

# COMPREHENSIVE Annual Financial Report OF THE CITY OF PANAMA CITY, FLORIDA

# 2018



FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018



Celebrating 110 years

# City of Panama City, Florida

Comprehensive Annual Financial Report  
For the fiscal year ended September 30, 2018

Prepared by:  
The City of Panama City  
Accounting Division

Cover photo: New Beginnings

Photographer: Doug Dobos



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**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
OF THE CITY OF PANAMA CITY, FLORIDA  
FISCAL YEAR ENDED SEPTEMBER 30, 2018  
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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”*

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April 25, 2019

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, 2018. 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, 2018 financial statements have been presented in accordance with Generally Accepted Accounting Principles (GAAP). These principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). The Letter of Transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Panama City’s MD&A can be found on page 4.

### **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 2018 was estimated to be 37,208. 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 2018, based upon the criteria noted above:

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

### **Relevant Financial Policies**

Due to the City's coastal location, which is subject to hurricane activity, the City Commission adopted a fund balance policy that authorized a committed fund balance in the General Fund with a target balance of 30% of annual budgeted operating expenditures and the City targeted a balance of 10% as unassigned fund balance to meet general operating expenditures. For Enterprise Funds, the City authorized a target unrestricted net position balance of 30% of annual budgeted operating expenditures. The fiscal year ended 2018 balances adequately meet the targets adopted in the policy.

### **Economic Condition and Outlook**

The City of Panama City experienced a category 5 Hurricane on October 10, 2018. The City encountered hurricane force winds, storm surge and flooding. Hurricane Michael has been recorded as one of the strongest storms to hit the United States. The disaster destroyed homes and businesses and damaged public assets and infrastructure.

The City is using operating reserves and loan money for hurricane related expenses such as debris removal, protective measure procedures and permanent repair work to damaged facilities. Replenishment of a large part of those reserves and debt service payments are anticipated through the assistance of several Federal and State funded emergency programs, as well as recovery from the City's insurance program.

Housing within the City has become a top priority since Hurricane Michael. After losing a high percentage of available housing, City officials and staff are searching for innovative ways to bring housing back stronger and more affordable. Some of the positive solutions are micro-housing and modular construction. The City is exploring ways of assisting smaller landlords in repairing and restoring their facilities to allow for quicker accessibility.

The City anticipates continued improvements in the local economy after the immediate effects of Hurricane Michael. For fiscal year 2018, the general fund revenue increased overall from prior year by 3.2%, which is due to an increase in most revenue sources. The merchant license fees increased \$457,822 from the prior year. These fees are remitted by merchants and represent 1% of retail sales. City Officials closely monitor economic 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 disbursed 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.

The Panama City Port Authority began construction on the East terminal in Fall 2017. Phase I includes a 250,000 square foot warehouse, including railroad and road infrastructure. The expansion will double the

working acreage of the Port facilities and accommodate the potential for more ships and businesses. Phase I and II of the project is set to be completed Summer 2019.

For fiscal year ended September 30, 2018, Bay County published reports confirm that sales tax collections were up by 4.3% and residential real estate closings were up by 9.9%.

## **Major Initiatives**

The City of Panama City moved into our new City Hall in February, 2019. The move symbolizes new growth for the City. The City celebrated its 110<sup>th</sup> birthday and is committed to revitalizing Downtown.

Recovery efforts continue for the Panama City and St. Andrews Marinas. As of current, approximately 184 damaged vessels have been removed from the Marinas. Efforts continue to reopen the Panama City Marina and progress has been made on bulkhead repairs.

The City continues the Panama City Marina redevelopment project with hiring an urban planner and entering into a memorandum of understanding for the St. Joe Company to potentially construct a 100 room hotel on the Marina. The Marina redevelopment project is expected to become a lucrative part of the City sustaining investment returns through sales and property taxes. The City will consider tax-increment financing, concessions for impact fees and funding for infrastructure improvements.

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, Academy Park, is nearing completion with approximately 274 single family homes on 66 acres. Soon, Phase II will begin construction and consist of approximately 200 single family homes.

The CRA continues a grant program which allows for commercial and residential improvement incentives. In addition, a 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.

The City Commission entered into a development agreement for the construction of Bay City Point located on 23<sup>rd</sup> Street. The developer has currently completed the first phase of the project and started the second phase. The project is expected to provide a total of 800 jobs to the area.

## **For the Future**

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.

During 1<sup>st</sup> quarter 2019, Phase I construction upgrade of the St. Andrews Waste Water Treatment Facility was completed. The \$31.6 million plant expansion created a more advanced treatment process allowing for greater nutrient removal from the treated effluent. During March 2019, the City approved as an addition to this project the construction of a 2700 square foot Lab building with an estimated cost of \$1,400,000. Construction should be completed March, 2020.

Eastern Shipbuilding Company will begin construction on the first of the Coast Guard Offshore patrol cutters in 2019. The \$10.5 billion contract could bring as many as 200 jobs to the Panama City area.

Tyndall Air Force base took a direct hit from Hurricane Michael. Tyndall is one of the nation's largest Air Force bases and in a key location for the testing and training range over the Gulf of Mexico. Planning is underway to rebuild the base as a model facility that will host three F-35 stealth fighter squadrons. Currently, there are 48 separate repair projects underway with contracts issued for \$175 million. Also, plans are being made to include two dozen MQ-9 Reaper drones by 2023.

Currently, Tyndall Air Force Base and 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.

### **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.

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, Infrastructure Surtax Fund and the Community Redevelopment Agency areas are included in the appropriated annual budget. The City also maintains an encumbrance accounting system as one technique in accomplishing budgetary controls. Encumbered amounts lapse at the year end. Encumbrances are generally re-appropriated as part of the following year's budget.

### **Reporting Achievement**


The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Panama City, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2017. This was the twenty-fifth 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,

  
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**

Jenna Flint Haligas

### **Ward II**

Kenneth Brown

### **Ward III**

Billy Rader

### **Ward IV**

Mike Nichols

### **City Manager**

Mark McQueen

### **City Attorney**

Nevin Zimmerman

### **City Clerk - Treasurer**

Darlene Hachmeister

### **Independent Auditors**

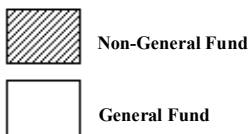
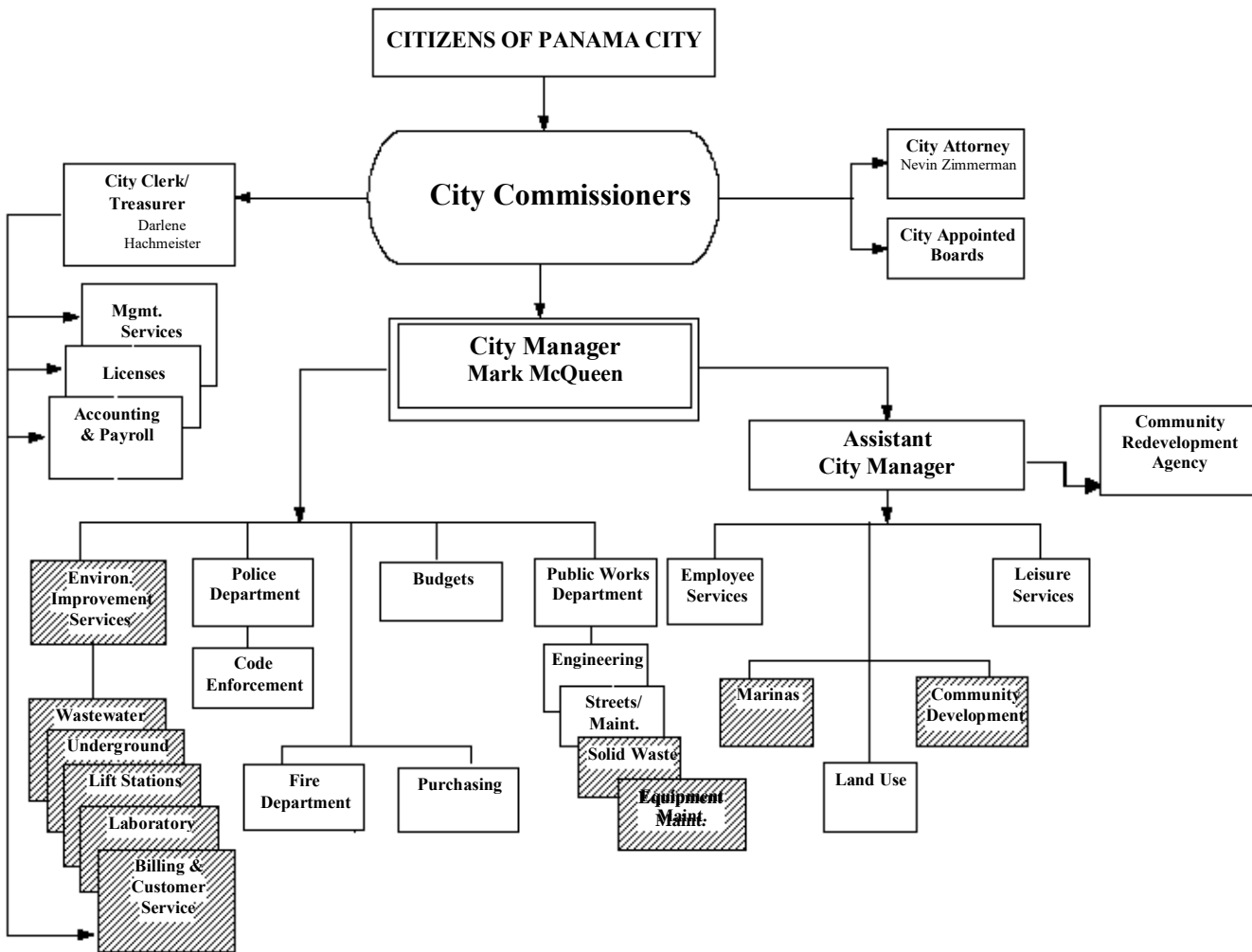
Tipton, Marler, Garner & Chastain

### **Fiscal Year**

**October 1, 2017 - September 30, 2018**

# ORGANIZATIONAL CHART

Fiscal Year 2018



*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, 2017**

*Christopher P. Morill*

Executive Director/CEO

# 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, 2018, 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, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 16 to the financial statements, the City adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is a change in accounting principle that addresses accounting and financial reporting for other postemployment benefits. 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 126 and pension and other post employment schedules on pages 127 through 141 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 state financial assistance is presented for purposes of additional analysis as required by Section 215.97, Florida Statutes, and is also not a required part of the basic financial statements.

The combining and individual financial statements and schedules 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 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 April 25, 2019, 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 solely 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 effectiveness of the City of Panama City, Florida's 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.

A handwritten signature in black ink, reading "Elizabeth M. Carter, CPA". The signature is written in a cursive style with a large initial "E".

