000	836,136
2020	62,000	97,272	1,529,000		1,315,000	797,475
2021	1,638,000	65,495			1,350,000	757,785
2022	1,673,000	33,038			1,390,000	716,919
2023	1,703,000				1,430,000	674,877
2024					1,475,000	631,512
2025					1,520,000	586,824
2026					1,565,000	540,813
2027					1,610,000	493,479
2028					1,655,000	444,822
2029					1,705,000	394,695
2030					1,755,000	343,098
2031					1,805,000	290,031
2032					1,860,000	235,347
2033					1,915,000	179,046
2034					1,970,000	121,128
2035					2,030,000	61,446
2036					2,090,000	
	<u>\$ 5,314,000</u>	<u>\$ 596,726</u>	<u>\$ 7,399,000</u>	<u>\$ 233,089</u>	<u>\$ 32,135,000</u>	<u>\$ 10,857,519</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



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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**

	2006	2007	2008	Fiscal Year 2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
General government	\$ 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	\$ 7,332,537
Public safety	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	18,241,148
Physical environment				18,880	75,055	37,477				
Transportation	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	5,320,025
Economic environment	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	3,553,702
Culture and recreation	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	3,373,667
Human services	283,717	325,346	282,513	281,737	261,793	373,967	326,609	301,127	341,100	298,840
Interest on long-term debt	601,248	644,092	584,859	579,547	523,507	451,014	465,549	462,930	415,035	364,137
Total governmental activities expenses	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	38,484,056
Business-type activities:										
Utilities	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	13,818,774
Solid waste	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	5,592,968
Marina	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	2,895,496
Total business-type activities expenses	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	22,307,238
Total primary government expenses	\$ 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	\$ 60,791,294
Program Revenues										
Governmental activities:										
Charges for services:										
General government	\$ 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	\$ 9,516,380
Public safety	377,244	417,945	376,174	1,171,638	828,425	830,845	777,578	928,896	1,002,506	942,066
Transportation	346,362	318,822	551,606	443,678	486,426	510,790	442,727	483,251	455,887	281,775
Economic environment							584,160			19,978
Culture and recreation	180,676	162,064	180,453	166,640	177,794	165,238	167,982	199,286	184,717	275,060
Other				91,200	91,200	61,873				
Operating grants and contributions	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	2,573,798
Capital grants and contributions		87,630	748,375	1,199,300	37,180	61,299	51,717	20,494	25,000	25,000
Total governmental activities program revenues	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	13,634,057
Business-type activities:										
Charges for services:										
Utilities	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	19,054,265
Solid waste	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	6,749,482
Marina	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	3,099,610
Operating grants and contributions	158,349	37,672		12,639						65,550
Capital grants and contributions				243	490,068	177,734	172,820	142,542	138,515	178,999
Total business-type activities program revenues	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	29,147,906
Total primary government program revenues	\$ 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	\$ 42,781,963
Net (Expense)/Revenue										
Governmental activities	\$ (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)	\$ (24,849,999)
Business-type activities	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	6,840,668
Total primary government net expenses	\$ (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)	\$ (18,009,331)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Ad valorem taxes	\$ 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	\$ 8,511,463
Tax increment ad valorem taxes				1,833,125	1,833,125	1,716,903	1,588,207	1,503,382	2,095,743	2,308,216
Gas tax	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	1,410,878
Franchise fees	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	4,409,262
Utility service tax	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	4,176,778
Communications service tax	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	1,619,995
Unrestricted state revenue sharing	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	1,403,496
Half-cent sales tax	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	3,110,963
Unrestricted investment earnings	736,033	1,017,212	896,440	568,222	591,142	220,889	228,562	225,263	346,393	343,489
Gain (loss) on sale of capital assets			135,543	8,757	(229)	52,993	1,468	16,980	14,930	23,980
Miscellaneous	1,189,078	1,099,765	332,006	677,294	779,579	478,638	738,522	2,950,334	608,564	941,573
Contributions						5,242,210				
Transfers	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	1,819,302
Total governmental activities general revenues	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	30,079,395
Business-type activities:										
Impact fees										
Unrestricted investment earnings	947,497	1,111,569	552,868	413,264	321,544	134,623	112,395	90,477	99,797	144,474
Gain (loss) on sale of capital assets	130,809	98,301	1,673		(72,256)	3,200			3,145	22,964
Miscellaneous	958	2,504	3,273	2,682	8,047		182,378	50,689	13,196	6,807
Transfers	(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)	(1,819,302)
Total business-type activities general revenues	(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)	(1,645,057)
Total primary government general revenues	\$ 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	\$ 28,434,338
Changes in Net Position										
Governmental activities	\$ 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	\$ 5,229,396
Business-type activities	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	5,195,611
Total primary government changes in net position	\$ 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	\$ 10,425,007

See independent auditor's report.

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

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>Fiscal Year</u> <u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental activities:										
Net investment in capital assets	\$ 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	\$ 60,426,245
Restricted	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	2,626,513
Unrestricted	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	23,997,203
Total governmental activities net position	<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>	<u>\$ 87,049,961</u>
Business-type activities:										
Net investment in capital assets	\$ 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	\$ 46,182,187
Restricted	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	37,863,750
Unrestricted	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	(3,781,659)
Total business-type activities net position	<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>	<u>\$ 80,264,278</u>
Primary government:										
Net investment in capital assets	\$ 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	\$ 106,608,432
Restricted	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	40,490,263
Unrestricted	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	20,215,544
Total primary government net position	<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>	<u>\$ 167,314,239</u>

See independent auditor's report.

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

	Fiscal Year									
	<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>2015</u>
Function/Program Revenues										
Governmental activities:										
General government	\$ 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	\$ 9,516,380
Public safety	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	2,576,709
Physical environment			38,000	25,878						
Transportation	346,362	318,822	551,606	443,678	486,426	510,790	442,727	483,251	455,887	281,775
Economic environment	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	984,133
Culture and recreation	180,676	162,064	180,453	166,640	177,794	165,238	167,982	199,286	184,717	275,060
Other				245,408	91,200	61,873				
Total governmental activities	<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>	<u>13,634,057</u>
Business-type activities:										
Utilities	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	19,233,264
Solid waste	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	6,749,482
Marina	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	3,165,160
Total business-type activities	<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>	<u>29,147,906</u>
Total primary government function/program revenues	<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>	<u>\$ 42,781,963</u>

See independent auditor's report.

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

PRE-GASB 54					
	Fiscal Year				
	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
Governmental Funds					
General fund:					
Reserved	\$ 544,144	\$ 152,726	\$ 113,515	\$ 160,154	\$ 713,213
Unreserved	17,788,219	17,807,277	16,788,517	20,894,866	21,464,954
Total general fund	<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	6,549,799	7,328,575	8,049,873	9,239,910	9,926,499
Unreserved, reported in:					
Special revenue funds	2,493,739	2,079,366	1,848,242	2,109,182	5,760,911
Debt service funds	209,935	395,305	715,712	843,422	1,212,092
Capital projects funds	10,678,495	12,246,771	11,271,348	10,236,234	9,209,758
Total all other governmental funds	<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>\$ 38,264,331</u>	<u>\$ 40,010,020</u>	<u>\$ 38,787,207</u>	<u>\$ 43,483,768</u>	<u>\$ 48,287,427</u>
POST-GASB 54					
	Fiscal Year				
	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Governmental Funds					
General fund:					
Non-spendable	\$ 161,098	\$ 432,325	\$ 160,252	\$ 212,444	\$ 355,237
Spendable:					
Committed	9,838,400	9,838,400	10,496,928	10,882,597	11,396,432
Assigned	1,053,855	783,378	230,253	228,760	228,760
Unassigned	9,254,662	9,545,027	11,542,588	13,262,912	12,591,442
Total general fund	<u>20,308,015</u>	<u>20,599,130</u>	<u>22,430,021</u>	<u>24,586,713</u>	<u>24,571,871</u>
All other governmental funds:					
Non-spendable	167,695	164,350	161,352	166,328	1,931,733
Spendable:					
Restricted	13,077,348	11,914,160	8,823,094	9,664,348	8,059,411
Committed	4,147,234	4,388,146	2,544,340	1,759,587	2,260,097
Assigned	11,326,551	11,399,721	23,848,878	19,448,304	17,953,680
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>	<u>30,204,921</u>
Total governmental funds	<u>\$ 49,026,843</u>	<u>\$ 48,465,507</u>	<u>\$ 57,807,685</u>	<u>\$ 55,625,280</u>	<u>\$ 54,776,792</u>

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

See independent auditor's report.