Panama City, Florida  
April 25, 2019

**City of Panama City, Florida  
Management's Discussion and Analysis  
For the Year Ended September 30, 2018**

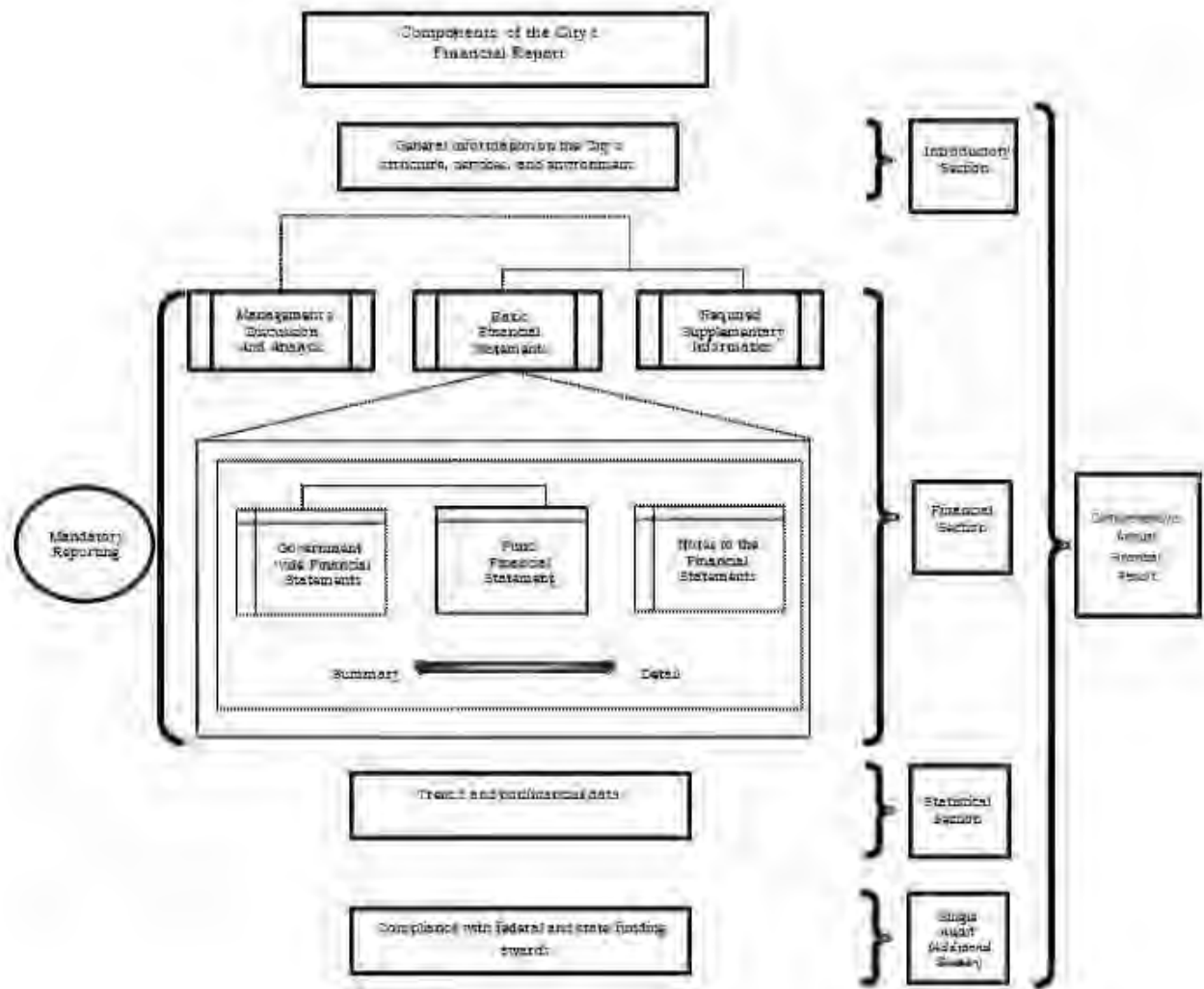
The City of Panama City, Florida's Management Discussion and Analysis provides an overview of the City's financial activities for the fiscal year ended September 30, 2018 and offers a comparative analysis between fiscal years 2018 and 2017. It serves as an introduction to the City's basic financial statements which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This discussion should be read in conjunction with the City's financial statements, which begin on page 17, and the Letter of Transmittal, located in the Introductory Section.

**Financial Highlights**

- The City's assets (\$305,454,180) and deferred outflows of resources (\$4,681,060) exceeded its liabilities (\$121,149,777) and deferred inflows of resources (\$3,237,496) as of September 30, 2018 by \$185,747,967. Of this amount, \$27,697,677 (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. Of the total net position, \$128,755,649 is invested in capital assets (net of related debt) and the remaining \$29,294,641 is restricted.
- Total net position for the City increased \$6,554,232 (3.7%) over fiscal year 2017 ending net position of \$179,193,735. Governmental activities had increased by 3.1% (\$2,781,511) at the end of fiscal year 2018 and accounted for \$93,974,238 of the City's total net position. Business-type activities increased 4.3% (\$3,772,721) over the previous fiscal year to \$91,773,729. Unrestricted net position for governmental activities equaled \$4,356,416 and restricted equaled \$19,045,770. Business-type activities reported net positions of \$23,341,261 in unrestricted and \$10,248,871 in restricted.
- Capital assets increased 20.1% from fiscal year 2017 to \$181,124,033, at the close of fiscal year 2018. Of this amount, \$88,454,290 are assets held in governmental activities and \$92,669,743, are assets held in business type activities.
- The General Fund reported a total fund balance of \$25,316,240 on September 30, 2018, an increase of \$4,223,352 (20.0%) from fiscal year 2017. The general fund ending balance represents 61.6% of general fund expenditures and transfers out for fiscal year 2018.
- Total debt for fiscal year 2018 increased 34.3% from fiscal year 2017. The increase of \$28,922,300 was primarily due to the issuance of debt during fiscal year 2018 to finance capital projects.

**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, 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 33 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 twenty one governmental funds. The General Fund, Capital Projects Fund, Capital Projects 2013 Fund, Energy Improvements Fund, Capital Projects Infrastructure Surtax Fund, and Capital Projects New City Hall 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 fifteen 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 24 of this report.

*Proprietary fund* financial statements can be found beginning on page 25. 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 29.

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 31 through 125 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 126. 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 142.

### **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 (69.3%) of the City's net position at September 30, 2018 is net investment in capital assets (e.g. land, buildings, machinery, equipment, and infrastructure). This amount (\$128,755,649) 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 14.9% (\$27,697,677) remains available to meet the City's ongoing obligations to citizens, creditors and customers. The remaining 15.8% of total net position (\$29,294,641) are resources subject to external restrictions on how they may be used.

**City of Panama City, Florida**  
**Summary Statement of Net Position**  
**As of September 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2018	2017	2018	2017	2018	2017
Current and Other assets	\$ 81,696,666	\$ 56,424,820	\$ 42,633,481	\$ 59,751,805	\$ 124,330,147	\$ 116,176,625
Capital assets	88,454,290	76,971,936	92,669,743	72,891,536	181,124,033	149,863,472
<b>Total assets</b>	<b>170,150,956</b>	<b>133,396,756</b>	<b>135,303,224</b>	<b>132,643,341</b>	<b>305,454,180</b>	<b>266,040,097</b>
<b>Total deferred outflows of resources</b>	<b>3,861,768</b>	<b>6,415,880</b>	<b>819,292</b>	<b>1,076,930</b>	<b>4,681,060</b>	<b>7,492,810</b>
Current and Other liabilities	6,802,113	3,582,725	6,662,273	5,251,747	13,464,386	8,834,472
Noncurrent liabilities	70,456,088	43,275,212	37,229,303	40,058,740	107,685,391	83,333,952
<b>Total liabilities</b>	<b>77,258,201</b>	<b>46,857,937</b>	<b>43,891,576</b>	<b>45,310,487</b>	<b>121,149,777</b>	<b>92,168,424</b>
<b>Total deferred inflows of resources</b>	<b>2,780,285</b>	<b>1,761,972</b>	<b>457,211</b>	<b>408,776</b>	<b>3,237,496</b>	<b>2,170,748</b>
Net position:						
Net investment in capital assets	70,572,052	70,309,572	58,183,597	67,700,504	128,755,649	138,010,076
Restricted	19,045,770	14,901,299	10,248,871	6,841,454	29,294,641	21,742,753
Unrestricted	4,356,416	5,981,856	23,341,261	13,459,050	27,697,677	19,440,906
<b>Total net position</b>	<b>\$ 93,974,238</b>	<b>\$ 91,192,727</b>	<b>\$ 91,773,729</b>	<b>\$ 88,001,008</b>	<b>\$ 185,747,967</b>	<b>\$ 179,193,735</b>

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, 2018 increased by \$6,554,232 from fiscal year 2017. 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).

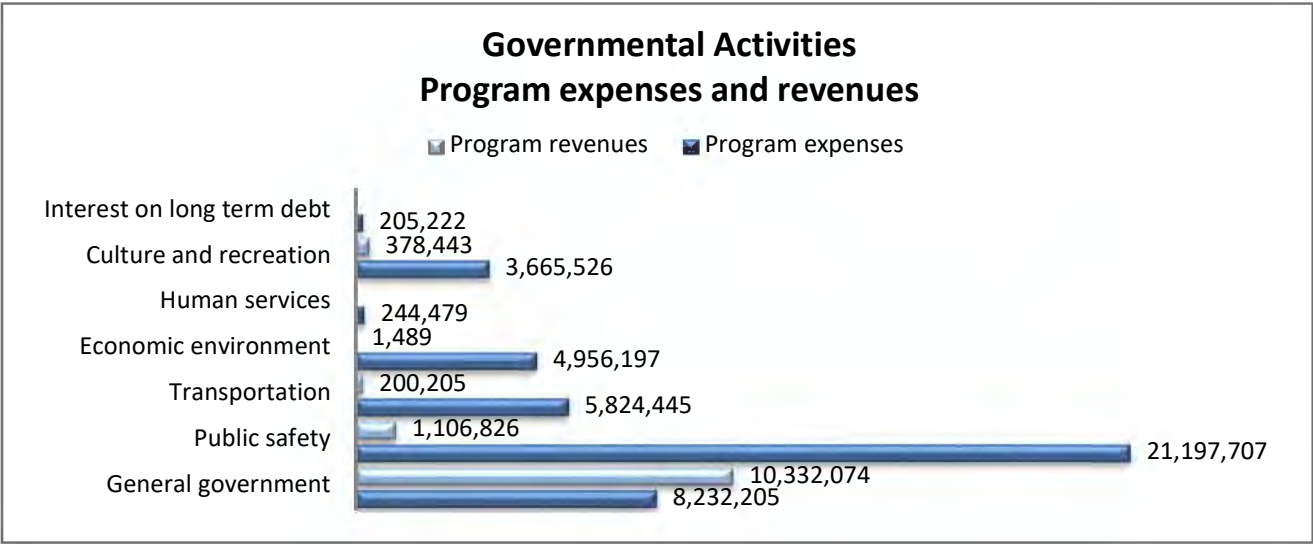
Key elements of the increases and decreases between 2017 and 2018 can be compared by examining changes in net position on the *Statement of Activities* (below). The Statement of Activities shows the governmental and business-type activities during the previous two fiscal years.

**City of Panama City, Florida**  
**Statement of Activities**  
**Fiscal Years Ended September 30, 2018 and 2017**

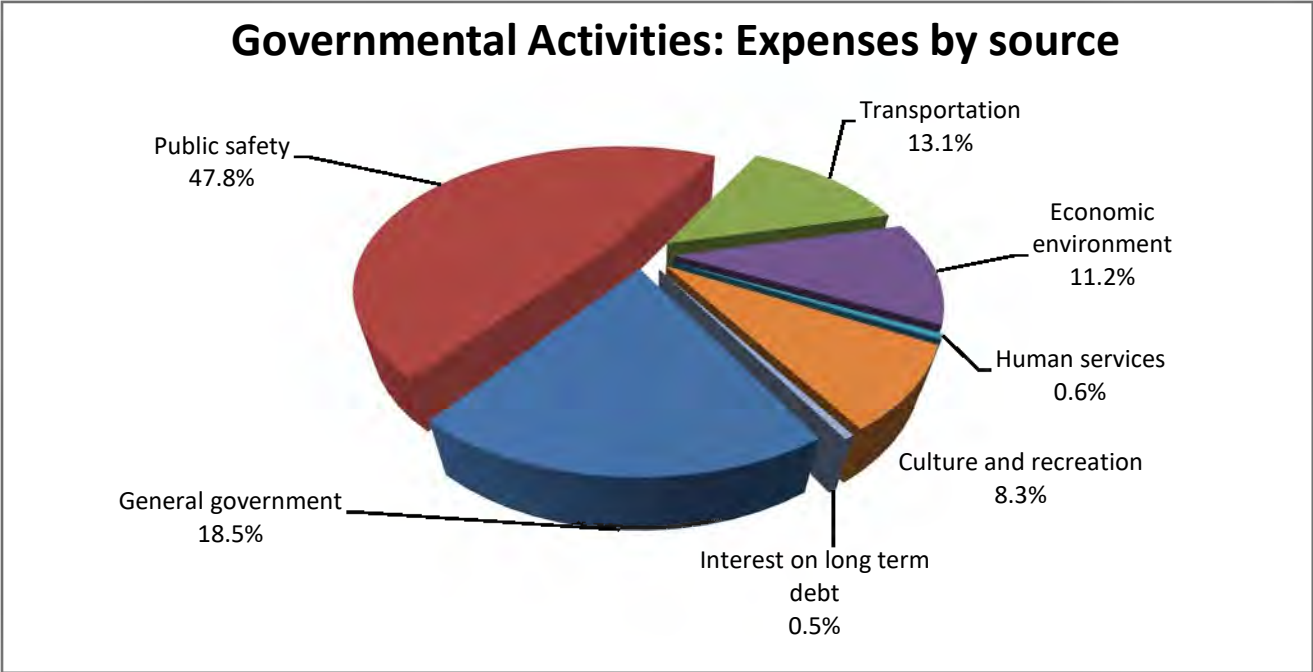
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
<b>Revenues</b>						
Program Revenues:						
Charges for services-governmental	\$ 12,019,037	\$ 11,488,967			\$ 12,019,037	\$ 11,488,967
Charges for services-utilities			\$ 19,622,582	\$ 19,565,041	19,622,582	19,565,041
Charges for services-solid waste			7,186,148	6,906,065	7,186,148	6,906,065
Charges for services-marinas			3,148,592	3,050,304	3,148,592	3,050,304
Operating grants and contributions	1,301,296	1,278,837	218,225	17,476	1,519,521	1,296,313
Capital grants and contributions			361,400	591,888	361,400	591,888
General Revenues:						
Taxes:						
Ad valorem	8,929,919	8,897,687			8,929,919	8,897,687
Tax increment	2,172,010	2,239,986			2,172,010	2,239,986
Gas tax	1,295,819	1,281,331			1,295,819	1,281,331
Franchise fees	4,261,663	4,112,022			4,261,663	4,112,022
Utility service taxes	4,540,419	4,287,390			4,540,419	4,287,390
Communications service taxes	1,574,325	1,614,810			1,574,325	1,614,810
Local option sales tax	3,279,225	2,120,937			3,279,225	2,120,937
State revenue sharing	5,117,650	4,871,519			5,117,650	4,871,519
Investment earnings	663,874	472,139	488,472	395,756	1,152,346	867,895
Gain (loss) on sale of capital assets	(107,719)	33,503	8,585	(265,461)	(99,134)	-231,958
Other general revenues	618,970	563,515	12,844	4,258	631,814	567,773
<b>Total Revenues</b>	<u>45,666,488</u>	<u>43,262,643</u>	<u>31,046,848</u>	<u>30,265,327</u>	<u>76,713,336</u>	<u>73,527,970</u>
<b>Expenses</b>						
General government	8,232,205	8,047,155			8,232,205	8,047,155
Public safety	21,197,707	21,091,964			21,197,707	21,091,964
Transportation	5,824,445	5,781,421			5,824,445	5,781,421
Economic environment	4,956,197	3,528,539			4,956,197	3,528,539
Human services	244,479	282,512			244,479	282,512
Culture and recreation	3,665,526	3,625,195			3,665,526	3,625,195
Interest on long-term debt	205,222	531,878			205,222	531,878
Water and sewer utilities			15,981,122	15,252,532	15,981,122	15,252,532
Solid waste operations			6,440,541	6,012,230	6,440,541	6,012,230
Marinas operations			2,842,914	2,707,680	2,842,914	2,707,680
<b>Total Expenses</b>	<u>44,325,781</u>	<u>42,888,664</u>	<u>25,264,577</u>	<u>23,972,442</u>	<u>69,590,358</u>	<u>66,861,106</u>
Increase in net position before	1,340,707	373,979	5,782,271	6,292,885	7,122,978	6,666,864
Transfers in (out)	<u>1,861,812</u>	<u>2,112,119</u>	<u>(1,861,812)</u>	<u>(2,112,119)</u>		
<b>Increase in net position</b>	3,202,519	2,486,098	3,920,459	4,180,766	7,122,978	6,666,864
Net position-beginning of year, as restated	90,771,719	88,706,629	87,853,270	83,820,242	178,624,989	172,526,871
<b>Net position - end of year</b>	<u>\$ 93,974,238</u>	<u>\$ 91,192,727</u>	<u>\$ 91,773,729</u>	<u>\$ 88,001,008</u>	<u>\$ 185,747,967</u>	<u>\$ 179,193,735</u>

**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.

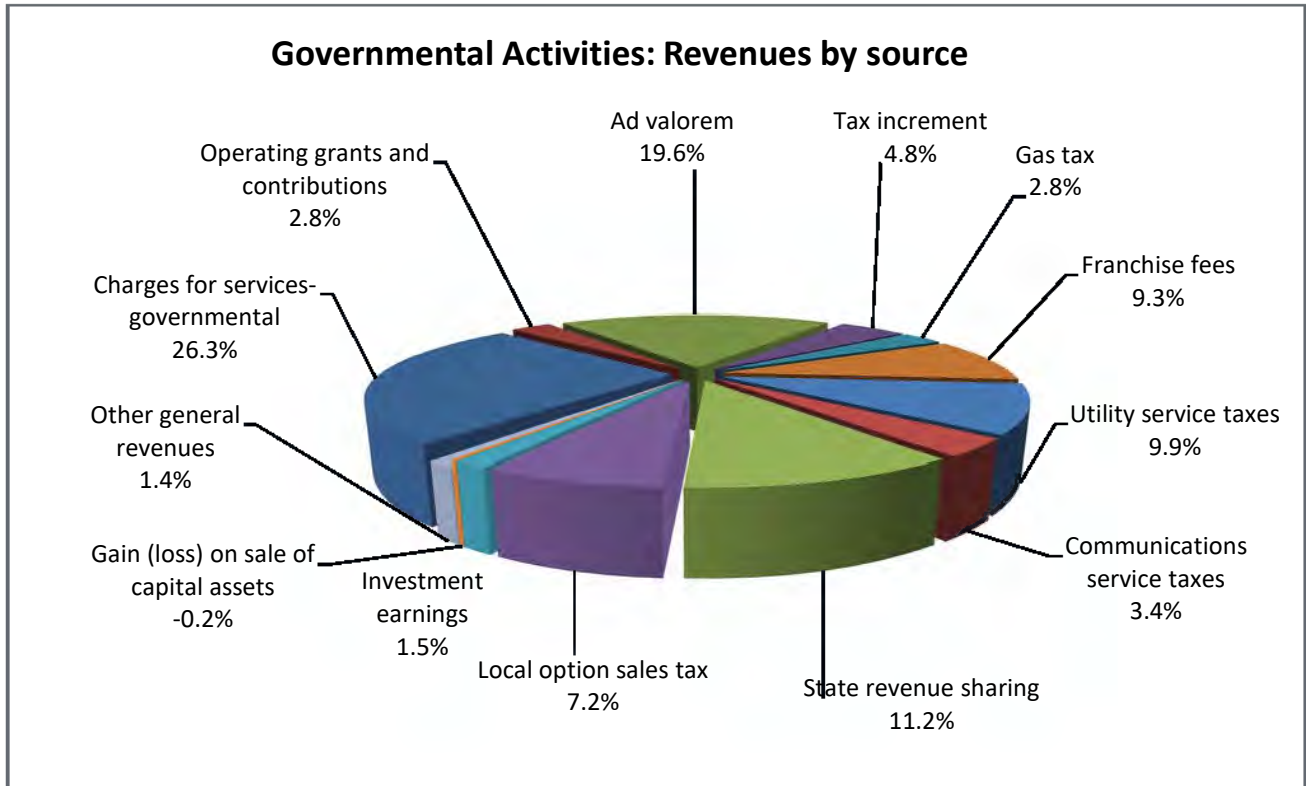


Expenses in the governmental activities are highest in the public safety category (47.8%) followed by general government (18.5%) and transportation (13.1%). Total governmental activity expenses increased by 3.4% (\$1,437,117) in fiscal year 2018. The largest dollar increase in expenses occurred in the Economic Environment category (\$1,427,658) and the greatest decrease in Interest on Long Term Debt in the amount of \$326,656.



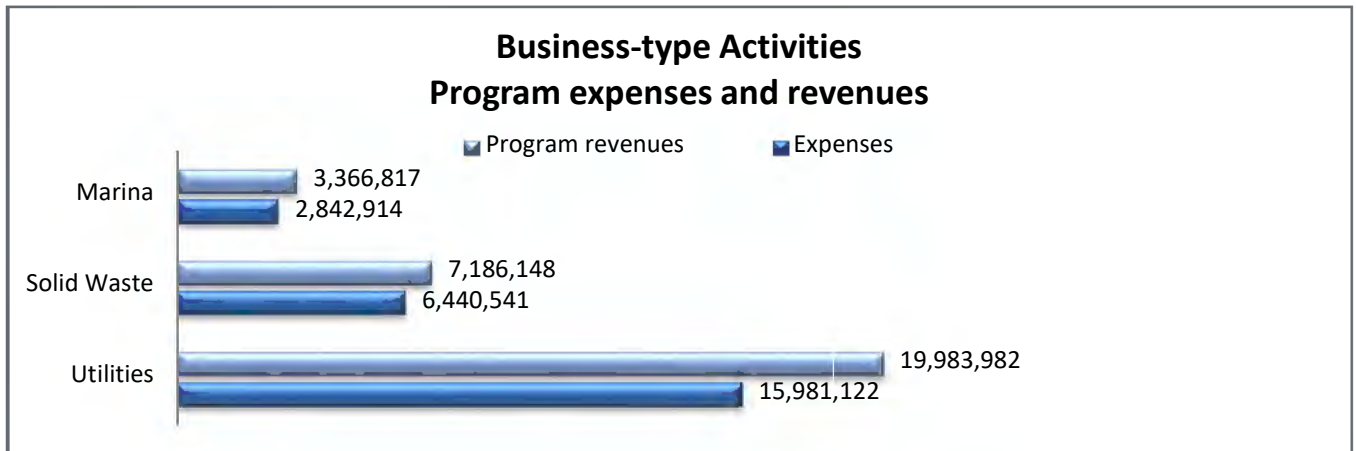
Revenues from governmental activities increased \$2,403,845 from fiscal year 2017. This increase is mainly due to an increase in local options sales tax. Charges for services continue to be the largest revenue source in governmental activities (26.3%), followed by ad valorem taxes (19.6%).