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

	Fiscal Year									
	<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>2015</u>
Revenues										
Taxes	\$ 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	\$ 20,128,376
Licenses and permits	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	9,163,514
Intergovernmental	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	10,174,102
Charges for services	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	1,209,316
Investment earnings	34,472	1,017,212	896,440	568,222	595,264	220,889	228,562	225,263	346,626	343,489
Miscellaneous	1,890,639	1,099,765	474,089	686,295	775,457	539,298	2,878,779	969,360	532,062	890,468
Total revenues	<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>	<u>41,909,265</u>
Expenditures										
Current:										
General government	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	5,465,271
Public safety	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	16,248,208
Physical environment				18,880	75,055	37,477				
Transportation	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	3,660,154
Economic environment	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	3,500,184
Human services	263,210	294,894	246,243	245,600	246,858	347,571	305,925	274,702	313,463	265,926
Culture and recreation	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	2,588,130
Debt service:										
Capital lease principal									395,642	806,349
Capital lease interest									10,070	6,666
Principal	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	1,802,000
Interest and other charges	580,159	616,570	609,780	563,129	517,256	450,642	1,618,578	715,680	418,705	370,427
Capital outlay	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	8,729,922
Total expenditures	<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>	<u>43,443,237</u>
Excess (deficiency) of revenues over (under) expenditures	<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>	<u>(1,533,972)</u>
Other Financing Sources (Uses)										
Transfers - in	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	9,467,567
Transfers - out	(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)	(10,670,379)
Bond proceeds			1,922,000					14,194,945		1,888,296
Issuance of refunding bonds							2,883,000	3,315,000		
Payment to bond refunding escrow agent							(2,817,717)	(3,289,219)		
BP recovery								1,900,000		
Total other financing sources (uses)	<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>	<u>685,484</u>
Net change in fund balances	<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>	<u>\$ (848,488)</u>
Debt service as a percentage of noncapital expenditures	6.25%	6.27%	7.08%	7.46%	6.49%	6.03%	8.46%	5.17%	3.97%	5.10%

See independent auditor's report.

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	
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	2,169,531	3,538,061	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
2015	1,925,554	2,837,577	361,462	459,143	15,210	15,503	2,302,226	3,312,223	69.51%	3.9740

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

See independent auditor's report.

**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			
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
2015	3.9740		3.9740	4.6500		4.6500	6.9070		6.9070	3.0000	0.0378	18.5688

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

See independent auditor's report.

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

<u>Taxpayer</u>	2015			2006		
	<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	\$ 101,870,871	1	4.42%			
Panama City Port Authority/Oceaneering	69,817,954	2	3.03%			
Gulf Power Company	48,691,086	3	2.11%	\$ 32,887,260	2	1.55%
Hospital Corporation of America	48,125,988	4	2.09%			
Panama City Mall	34,339,323	5	1.49%	18,698,857	6	0.88%
Manor Six Abbey 1825, LLC	16,355,969	6	0.71%			
St. Andrew Bay Land Company, LLC	16,150,737	7	0.70%			
The Bay Line Railroad, LLC	14,401,828	8	0.63%			
Brixmor GA Panama City LLC	12,550,839	9	0.55%			
Eagles Landing, PC, LLC	11,303,160	10	0.49%			
Berg Steel Pipe Corporation				15,608,509	7	0.74%
Peoples First Community Bank				39,336,504	1	1.86%
BellSouth Telecommunications				25,077,998	3	1.18%
New Plan of Panama City, LLC				23,009,377	4	1.09%
Columbia Gulf Coast Medical Center				21,076,464	5	1.00%
Lloyd, William P., Etal				10,878,418	8	0.51%
Target Stores #811				8,965,073	9	0.42%
Shoppes at Panama City, LLC				8,924,830	10	0.42%
Total Principal Taxpayers	\$ <u>373,607,755</u>		16.22%	\$ <u>204,463,290</u>		9.65%
Total Taxable Assessed Value	\$ 2,302,225,691			\$ 2,117,800,000		

Source: Bay County Property Appraiser's Office

See independent auditor's report.