### Governmental Activities: Revenues by source



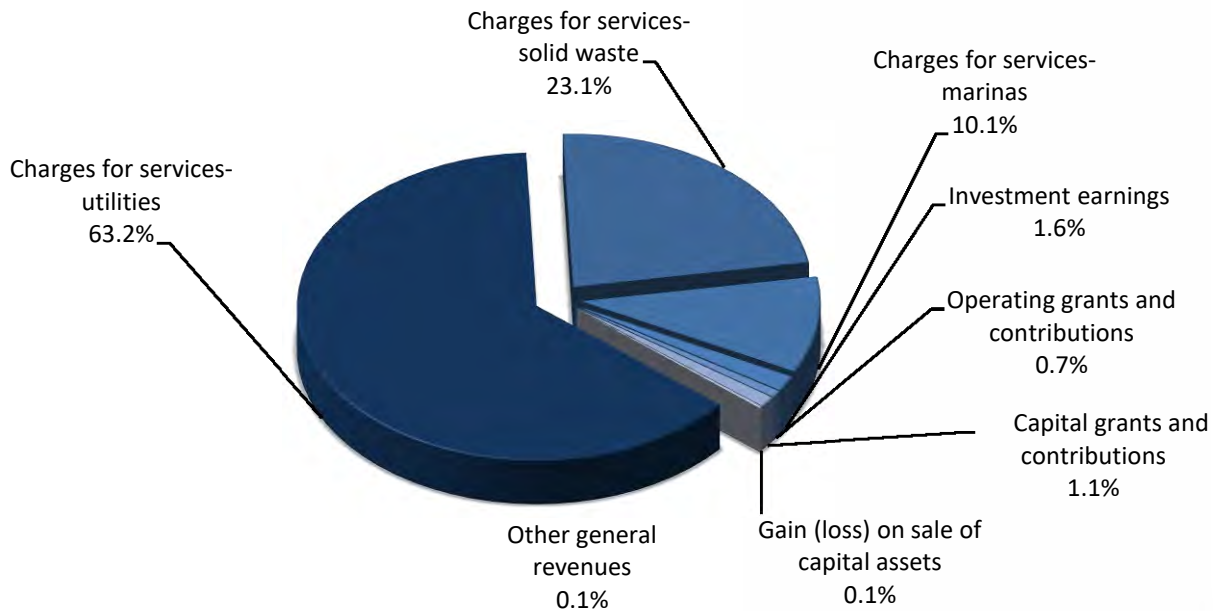
### Business-type activities

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 2018.



Total expenses for business-type activities increased 5.4%, \$1,292,135 in fiscal year 2018. Expenses for utility activities, solid waste services, and marina activities had increases of 4.8%, 7.1%, and 5.0% respectively. Combined business-type expenses, for the fiscal year ended September 30, 2018, were \$25,264,577. Charges for services are the major source of revenue (96.4%) for business-type activities. These charges represent \$29,957,322 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 \$781,521 (2.6%) from fiscal year 2017.

## Business-type Activities: Revenues by source



### 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 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, 2018, the total fund balance in the general fund was \$25,316,240, of which \$319,010 was non-spendable, \$12,906,796, was committed, \$546,933 was assigned, and \$11,543,501 was unassigned. Compared to fiscal year 2017, the total fund balance increased \$4,223,352 (20.0%). This was due to a combination of an increase in general revenue and a decrease in general fund expenditures explained below.

General revenue increased \$1,209,688 (3.2%) in fiscal year 2018. The greatest increase (8.6%) was in the investment earnings category as a result of increased interest rates on cash and investment balances. All general fund revenue categories had positive increases at September 30, 2018, except for a slight decrease in miscellaneous of \$994. General fund expenditures decreased in fiscal year 2018 by \$3,892,056 or 10.6%. Capital outlay decreased by 74.8% (\$4,882,685), which was the greatest decrease of all the categories, resulting mainly from the previous fiscal year purchase of a building and land to be remodeled and utilized as City Hall when completed. The largest increase occurred in capital lease principal by 40.2% (\$153,341) compared to the previous fiscal year, due to an increase in capital lease payments on police vehicles.

During fiscal year 2018, special revenue fund balances increased by \$1,783,664. Increases or decreases in special revenue funds are typically indicative of funding changes as activities are identified, initiated, or completed. The greatest increase (\$2,950,224) was in the Infrastructure Surtax fund. This fund was created in the previous fiscal year to account for the local option infrastructure sales surtax that began in January 2017. The increase in the fiscal year 2018 balance is primarily due to the first full year of collection of the tax. The current fund balance in the Infrastructure Surtax fund is \$5,006,728, and represents funds to be utilized for the construction of various infrastructure improvements. The largest decrease occurred in the Panama City Community Redevelopment Agency Downtown North with a decrease of \$907,704 due to an increase in expenses for residential redevelopment programs in fiscal year 2018. 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 2018 to aid in housing stability programs. The SHIP City program decreased by \$32,023 and the SHIP County increased by \$37,879. 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 five capital projects funds to account for projects in governmental activities costing over \$25,000. The total capital projects fund balance on September 30, 2018 was \$33,369,103, an increase of \$15,484,348 from fiscal year 2017. This increase is due to two new capital projects funds created during fiscal year 2018. The Capital Projects Infrastructure Surtax Fund was created to account for capital projects funded by the local options infrastructure sales surtax. The Capital Projects New City Hall fund was created to account for capital improvements to the building at 501 Harrison Avenue that will become City Hall for the City of Panama City. 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 \$2,761,384 to the capital projects fund in fiscal year 2018 to fund capital projects such as a skate park, special needs playground, and the widening of Jenks Avenue.



## 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 \$72,997,376 at fiscal year-end, an increase of \$3,762,981 over the prior fiscal year. Operating revenues increased \$57,541 in fiscal year 2018, and operating expenses increased in the amount of \$545,337.

The Solid Waste Fund had a total net position of \$11,109,028 at the end of fiscal year 2018. Total net position decreased by \$326,626. Operating revenues increased by \$280,083 and operating expenses increased \$234,427.

The Marina Fund had a total net position of \$7,395,981 in fiscal year 2018, which was an increase of \$234,885 from the prior fiscal year. Operating revenues increased by \$98,288 and operating expenses increased in the amount of \$137,005.

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)	
	2018	2017
Utility Fund	\$ 5,763,253	\$ 6,251,049
Solid Waste Fund	1,265,642	1,219,986
Marina Fund	376,140	414,857
Total	\$ 7,405,035	\$ 7,885,892

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

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

The individual internal service funds are reported on pages 167-170.

## General Fund Budgetary Highlights

A budget to actual statement is provided for the General Fund on page 126. Columns for both the original budget, adopted in fiscal year 2018, 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. Original budgeted revenues for fiscal year 2018 were \$36,510,718, with no amendments during the year. Actual revenues for fiscal year 2018 totaled \$38,539,061, which was \$2,028,343 more than the final budget. Original budgeted expenditures for fiscal year 2018 were \$34,812,817, amended in the amount of \$690,754 to a final fiscal year 2018 budget of \$35,503,571. Actual expenditures for fiscal year 2018 totaled \$32,842,665 which was \$2,660,906 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 2018 budget to fiscal year 2019 budget was \$717,083. Overall, revenues exceeded actual expenditures for fiscal year 2018.

### Capital Assets

The City’s investment in capital assets for its governmental and business-type activities, as of September 30, 2018 was \$181,124,033 (net of accumulated depreciation). This is an increase of \$31,260,561 from fiscal year 2017. Investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads, and drainage systems. Governmental activities accounted for \$88,454,290 and business-type activities \$92,669,743 of total capital assets of the City of Panama City on September 30, 2018. Capital assets held by the City at the end of the most current and previous fiscal years are summarized in the table below.

**City of Panama City, Florida**  
**Capital Assets**  
**(net of depreciation)**  
**Fiscal Years Ended September 30, 2018 and 2017**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Land	\$ 19,488,856	\$ 18,952,732	\$ 1,828,384	\$ 1,519,343	\$ 21,317,240	\$ 20,472,075
Construction in progress			34,712,148	15,801,362	34,712,148	15,801,362
Buildings	14,672,145	13,168,920	1,175,352	1,281,154	15,847,497	14,450,074
Improvements other than buildings	22,137,568	14,714,050	48,849,948	47,054,913	70,987,516	61,768,963
Machinery and equipment	3,434,301	3,510,875	6,100,438	7,234,764	9,534,739	10,745,639
Intangibles	37,589	30,773	3,473		41,062	30,773
Infrastructure	28,683,831	26,594,586			28,683,831	26,594,586
<b>Total</b>	<b>\$ 88,454,290</b>	<b>\$ 76,971,936</b>	<b>\$ 92,669,743</b>	<b>\$ 72,891,536</b>	<b>\$ 181,124,033</b>	<b>\$ 149,863,472</b>

Additional information regarding the City’s capital assets may be found in the notes to the financial statements beginning on page 55.

### Debt Management

At the end of the fiscal year, the City had total bonded debt outstanding of \$82,840,000. 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 2018 may be found in the notes to the financial statements beginning on page 60.

**Outstanding Bonded Debt As Of September 30, 2018 and 2017**

Governmental Activities		Business-type Activities		Total	
2018	2017	2018	2017	2018	2017
\$ 44,956,000	\$ 13,742,000	\$ 37,884,000	\$ 37,884,000	\$ 82,840,000	\$ 51,626,000

### **Economic Factors**

The City of Panama City, in 2018 had an unemployment rate of 2.8%. This was a decrease of 0.5% from the prior fiscal year.

Taxable property values in Panama City increased 3.2% from \$2,321,551,040 in 2017 to \$2,395,503,395 in 2018

### **Hurricane Michael**

The City of Panama City was impacted on October 10, 2018 by Hurricane Michael, a Category 5 hurricane that heavily damaged public assets and infrastructure, as well as many residential and commercial buildings located within the City. Costs associated with this storm are still being determined. Due to the City's coastal location, the City had previously adopted an ordinance establishing a Disaster/Emergency reserve in order to meet unforeseen expenditures caused by disasters or emergencies such as Hurricane Michael. The target balance of this reserve is 30% of annual budgeted operating expenditures, or \$12,906,796 as of September 30, 2018. The City is currently using these reserves as well as loan proceeds to fund the necessary immediate recovery since the storm. City elected officials and management continue to work with Federal and State emergency programs in order to facilitate the short and long term recovery efforts for the City of Panama City.

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, 2018**

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Panama City Downtown Improvement Board	Panama City Port Authority
<b>ASSETS</b>					
Cash and cash equivalents	\$ 50,329,930	\$ 17,438,335	\$ 67,768,265	\$ 93,877	\$ 2,023,729
Investments	19,120,927	4,333,786	23,454,713		4,006,130
Receivables, net:					
Accounts	224,738	3,574,653	3,799,391		2,524,849
Special assessments	81,308	35,091	116,399		
Internal balances	(275,579)	275,579			
Prepaid items	158,288	645	158,933	1,948	350,990
Due from other governmental entities	1,289,711		1,289,711		
Inventories	2,631,329	182,808	2,814,137		
Restricted assets:					
Cash and cash equivalents		16,792,584	16,792,584		
Notes receivable	8,136,014		8,136,014		
Capital assets:					
Non-depreciable	19,488,856	36,540,532	56,029,388	753,588	43,652,333
Depreciable (net)	68,965,434	56,129,211	125,094,645	339,145	72,157,063
<b>Total assets</b>	<u>170,150,956</u>	<u>135,303,224</u>	<u>305,454,180</u>	<u>1,188,558</u>	<u>124,715,094</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Outflows from hedging					315,326
Charges on debt refunding		402,513	402,513		
Pension related outflows	3,861,768	416,779	4,278,547		101,829
<b>Total deferred outflows of resources</b>	<u>3,861,768</u>	<u>819,292</u>	<u>4,681,060</u>		<u>417,155</u>
<b>LIABILITIES</b>					
Accounts payable	2,928,729	1,506,279	4,435,008	2,342	1,700,092
Due to other governmental entities	251,615		251,615		
Accrued salaries	714,860	179,279	894,139		
Accrued taxes payable		10,031	10,031		
Unearned revenue		97,252	97,252		37,231
Deposits	5,074		5,074		
Accrued interest payable		520,870	520,870	122,074	
Accrued other liabilities	194,846		194,846	1,000	147,019
Noncurrent liabilities:					
Due within one year:					
Claims and judgments					25,183
Compensated absences	359,322	100,200	459,522	492	23,360
Bonds, notes, leases and loans payable	2,347,667	2,846,697	5,194,364		3,056,216
Due in more than one year:					
Deposits		1,401,665	1,401,665		
Claims and judgments					403,364
Compensated absences	1,077,967	300,600	1,378,567	1,477	70,081
Net OPEB liability	2,869,504	1,008,175	3,877,679		255,877
Bonds, notes, leases and loans payable	43,526,707	35,045,000	78,571,707		20,641,032
Net pension liability	22,981,910	875,528	23,857,438		281,599
Interest rate swap agreement (net)					315,326
<b>Total liabilities</b>	<u>77,258,201</u>	<u>43,891,576</u>	<u>121,149,777</u>	<u>127,385</u>	<u>26,956,380</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related inflows	2,780,285	457,211	3,237,496		76,939
<b>NET POSITION</b>					
Net investment in capital assets	70,572,052	58,183,597	128,755,649	1,092,733	92,112,148
Restricted for:					
General Government	102,423		102,423		
Housing and Urban Development	7,706,723		7,706,723		
Infrastructure	5,006,728		5,006,728		
Debt service	2,021,286	10,248,871	12,270,157		
Self-insurance	2,583,667		2,583,667		
Community redevelopment	1,624,943		1,624,943		
Unrestricted (deficit)	4,356,416	23,341,261	27,697,677	(31,560)	5,986,782
<b>Total net position</b>	<u>\$ 93,974,238</u>	<u>\$ 91,773,729</u>	<u>\$ 185,747,967</u>	<u>\$ 1,061,173</u>	<u>\$ 98,098,930</u>

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA  
STATEMENT OF ACTIVITIES  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<b>FUNCTIONS/PROGRAMS</b>	<b>Program Revenues</b>			
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 8,232,205	\$ 10,332,074		
Public safety	21,197,707	1,106,826	\$ 50,115	
Transportation	5,824,445	200,205		
Economic environment	4,956,197	1,489	1,251,181	
Culture and recreation	3,665,526	378,443		
Human services	244,479			
Interest on long-term debt	205,222			
Total governmental activities	44,325,781	12,019,037	1,301,296	
Business-type activities:				
Utilities	15,981,122	19,622,582		\$ 361,400
Solid Waste	6,440,541	7,186,148		
Marina	2,842,914	3,148,592	218,225	
Total business-type activities	25,264,577	29,957,322	218,225	361,400
Total primary government	\$ 69,590,358	\$ 41,976,359	\$ 1,519,521	\$ 361,400
<b>Component units:</b>				
Panama City Downtown Improvement Board	\$ 228,700	\$ 56,196		
Panama City Port Authority	15,213,874	14,983,008		\$ 7,234,290
Total component units	\$ 15,442,574	\$ 15,039,204	\$ -	\$ 7,234,290

General revenues:

Taxes:

Ad valorem taxes  
Tax Increment Ad valorem taxes  
Local option gasoline tax  
Franchise fees  
Utility service tax  
Communications service tax  
Local option sales tax  
Unrestricted state revenue sharing  
Unrestricted investment earnings  
Gain (loss) on disposal 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 75

Net position - beginning of year, as restated

**Net position - end of year**

See the accompanying notes.

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

<b>Primary Government</b>			<b>Component Units</b>	
<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Panama City Downtown Improvement Board</b>	<b>Panama City Port Authority</b>
\$ 2,099,869		\$ 2,099,869		
(20,040,766)		(20,040,766)		
(5,624,240)		(5,624,240)		
(3,703,527)		(3,703,527)		
(3,287,083)		(3,287,083)		
(244,479)		(244,479)		
(205,222)		(205,222)		
<u>(31,005,448)</u>		<u>(31,005,448)</u>		
	\$ 4,002,860	4,002,860		
	745,607	745,607		
	523,903	523,903		
	<u>5,272,370</u>	<u>5,272,370</u>		
<u>(31,005,448)</u>	<u>5,272,370</u>	<u>(25,733,078)</u>		
			\$ (172,504)	
			<u>(172,504)</u>	\$ 7,003,424
				<u>7,003,424</u>
8,929,919		8,929,919	159,153	
2,172,010		2,172,010		
1,295,819		1,295,819		
4,261,663		4,261,663		
4,540,419		4,540,419		
1,574,325		1,574,325		
3,279,225		3,279,225		
5,117,650		5,117,650		
663,874	488,472	1,152,346		93,624
(107,719)	8,585	(99,134)		
618,970	12,844	631,814	2,577	
1,861,812	(1,861,812)			
<u>34,207,967</u>	<u>(1,351,911)</u>	<u>32,856,056</u>	<u>161,730</u>	<u>93,624</u>
<u>3,202,519</u>	<u>3,920,459</u>	<u>7,122,978</u>	<u>(10,774)</u>	<u>7,097,048</u>
<u>91,192,727</u>	<u>88,001,008</u>	<u>179,193,735</u>	<u>1,071,947</u>	<u>91,207,945</u>
<u>(421,008)</u>	<u>(147,738)</u>	<u>(568,746)</u>		<u>(206,063)</u>
<u>90,771,719</u>	<u>87,853,270</u>	<u>178,624,989</u>	<u>1,071,947</u>	<u>91,001,882</u>
\$ <u>93,974,238</u>	\$ <u>91,773,729</u>	\$ <u>185,747,967</u>	\$ <u>1,061,173</u>	\$ <u>98,098,930</u>

See the accompanying notes.



**CITY OF PANAMA CITY, FLORIDA  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	<u>General</u>	<u>Capital Projects</u>	<u>Capital Projects 2013</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,506,329	\$ 2,566,862	\$ 3,673,041
Investments	11,543,888	2,408,954	4,351,488
Receivables, net:			
Accounts	151,648	23,090	
Special assessments	81,308		
Due from other funds	1,163,313		
Due from other governmental entities	558,527	300,000	
Prepaid items	158,288		
Inventories	158,470		
Notes receivable	1,560,165	1,800,000	
<b>Total assets</b>	<u>\$ 26,881,936</u>	<u>\$ 7,098,906</u>	<u>\$ 8,024,529</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 681,385	\$ 175,652	
Due to other funds	290	880,077	
Due to other governmental entities			
Accrued salaries	684,101		
Accrued other liabilities	194,846		
Deposits	5,074		
<b>Total liabilities</b>	<u>1,565,696</u>	<u>1,055,729</u>	<u>\$ -</u>
<b>Fund balances:</b>			
Non-spendable	319,010		
Spendable:			
Restricted			
Committed	12,906,796		
Assigned	546,933	6,043,177	8,024,529
Unassigned	11,543,501		
<b>Total fund balances</b>	<u>25,316,240</u>	<u>6,043,177</u>	<u>8,024,529</u>
<b>Total liabilities and fund balances</b>	<u>\$ 26,881,936</u>	<u>\$ 7,098,906</u>	<u>\$ 8,024,529</u>

See the accompanying notes.

<u>Energy Improvements</u>	<u>Capital Projects Infrastructure Surtax</u>	<u>Capital Projects New City Hall</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>
	\$ 15,014,710	\$ 4,952,897	\$ 9,631,394	\$ 47,345,233 18,304,330
				174,738
				81,308
			2,060	1,165,373
			426,952	1,285,479
				158,288
			2,285,632	2,444,102
			4,775,849	8,136,014
<u>\$ -</u>	<u>\$ 15,014,710</u>	<u>\$ 4,952,897</u>	<u>\$ 17,121,887</u>	<u>\$ 79,094,865</u>
		\$ 666,210	\$ 156,288	\$ 1,679,535
			233,063	1,113,430
			251,615	251,615
			18,818	702,919
				194,846
				5,074
<u>\$ -</u>	<u>\$ -</u>	<u>666,210</u>	<u>659,784</u>	<u>3,947,419</u>
			2,285,632	2,604,642
			14,176,471	14,176,471
	15,014,710	4,286,687		12,906,796
				33,916,036
				11,543,501
<u>-</u>	<u>15,014,710</u>	<u>4,286,687</u>	<u>16,462,103</u>	<u>75,147,446</u>
<u>\$ -</u>	<u>\$ 15,014,710</u>	<u>\$ 4,952,897</u>	<u>\$ 17,121,887</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.	88,386,383
Deferred outflows for pension related items.	3,861,768
Deferred inflows for pension related items.	(2,780,285)
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.	2,430,970
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	(45,874,374)
Compensated absences	(1,423,809)
Net pension liability	(22,981,910)
Net OPEB liability	(2,791,951)
<b>Net position of governmental activities</b>	<u>\$ 93,974,238</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, 2018**

	<b>General</b>	<b>Capital Projects</b>	<b>Capital Projects 2013</b>
<b>REVENUES</b>			
Taxes	\$ 20,602,145		
Licenses and permits	10,013,624		
Intergovernmental	5,898,740		
Charges for services	1,316,434		
Investment earnings	340,353	\$ 97,244	\$ 99,135
Miscellaneous	367,765		
<b>Total revenues</b>	38,539,061	97,244	99,135
<b>EXPENDITURES</b>			
Current:			
General government	5,427,336		
Public safety	17,368,665	44,399	
Transportation	3,757,914	63,700	
Economic environment	1,059,112		
Human services	244,479		
Culture and recreation	2,775,170	15,668	
Debt service:			
Capital lease principal	535,300		
Capital lease interest	33,583		
Principal retirement			
Interest and other charges			
Capital outlay	1,641,106	6,213,228	
<b>Total expenditures</b>	32,842,665	6,336,995	
<b>Excess (deficiency) of revenues over (under) expenditures</b>	5,696,396	(6,239,751)	99,135
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of long-term debt	652,490		
Original issue discount			
Transfers in	6,100,458	2,518,567	
Transfers out	(8,225,992)	(195,000)	
<b>Total other financing sources (uses)</b>	(1,473,044)	2,323,567	
<b>Net change in fund balances</b>	4,223,352	(3,916,184)	99,135
<b>Fund Balances:</b>			
<b>Beginning of year</b>	21,092,888	9,959,361	7,925,394
<b>End of year</b>	\$ 25,316,240	\$ 6,043,177	\$ 8,024,529

See the accompanying notes.