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

Fiscal Year	Total		Collected within the		Collections in Subsequent Years	Total Collections to Date				
	Tax		<u>Fiscal Year of the Levy</u>							
	Levied for the <u>Fiscal Year</u>		<u>Amount</u>	Percentage <u>of Levy</u>		<u>Amount</u>	Percentage <u>of Levy</u>			
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%
2015		9,148,158		8,458,119	92.46%		53,346		8,511,465	93.04%

(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.

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

See independent auditor's report.

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	5.00%	860
2015	15,638,480	1,582,251	44,878,789		62,099,520	Not Available	1,733

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 175 for personal income and population data. For the purpose of this schedule, personal income attributable to Panama City was utilized.

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
(IN THOUSANDS OF DOLLARS)
UNAUDITED

Governmental Unit	Debt Outstanding	Estimated Percent Applicable ¹	Estimated Share of Overlapping Debt
Bay County:			
Bonds payable	\$ 48,849	15.73%	\$ 7,684
Capital leases	766	15.73%	120
Notes payable	40,715	15.73%	6,404
Bay County School Board:			
State school bonds	2,131	14.69%	313
Sales tax revenue anticipation note	29,152	14.69%	4,283
Certificates of participation	84,195	14.69%	<u>12,368</u>
Subtotal of overlapping debt			31,172
City of Panama City direct debt	17,221		<u>17,221</u>
Total direct and overlapping debt			<u><u>\$ 48,393</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's taxable assessed value.

Source: - Bay County Clerk of Court & Comptroller for fiscal year ended September 30, 2015

- District School Board of Bay County Superintendent's Annual Financial Report for the fiscal year ended June 30, 2015

See independent auditor's report.

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>		
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	
2015	1,410,878	-	-	-	4,176,778	293,000	4,746	14.03	

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
2015	14,250,305	605,000	52,886	21.66

(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.

See independent auditor's report.

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			
				Principal	Interest	Total	Coverage
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
2015	19,140,180	10,440,568	8,699,612	416,000	225,781	641,781	13.56

- 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.

See independent auditor's report.

**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>
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%	6,888,553	42,998	5.8%
2015	35,835	173,310	20.68%	Not Available	44,731	5.1%

* 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

See independent auditor's report.

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

Employer	2015			2006		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Tyndall Air Force Base	6,471	1	6.47%	5,191	1	6.62%
Bay District Schools	4,411	2	4.41%	4,939	2	6.30%
Naval Support Activity Panama City	3,170	3	3.17%	3,707	3	4.73%
General Dynamics IT	2,300	4	2.30%			
Bay Medical Center	2,000	5	2.00%	2,174	4	2.77%
Wal-Mart and Sam's Club	1,500	7	1.50%	1,240	5	1.58%
Eastern Shipbuilding Group	1,800	6	1.80%			
Bay County Constitutional Officers	1,214	8	1.21%			
Gulf Coast Medical Center	631	9	0.63%	850	7	1.08%
Trane Company	575	10	0.58%	750	8	0.96%
Sallie Mae				1,200	6	1.53%
Nextel Partners				675	10	0.86%
Smurfit-Stone Container Corp.						
Gulf Coast Community College			0.00%	727	9	0.93%
	<u>24,072</u>		<u>24.07%</u>	<u>21,453</u>		<u>27.36%</u>
Total Bay County Labor Force	<u>99,985</u>			<u>78,426</u>		

(1) Data presented reflects Bay County

Source: Bay County Economic Development Alliance

See independent auditor's report.

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

	<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>2015</u>
<u>Governmental activities:</u>										
Police:										
Total crime arrests	6,384	6,938	6,921	6,171	5,083	4,210	4,190	4,074	5,807	5,297
Traffic violations	14,005	12,769	12,859	11,706	7,544	10,551	11,240	10,286	6,683	9,179
Parking violations	849	565	399	248	151	315	104	135	154	98
Code enforcement reports	2,096	1,875	1,567	1,649	1,342	839	1,022	2,059	2,707	3,160
Calls for service	43,082	41,238	46,233	54,115	53,291	56,398	56,880	54,480	53,421	53,343
Fire:										
Structure fires	61	62	45	56	40	39	49	48	44	35
Total calls for service	1,671	1,624	1,576	1,605	1,740	1,756	1,870	1,821	2,479	2,735
Inspections	605	1,762	1,969	1,729	2,412	1,985	2,132	1,721	1,870	2,358
<u>Business-type activities:</u>										
Wastewater system:										
Number of service connections	14,973	15,009	14,947	14,734	14,583	14,575	14,554	14,643	14,730	14,683
Water system:										
Number of service connections	17,277	17,392	17,312	17,138	16,948	16,933	16,928	17,011	17,052	17,139

Source: City Departments

See independent auditor's report.

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

	<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>2015</u>
<u>Governmental activities:</u>										
Police:										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of substations	5	5	7	5	4	3	3	3	2	2
Number of vehicles in fleet	142	130	119	120	119	121	118	121	120	121
Fire:										
Number of stations	5	5	5	5	5	5	6	6	6	6
Transportation:										
Miles of paved streets	205	205	205	205	201	198	198	198	198	199
Number of street lights	4,353	4,353	4,544	4,544	4,544	4,401	4,832	4,846	4,857	4,949
Culture and recreation:										
Community centers	7	8	8	8	8	8	8	8	8	8
Parks	29	33	30	33	33	33	33	33	34	35
Park acreage	130	140	140	146	146	146	146	146	150	156
Baseball and softball fields	14	13	13	13	13	13	13	13	13	10
Soccer fields										1
Public marinas	2	2	2	2	2	2	2	2	2	2
Public boat launching areas	4	4	5	4	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	325	344	354	360	364	365	368	338	337	339
Number of fire hydrants	1,508	1,549	1,581	1,611	1,618	1,635	1,677	1,681	1,683	1,701
Daily average consumption in gallons	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	5,351,000
Wastewater system:										
Miles of sanitary sewers	280	283	285	286	289	290	294	295	292	293
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Daily average treatment in gallons	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	4,200,000

Source: City Departments

See independent auditor's report.

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

Function/Program	<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>2015</u>
<u>Governmental activities:</u>										
General government	71	70	68	69	66	66	65	67	67	71
Public safety	227	223	223	221	219	220	220	220	213	216
Transportation	63	61	61	61	50	50	50	50	39	36
Culture and recreation	35	30	28	27	25	25	28	25	24	24
Economic environment	10	10	8	7	5	5	8	7	14	13
<u>Business-type activities:</u>										
Utilities	93	93	93	92	92	92	93	91	79	83
Solid waste	42	42	42	39	39	39	39	39	39	39
Marinas	<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>	<u>13</u>
Total	<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>	<u><u>495</u></u>

Source: City of Panama City Annual Budget

See independent auditor's report.

SINGLE AUDIT SECTION

THIS SECTION CONTAINS THE FOLLOWING:

- SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND STATE PROJECTS..... *p. 180*

- 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. 182*

- 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. 185*

- SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT..... *p. 187*

- INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH FLORIDA STATUTE 218.415 RELATED TO LOCAL GOVERNMENT INVESTMENT POLICIES*p. 189*

- INDEPENDENT AUDITOR'S MANAGEMENT LETTER.....*p. 190*

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE PROJECTS
FISCAL YEAR ENDED SEPTEMBER 30, 2015

PRIMARY GOVERNMENT

Federal/State Agency, Pass-Through Entity, Federal Program/State Projects	CFDA/ CSFA Number	Expenditures
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grants	14.219	\$ 552,876
<i>Passed through Department of Economic Opportunity :</i>		
Neighborhood Stabilization Program	14.228	46,094
Neighborhood Stabilization Program-Bay County	14.228	68,389
Total U.S. Department of Housing and Urban Development		<u>667,359</u>
U.S. Department of Justice:		
Direct programs:		
2013 Bullet Proof Vest Partnership Grant	16.607	6,059
2014 Edward Byrne Memorial Justice Assistance Grant	16.738	22,200
<i>Passed through Florida Department of Law Enforcement :</i>		
Juvenile Assistance Grant-Countywide	16.738	10,099
Total U.S. Department of Justice		<u>38,358</u>
U.S. Department of Homeland Security:		
Direct programs:		
Port Security Grant Program-2013	97.056	18,870
Port Security Grant Program-2014 Fire Department	97.056	41,700
Port Security Grant Program-2014 Police Department	97.056	22,754
Total U.S. Department of Homeland Security		<u>83,324</u>
U.S. Fish and Wildlife Service:		
<i>Passed through Florida Department of Environmental Protection</i>		
Clean Vessel Act Grant	15.616	65,500
Total Expenditures of Federal Awards		<u><u>\$ 854,541</u></u>

See independent auditor's report.