<u>Energy Improvements</u>	<u>Capital Projects Infrastructure Surtax</u>	<u>Capital Projects New City Hall</u>	<u>Non-Major Other Governmental Funds</u>	<u>Total Governmental Funds</u>
			\$ 3,279,225	\$ 23,881,370
				10,013,624
			3,473,306	9,372,046
			1,489	1,317,923
\$ 481	\$ 9,728	\$ 64,470	52,463	663,874
			188,007	555,772
<u>481</u>	<u>9,728</u>	<u>64,470</u>	<u>6,994,490</u>	<u>45,804,609</u>
	95,018	109,600		5,631,954
			16,007	17,429,071
				3,821,614
			3,822,158	4,881,270
				244,479
				2,790,838
				535,300
				33,583
			216,000	216,000
			175,387	175,387
236,233		7,957,358	745,820	16,793,745
<u>236,233</u>	<u>95,018</u>	<u>8,066,958</u>	<u>4,975,372</u>	<u>52,553,241</u>
<u>(235,752)</u>	<u>(85,290)</u>	<u>(8,002,488)</u>	<u>2,019,118</u>	<u>(6,748,632)</u>
	15,100,000	16,330,000		32,082,490
		(40,825)		(40,825)
242,817			2,428,711	11,290,553
(7,065)		(4,000,000)	(652,016)	(13,080,073)
<u>235,752</u>	<u>15,100,000</u>	<u>12,289,175</u>	<u>1,776,695</u>	<u>30,252,145</u>
	15,014,710	4,286,687	3,795,813	23,503,513
			12,666,290	51,643,933
<u>\$ -</u>	<u>\$ 15,014,710</u>	<u>\$ 4,286,687</u>	<u>\$ 16,462,103</u>	<u>\$ 75,147,446</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, 2018**

**Net change in fund balances - total governmental funds** \$ 23,503,513

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	16,793,745	
Less current year depreciation	<u>(5,169,395)</u>	11,624,350

The net effect of various miscellaneous transactions involving capital assets (e.g. sales, trade-ins, donations) is to decrease net position. (138,121)

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. (31,286,617)

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		34,690
Employer pension related costs		(749,454)
Other post employment benefits (OPEB) cost		(52,168)

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. 266,326

**Change in net position of governmental activities** \$ 3,202,519

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
SEPTEMBER 30, 2018**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Total	
<b>ASSETS</b>					
<b>Current assets:</b>					
Cash and cash equivalents	\$ 12,261,785	\$ 2,044,685	\$ 3,131,865	\$ 17,438,335	\$ 2,984,697
Investments	1,931,280	2,400,917	1,589	4,333,786	816,597
Due from other governmental entities					4,232
Due from other funds	375,649	194,515		570,164	
Receivables, net:					
Accounts	2,386,825	905,958	281,870	3,574,653	50,000
Special assessments		35,091		35,091	
Inventories			182,808	182,808	187,227
Prepaid items	645			645	
<b>Total current assets</b>	<u>16,956,184</u>	<u>5,581,166</u>	<u>3,598,132</u>	<u>26,135,482</u>	<u>4,042,753</u>
<b>Noncurrent assets:</b>					
Restricted cash and cash equivalents:					
Impact fee account	3,540,676			3,540,676	
Utility upgrade account	3,003,037			3,003,037	
Revenue bond - future debt reserve accounts	3,920,016			3,920,016	
Revenue bond contingency (renewal and replacement) account	6,328,855			6,328,855	
Capital assets:					
Land	724,193	598,675	505,516	1,828,384	
Buildings	1,085,027	48,579	463,282	1,596,888	
Improvements other than buildings		2,188,304	14,706,035	16,894,339	
Machinery and equipment	4,061,054	7,501,496	3,085,341	14,647,891	235,097
Intangibles	4,007			4,007	
Utility system	95,148,415			95,148,415	
Less accumulated depreciation	(54,625,510)	(2,869,352)	(14,667,467)	(72,162,329)	(167,190)
Construction work in progress	34,712,148			34,712,148	
<b>Total noncurrent assets</b>	<u>97,901,918</u>	<u>7,467,702</u>	<u>4,092,707</u>	<u>109,462,327</u>	<u>67,907</u>
<b>Total assets</b>	<u>114,858,102</u>	<u>13,048,868</u>	<u>7,690,839</u>	<u>135,597,809</u>	<u>4,110,660</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Charges on debt refunding	402,513			402,513	
Pension related outflows	310,208	55,731	50,840	416,779	
<b>Total deferred outflows of resources</b>	<u>712,721</u>	<u>55,731</u>	<u>50,840</u>	<u>819,292</u>	<u>-</u>
<b>LIABILITIES</b>					
<b>Current liabilities:</b>					
Accounts payable	1,052,993	394,508	58,778	1,506,279	1,249,193
Due to other funds	194,951	370,927	51	565,929	56,178
Accrued salaries	116,803	48,275	14,201	179,279	11,941
Compensated absences	69,652	22,929	7,619	100,200	3,370
Accrued taxes payable			10,031	10,031	
Current portion of bonds, notes, and loans payable	2,846,697			2,846,697	
Accrued interest payable	520,870			520,870	
Unearned revenue			97,252	97,252	
<b>Total current liabilities</b>	<u>4,801,966</u>	<u>836,639</u>	<u>187,932</u>	<u>5,826,537</u>	<u>1,320,682</u>
<b>Noncurrent liabilities:</b>					
Compensated absences	208,953	68,787	22,860	300,600	10,111
Net OPEB liability	632,041	286,948	89,186	1,008,175	77,553
Deposits	819,681	579,744	2,240	1,401,665	
Bonds, notes, and loans payable	35,045,000			35,045,000	
Net pension liability	706,876	145,482	23,170	875,528	
<b>Total noncurrent liabilities</b>	<u>37,412,551</u>	<u>1,080,961</u>	<u>137,456</u>	<u>38,630,968</u>	<u>87,664</u>
<b>Total liabilities</b>	<u>42,214,517</u>	<u>1,917,600</u>	<u>325,388</u>	<u>44,457,505</u>	<u>1,408,346</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Pension related inflows	358,930	77,971	20,310	457,211	
<b>NET POSITION</b>					
Net investment in capital assets	46,623,188	7,467,702	4,092,707	58,183,597	67,907
Restricted for:					
Debt service	10,248,871			10,248,871	
Claims					2,583,667
Unrestricted	16,125,317	3,641,326	3,303,274	23,069,917	50,740
<b>Total net position</b>	<u>\$ 72,997,376</u>	<u>\$ 11,109,028</u>	<u>\$ 7,395,981</u>	<u>\$ 91,502,385</u>	<u>\$ 2,702,314</u>
<b>Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds</b>				271,344	
<b>Net position of business-type activities</b>				<u>\$ 91,773,729</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, 2018**

	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Funds	
	Utilities	Solid Waste	Marina		Totals
<b>Operating revenues:</b>					
Charges for services	\$ 19,013,223	\$ 7,100,126	\$ 2,766,294	\$ 28,879,643	\$ 880,468
Connection and hydrant fees	562,008			562,008	
Contributions					2,944,036
Miscellaneous	47,351	86,022	382,298	515,671	53,467
<b>Total operating revenues</b>	<u>19,622,582</u>	<u>7,186,148</u>	<u>3,148,592</u>	<u>29,957,322</u>	<u>3,877,971</u>
<b>Operating expenses:</b>					
Personnel services	3,511,632	1,493,898	421,494	5,427,024	345,640
Operating expenses	7,771,070	3,180,960	2,064,371	13,016,401	2,084,673
Insurance claims and expenses					6,025,220
Depreciation	2,576,627	1,245,648	286,587	4,108,862	10,474
<b>Total operating expenses</b>	<u>13,859,329</u>	<u>5,920,506</u>	<u>2,772,452</u>	<u>22,552,287</u>	<u>8,466,007</u>
<b>Operating income (loss)</b>	<u>5,763,253</u>	<u>1,265,642</u>	<u>376,140</u>	<u>7,405,035</u>	<u>(4,588,036)</u>
<b>Nonoperating revenues (expenses):</b>					
Investment earnings	391,236	60,515	36,721	488,472	26,734
Grant			218,225	218,225	
Interest expense	(1,036,363)			(1,036,363)	
Other debt service costs	(163,153)			(163,153)	
Scrap sales	775	12,069		12,844	1,005
Gain (loss) on disposal of asset	(164,406)	(164,029)	1,434	(327,001)	(1,897)
<b>Total nonoperating revenues (expenses)</b>	<u>(971,911)</u>	<u>(91,445)</u>	<u>256,380</u>	<u>(806,976)</u>	<u>25,842</u>
<b>Income (loss) before contributions and transfers</b>	<u>4,791,342</u>	<u>1,174,197</u>	<u>632,520</u>	<u>6,598,059</u>	<u>(4,562,194)</u>
<b>Contributions and transfers:</b>					
Capital contributions	361,400			361,400	
Transfers in	474,675			474,675	5,013,317
Transfers out	(1,771,816)	(1,458,774)	(384,566)	(3,615,156)	(83,316)
<b>Total contributions and transfers</b>	<u>(935,741)</u>	<u>(1,458,774)</u>	<u>(384,566)</u>	<u>(2,779,081)</u>	<u>4,930,001</u>
<b>Change in net position</b>	3,855,601	(284,577)	247,954	3,818,978	367,807
<b>Net position - beginning of year</b>	69,234,395	11,435,654	7,161,096		2,345,871
Change in accounting principle - Implementation of GASB 75	(92,620)	(42,049)	(13,069)		(11,364)
Net position - beginning of year, as restated	<u>69,141,775</u>	<u>11,393,605</u>	<u>7,148,027</u>		<u>2,334,507</u>
<b>Net position - end of year</b>	<u>\$ 72,997,376</u>	<u>\$ 11,109,028</u>	<u>\$ 7,395,981</u>		<u>\$ 2,702,314</u>
<b>Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds</b>				101,481	
<b>Change in net position of business-type activities</b>				<u>\$ 3,920,459</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, 2018**

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Utilities</b>	<b>Solid Waste</b>	<b>Marina</b>	<b>Total</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 19,564,488	\$ 7,223,897	\$ 2,982,414	\$ 29,770,799	\$ 884,109
Payments to suppliers	(8,259,716)	(4,140,241)	(2,101,755)	(14,501,712)	(446,662)
Payments to employees	(3,500,587)	(1,503,128)	(414,739)	(5,418,454)	(338,640)
Internal activity-payments (to) from other funds	229,960	21,906	(2,400)	249,466	
Cash received for insurance contributions					2,944,400
Cash paid for insurance claims					(7,070,311)
<b>Net cash provided by (used in) operating activities</b>	<u>8,034,145</u>	<u>1,602,434</u>	<u>463,520</u>	<u>10,100,099</u>	<u>(4,027,104)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Grants			218,225	218,225	
Transfers in	474,675			474,675	5,013,317
Transfers out	(1,771,816)	(1,458,774)	(384,566)	(3,615,156)	(83,316)
<b>Net cash provided by (used in) noncapital financing activities</b>	<u>(1,297,141)</u>	<u>(1,458,774)</u>	<u>(166,341)</u>	<u>(2,922,256)</u>	<u>4,930,001</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Purchases of capital assets	(23,766,098)	(446,023)	(262,315)	(24,474,436)	(8,694)
Proceeds from sales of capital assets	7,075	264,701	1,434	273,210	1,205
Interest and other debt service costs paid on capital debt	(1,036,363)			(1,036,363)	
Impact fees	361,400			361,400	
<b>Net cash used in capital and related financing activities</b>	<u>(24,433,986)</u>	<u>(181,322)</u>	<u>(260,881)</u>	<u>(24,876,189)</u>	<u>(7,489)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Proceeds from maturity of investments	2,168,496	2,571,537	1,702	4,741,735	874,628
Purchase of investment securities	(1,931,280)	(2,400,917)	(1,589)	(4,333,786)	(816,597)
Interest and dividends	391,236	60,515	36,721	488,472	26,734
<b>Net cash provided by (used in) investing activities</b>	<u>628,452</u>	<u>231,135</u>	<u>36,834</u>	<u>896,421</u>	<u>84,765</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>(17,068,530)</u>	<u>193,473</u>	<u>73,132</u>	<u>(16,801,925)</u>	<u>980,173</u>
<b>Cash and cash equivalents:</b>					
<b>Balances - beginning of year</b>	<u>46,122,899</u>	<u>1,851,212</u>	<u>3,058,733</u>	<u>51,032,844</u>	<u>2,004,524</u>
<b>Balances - end of year</b>	<u>\$ 29,054,369</u>	<u>\$ 2,044,685</u>	<u>\$ 3,131,865</u>	<u>\$ 34,230,919</u>	<u>\$ 2,984,697</u>

See the accompanying notes.

	<b>Business-type Activities - Enterprise Funds</b>				<b>Governmental Activities - Internal Service Funds</b>
	<b>Utilities</b>	<b>Solid Waste</b>	<b>Marina</b>	<b>Total</b>	
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 5,763,253	\$ 1,265,642	\$ 376,140	\$ 7,405,035	\$ (4,588,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation expense	2,576,627	1,245,648	286,587	4,108,862	10,474
Change in assets and liabilities:					
Receivables, net	202,806	63,555	(231,439)	34,922	(50,000)
Due from other governmental entities					524
Prepaid items	855			855	50,903
Deferred outflows of resources	66,718	20,071		86,789	
Inventories			(25,846)	(25,846)	(76,409)
Accounts payable	(1,070,371)	(989,279)	(13,938)	(2,073,588)	618,427
Accrued salaries	(2,537)	429	634	(1,474)	1,691
Accrued interest payable	520,870			520,870	
Accrued taxes payable			(1,899)	(1,899)	
Compensated absences	24,816	(8,089)	4,455	21,182	3,860
Due to other funds					13
Deposits	29,061	26,100	1,777	56,938	
Net pension liability	(126,997)	(38,205)		(165,202)	
Deferred inflows of resources	37,234	11,202		48,436	
Net OPEB liability	11,810	5,360	1,666	18,836	1,449
Unearned revenue			65,383	65,383	
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 8,034,145</b>	<b>\$ 1,602,434</b>	<b>\$ 463,520</b>	<b>\$ 10,100,099</b>	<b>\$ (4,027,104)</b>
<b>Reconciliation of cash and cash equivalents per statement of cash flows to the statement of net position:</b>					
Cash and cash equivalents	\$ 12,261,785	\$ 2,044,685	\$ 3,131,865	\$ 17,438,335	\$ 2,984,697
Restricted cash and cash equivalents:					
Utility upgrade account	3,003,037			3,003,037	
Impact fee account	3,540,676			3,540,676	
Revenue bond - future debt reserve accounts	3,920,016			3,920,016	
Revenue bond contingency account	6,328,855			6,328,855	
<b>Total cash and cash equivalents</b>	<b>\$ 29,054,369</b>	<b>\$ 2,044,685</b>	<b>\$ 3,131,865</b>	<b>\$ 34,230,919</b>	<b>\$ 2,984,697</b>

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA  
STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
SEPTEMBER 30, 2018**

	<b>Pension Funds</b>	<b>Agency Funds</b>
	<u>                    </u>	<u>                    </u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 2,037,283	\$ 77,928
Investments:		
Common stock	17,441,476	
Mutual funds	44,664,012	
Pooled/common/commingled funds	9,886,184	
Total investments	<u>71,991,672</u>	
Accounts receivable	<u>124,005</u>	
<b>Total assets</b>	<u>74,152,960</u>	<u>\$ 77,928</u>
<b>LIABILITIES</b>		
Accounts payable	28,060	
Accrued payroll deductions and matching		\$ 77,928
<b>Total liabilities</b>	<u>28,060</u>	<u>\$ 77,928</u>
<b>NET POSITION</b>		
Restricted for pension benefits	<u>\$ 74,124,900</u>	

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u><b>Pension Trust</b></u>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 2,971,086
State	657,281
Plan members	650,893
Total contributions	<u>4,279,260</u>
Investment earnings:	
Net appreciation in fair value of investments	2,760,265
Interest	2,216,383
Total investment earnings	<u>4,976,648</u>
Less investment expense	<u>(363,647)</u>
Net investment earnings	<u>4,613,001</u>
<b>Total additions</b>	<u><b>8,892,261</b></u>
<b>DEDUCTIONS</b>	
Benefits	6,026,617
Refunds of member contributions	128,627
Administrative expenses	144,639
<b>Total deductions</b>	<u><b>6,299,883</b></u>
<b>Change in net position</b>	<b>2,592,378</b>
<b>Net Position Restricted for Pension Benefits:</b>	
<b>Beginning of year</b>	<u>71,532,522</u>
<b>End of year</b>	<u><u>\$ 74,124,900</u></u>

See the accompanying notes.



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**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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, 2018**

**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 Office: Panama City Community Redevelopment Agency  
501 Harrison Avenue, Room 206  
Panama City, Florida 32401

**Discretely Presented Component Units**

The following component units were included, by discrete presentation for 2018, based upon the criteria noted above:

- Panama City Downtown Improvement Board
- Panama City Port Authority

**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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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  
501 Grace 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.

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



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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).

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The *energy improvements fund* is used to account for a project to improve energy efficiency at existing facilities.

The *capital projects infrastructure surtax fund* is used to account for capital improvements to the City's infrastructure funded by debt proceeds received from pledged State of Florida infrastructure surtax revenue.

The *capital projects new city hall fund* is used to account for capital improvements to the building at 501 Harrison Avenue that will become the new city hall for the City of Panama City.

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, the State of Florida infrastructure surtax, and other general grants. Revenues are restricted to accomplishing the various objectives of these 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 self-insurance, 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.

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.

**CITY OF PANAMA CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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 City'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.

The investments are categorized at their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure fair value of the asset that prioritizes inputs into three levels; Level 1 – quoted prices for identical instruments in active markets; Level 2 – significant inputs that are observable; Level 3 – significant inputs that are unobservable.

*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".

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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 \$1,500 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, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. 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, 2018**

**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.

Capital assets are depreciated over their estimated useful lives unless they are inexhaustible or are intangible assets with indefinite useful lives. The term depreciation (and related forms of the term) includes amortization of intangible assets.

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
Intangibles	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 has three items that qualify for reporting in this category: 1) 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, 2) the deferred outflow of resources on the hedging derivatives is 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, 3) deferred outflows related to pensions as discussed in Note 9.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 related to pensions as discussed in Note 9.

*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.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*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.

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 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.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Stewardship, Compliance, and Accountability**

**Budgetary Information**

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

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

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

**Excess of Expenditures Over Appropriations in Individual Funds**

The City had expenditures exceed appropriations by \$628,016 in the General Fund for the fiscal year ended September 30, 2018.

**New Accounting Pronouncements**

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 has implemented GASB Statement No. 75 in this report.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement will enhance the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. The City has determined that GASB No. 81 is not applicable to its CAFR.



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain ARO's, including obligations that may not have been previously reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement will enhance consistency in the application of accounting and financial reporting requirements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City has implemented GASB Statement No. 85 in this report.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in an irrevocable trust for the purpose of extinguishing that debt were acquired. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The City has implemented GASB Statement No. 86 in this report.

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This statement will improve the information that is disclosed in notes of governmental financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this statement are effective for reporting periods beginning after June 15, 2018. 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, 2018**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In June 2018, The GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The City is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In August 2018, The GASB issued Statement No. 90, *Majority Equity Interests*. This statement will enhance the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. 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 meet its obligations as they become due. GASB Statement No. 40 addresses common deposit and investment risks related to credit risk, custodial credit risk, concentration of credit risk, interest rate risk, and foreign currency risk and requires that deposit and investment policies related to the risks be disclosed, as applicable.

In accordance with GASB Statement No. 40, the following disclosures are made regarding the City's deposit and investment balances as of September 30, 2018:

***Deposits:***

Under the City's investment policy 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.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

***Investments:***

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

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

- a. United States Government Securities
- b. Interest Bearing Time Deposit or Saving Accounts
- c. Federal Instrumentalities (United States Government sponsored agencies)
- d. Repurchase Agreements
- e. Money Market accounts placed with financial institutions qualifying as public depositories as provided for in Chapter 280, Florida Statutes.
- f. Registered Investment Companies (Mutual Funds)
- g. Intergovernmental Investment Pool
- h. Commercial Paper

The City participates in the State Board of Administration's (SBA) Local Government Surplus Funds Trust Fund, a Florida PRIME governmental investment pool. As a Florida PRIME 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 Florida PRIME. GASB 31 defines an external investment pool as an arrangement that commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio; one or more of the participants is not part of the sponsor's reporting entity.