Federal/State Agency, Pass-Through Entity, Federal Program/State Projects	CFDA/ CSFA Number	Expenditures
Northwest Florida Water Management District:		
Surface Water Improvement and Management Grant	37.039	\$ 443,848
Florida Department of Environmental Protection:		
Stormwater Management Facility Grant	37.082	713,707
Florida Housing Finance Corp:		
State Housing Institutions Partnership Program	52.901	176,125
<i>Passed through Bay County:</i>		
State Housing Institutions Partnership Program	52.901	257,377
Total Florida Housing Finance Corp		<u>433,502</u>
Florida Department of Transportation:		
Technological Requirement Grant	20.600	<u>200,000</u>
Total Expenditures of State Projects		<u><u>\$ 1,791,057</u></u>

COMPONENT UNIT - Panama City Port Authority

Florida Department of Transportation:		
Grant No. 42836429401	55.005	\$ 25,971
Grant No. 43503719401	55.005	733,729
Grant No. 42836489401	55.005	108,796
Grant No. 42836479403	55.034	23,277
Grant No. 42836499401	55.005	165,789
Grant No. 43402119401	55.033	<u>21,499</u>
Total Expenditures of State Projects		<u><u>\$ 1,079,061</u></u>

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and state projects includes the federal and state 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*, and Chapter 10.550, Rules of the Auditor General. 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, 2015, 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 May 25, 2016. Our report includes a reference to the change in accounting principle resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions-an amendment of GASB Statement No. 27*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date-an amendment of GASB Statement No. 68*.

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

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weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. 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.

DIB Events 2015-2

We recommend that the Board continues to have oversight over all events which the DIB participates. The Board has taken some steps to implement new control policies over the handling of cash receipts at the events. The Board should continuously monitor the controls in place to ensure they are operating correctly and effectively.

Panama City Downtown Improvement Boards Response to Findings

The Board and the director have taken steps to strengthen the DIB's internal controls for events conducted by the DIB. 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 Findings

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
May 25, 2016



**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
City of 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, 2015. 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; 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.

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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, 2015.

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
May 25, 2016

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT
FISCAL YEAR ENDED SEPTEMBER 30, 2015

A. Summary of Auditor's Results

1. The auditor's report expresses an unmodified 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 Requirement Applicable to Each Major Federal Program or 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 program and State project for the City of Panama City, Florida, expresses an unmodified 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
<u>State Projects</u>	<u>State CSFA No.</u>
Surface Water Improvement Management Grant	37.039
Stormwater Management Facility Grant	37.082
State Housing Institutions Partnership Program	52.901

8. The threshold for distinguishing Type 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, 2015**

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 REPORT ON COMPLIANCE WITH FLORIDA STATUTE
218.415 RELATED TO LOCAL GOVERNMENT INVESTMENT POLICIES**

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

We have examined the City of Panama City, Florida's (the "City") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the City's compliance with those requirements. Our responsibility is to express an opinion on the City's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the City's compliance with specified requirements.

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

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

Tipton, Marler, Garner & Chastain

Panama City, Florida
May 25, 2016



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, 2015, and have issued our report thereon dated May 25, 2016.

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 Auditor General.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report(s) on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 25, 2016, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. 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 2014-1, 2013-2b

See current year finding 2015-1.

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, Florida compiled this information in Note 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the City 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 2015-1

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 2015 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. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the City of Panama City, Florida for the fiscal year ended September 30, 2015, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2015. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, require 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 balances.

Section 10.554(1)(i)3., Rules of the Auditor General, require 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.

A handwritten signature in cursive script, reading "Mark G. Chastain".

Panama City, Florida
May 25, 2016