In December 2015, GASB issued Statement 79 titled "Certain External Investment Pools and Pool Participants" in response to the Securities and Exchange Commission's amendments in 2014 to regulations that apply to money market funds. GASB 79 addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If the external investment pool meets the criteria in GASB 79 and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

Florida PRIME currently meets all of the necessary criteria to elect to measure all of the investments in Florida PRIME at amortized cost. Therefore, the account balance is also considered the fair value of the investment. The Florida PRIME investment is exempt from the GASB 72 fair value hierarchy disclosures.

**CITY OF PANAMA CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

With regard to redemption gates, Chapter 218.409(8)(a), Florida Statutes, states that “The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, the Investment Advisory Council, and the Participant Local Government Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days.”

With regard to liquidity fees, Florida Statute 218.409(4) provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2018, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant’s daily access to 100 percent of the account value.

Florida Prime annually issues a publicly available financial report available at [www.sbafla.com](http://www.sbafla.com).

The Florida Municipal Investment Trust (FMIVT) is an authorized investment under Section 163.01, 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 Firefighters’ and Police Officers’ 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, 2018, cash instruments for both funds consisted of Federated Treasury Obligations.

**CITY OF PANAMA CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Investment policies for the Firefighters' and Police Officers' 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.

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.

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, 2018, 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 Florida PRIME is rated by Standard and Poor's. 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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

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, 2018, Fitch rated the portfolio investment as AAAF/S1.

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.

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

The Police Officers' and Firefighters' Pension Trust Plans' investment policies prohibit investments in common stock that exceed 70% 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 25% of the fund assets. Additionally, cash and cash equivalents may not exceed 5% 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.

**CITY OF PANAMA CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

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. The City uses the weighted average maturity method for its FMIvT 0-2 Year High Quality Bond Fund which results in a duration of 0.67 and a WAM of 0.70. The City uses the weighted average maturity method for Florida PRIME which results in a WAM of 33 days, and a weighted average life (WAL) of 72 days.

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.

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 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.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Deposits and Investments:*

Deposits and investments as of September 30, 2018 are classified in the accompanying financial statements as follows:

Statement of net position:

Cash and cash equivalents	\$ 67,768,265
Restricted cash and cash equivalents	16,792,584
Investments	23,454,713

Statement of fiduciary net position:

Cash and cash equivalents	2,037,283
Investments	71,991,672
Total cash and investments	<u>\$ 182,044,517</u>

Cash on hand, deposits, and investments as of September 30, 2018 consist of the following:

Governmental and business-type investments:

Cash on hand	\$ 6,040
Deposits with financial institutions	67,029,868
SBA	5,741,631
FMIvT	6,221,693
Short term investments	4,904,704
Investments in federal instrumentalities	24,111,626

Senior management pension plan:

Deposits with financial institutions	13,404
Investments in pooled/common/commingled funds	3,337,729

Police officers and firefighters pension plan:

Deposits with financial institutions	2,023,879
Investments in mutual funds	44,664,012
Investments in equity/common stock	17,441,476
Investments in pooled/common/commingled funds	6,548,455
Total cash and investments	<u>\$ 182,044,517</u>



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

*Deposits and Investment Risk Disclosures:*

As of September 30, 2018, 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				Total	Average Rating (1)
	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years		
Investment Type						
FMIvT	\$ 6,221,693				\$ 6,221,693	AAA
Federal Instrumentalities	13,772,100	\$ 10,339,526			24,111,626	AA
State Board of Administration Florida PRIME	<u>5,741,631</u>				<u>5,741,631</u>	AAAm
Total primary government	<u>\$ 25,735,424</u>	<u>\$ 10,339,526</u>			<u>\$ 36,074,950</u>	
Fiduciary Funds:						
Investment Type	Less than 1 Year	1 to 5 Years	6 to 10 Years	More than 10 Years	Total	Average Rating (1)
Common Stock Pooled/common/commingled funds	\$ 17,441,476				\$ 17,441,476	N/A
Mutual Funds	9,886,184				9,886,184	NR
	<u>44,664,012</u>				<u>44,664,012</u>	NR
Total fiduciary funds	<u>\$ 71,991,672</u>				<u>\$ 71,991,672</u>	

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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Fair Value

A summary of the investment under the requirements of the fair value hierarchy follows:

**Primary Government**

	<b>Total 9/30/18</b>	<b>Fair Value Measurements Using</b>		
		Quoted prices  Level 1	Other significant observable inputs Level 2	Significant unobservable inputs Level 3
<b>Investments by fair value level</b>				
Government agency securities	\$ 30,333,319		\$ 30,333,319	
<b>Total Investment by fair value level</b>	<b>\$ 30,333,319</b>		<b>\$ 30,333,319</b>	

**Fiduciary Funds**

	<b>Total 9/30/18</b>	<b>Fair Value Measurements Using</b>		
		Quoted prices  Level 1	Other significant observable inputs Level 2	Significant unobservable inputs Level 3
<b>Investments by fair value level</b>				
Stocks	\$ 17,441,476	\$ 17,441,476		
Mutual funds – fixed income	21,691,428	21,691,428		
Mutual funds - equity	22,972,584	17,888,110		\$ 5,084,474
Pooled–real estate investment trust	6,850,057			6,850,057
Pooled – fixed income	485,914		\$ 485,914	
Pooled - equity	2,550,213		1,973,818	576,395
<b>Total Investment by fair value level</b>	<b>\$ 71,991,672</b>	<b>\$ 57,021,014</b>	<b>\$ 2,459,732</b>	<b>\$ 12,510,926</b>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique provided by third party custodians. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Investments classified at Level 3 are valued based on unobservable inputs.

For investments held by Florida Municipal Investment Trust (FMIVT), administered by the Florida League of Cities, Inc., most of the security prices were obtained from a pricing service. While the underlying asset values are based on quoted prices or market-corroborated inputs, the net asset value of the portfolio is not publicly quoted, these shares are reported as Level 2. The investments with unobservable inputs are reported as Level 3.

**Discretely Presented Component Unit**

*(Panama City Port Authority)*

Derivative instruments outstanding as of September 30, 2018:

<u>Item</u>	<u>Type</u>	<u>Objective</u>	<u>Notional Amount</u>	<u>Effective Date</u>	<u>Maturity Date</u>	<u>Terms</u>	<u>09/30/2018 Fair Value (Negative)</u>
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	06/01/2007	06/01/2027	Pay 4.43%, receive 67% of LIBOR plus 70 basis points.	\$(315,326)

Derivative instrument A is considered a hedging derivative instrument for 2018. The fair value of the interest rate swap was estimated using a proprietary valuation model developed by the counterparty. This method calculates future cash flows by projecting forward rates, then discounting those cash flows at their present value.

Risks

1. *Credit Risk:*

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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

2. *Interest Rate Risk:*

The Port Authority 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 Authority's net payment on the swap increases.

3. *Basis Risk:*

The Port Authority is exposed to basis risk on its pay-fixed swap derivative instrument because the variable-rate payments received by the Port Authority on this derivative instrument is based on a rate or index other than interest rates the Port Authority pays on its hedged variable-rate debt. At September 30, 2018, variable interest rate and LIBOR-based rate of the swap was as follows:

	<u>Variable Rate</u>	<u>LIBOR Based Rate</u>
Derivative A	.0227	2.307

4. *Termination Risk:*

The swap may be terminated by the Port Authority or the counterparty if the other party fails to perform under the terms of the swap agreement. If the swap is terminated, the Port Authority would prospectively pay the variable-rate on the Line of Credit. The termination of the swap agreement could increase the Port Authority'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 below under fair value, the Port Authority has a negative fair value for derivative instrument A as of September 30, 2018 and would be liable to the counterparty if the swap was terminated prematurely.

5. *Rollover Risk:*

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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)**

Derivative Instruments – Fair Value

The fair value balance of the derivative instrument outstanding at September 30, 2018, classified by type, and the changes in fair value of such derivative instrument are as follows:

	<u>Changes in Fair Value</u>		<u>Fair Value at September 30, 2018</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 outflow	\$ (224,827)	Debt	\$ (315,326)	\$ 7,500,000
				<b><u>Fair Value Measurements</u></b>	
			Total	Quoted Prices Level 1	Other Significant Observable Inputs Level 2
			<u>9/30/18</u>	<u>Level 1</u>	<u>Level 2</u>
Investment derivative by fair value level					
Pay-fixed interest rate swap		\$ (315,326)			\$ (315,326)

Derivative instruments classified in Level 2 of the fair value hierarchy are valued using a market approach that considers benchmark interest rates.

**NOTE 3 – NOTES RECEIVABLE**

General Fund:

A note receivable is recorded in the general fund for \$1,560,165 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.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 3 – NOTES RECEIVABLE (Continued)**

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 2048.

**NOTE 4 - CAPITAL ASSETS**

Capital asset activity for the year ended September 30, 2018 was as follows:

**Primary Government**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Governmental Activities:</b>					
Capital assets, not being depreciated:					
Land	\$18,952,732	\$ 536,124			\$ 19,488,856
Capital assets, being depreciated:					
Buildings	33,366,363	2,565,496	\$ 363,964		35,567,895
Improvements other than buildings	24,301,591	9,253,639	142,569		33,412,661
Machinery and equipment	20,385,535	1,075,545	2,594,897	\$ 38,664	18,904,847
Intangibles	44,693	19,409	5,231		58,871
Infrastructure, excluding bridges	66,658,728	3,352,227			70,010,955
Total capital assets, being depreciated	<u>144,756,910</u>	<u>16,266,316</u>	<u>3,106,661</u>	<u>38,664</u>	<u>157,955,229</u>
Less accumulated depreciation for:					
Buildings	20,197,443	936,262	237,955		20,895,750
Improvements other than buildings	9,587,541	1,825,076	137,524		11,275,093
Machinery and equipment	16,874,660	1,145,053	2,587,831	38,664	15,470,546
Intangibles - amortizable	13,920	10,496	3,134		21,282
Infrastructure, excluding bridges	40,064,142	1,262,982			41,327,124
Total accumulated depreciation	<u>86,737,706</u>	<u>5,179,869</u>	<u>2,966,444</u>	<u>38,664</u>	<u>88,989,795</u>
Total capital assets, being depreciated, net	<u>58,019,204</u>	<u>11,086,447</u>	<u>140,217</u>		<u>68,965,434</u>
Governmental activities capital assets, net	<u>\$76,971,936</u>	<u>\$11,622,571</u>	<u>\$ 140,217</u>	<u>\$ -</u>	<u>\$88,454,290</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 4 - CAPITAL ASSETS (Continued)**

**Primary Government (Continued)**

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<b>Business-type Activities:</b>					
Capital assets, not being depreciated:					
Land	\$ 1,519,343	\$ 309,041			\$ 1,828,384
Construction in progress	15,801,362	19,103,211	\$ 192,425		34,712,148
Total capital assets, not being depreciated	<u>17,320,705</u>	<u>19,412,252</u>	<u>192,425</u>		<u>36,540,532</u>
Capital assets, being depreciated:					
Buildings	1,687,534	24,922	115,568		1,596,888
Improvements other than buildings	107,735,308	4,414,578	107,132		112,042,754
Intangibles		4,007			4,007
Machinery and equipment	17,488,482	813,111	3,615,038	\$ (38,664)	14,647,891
Total capital assets, being depreciated	<u>126,911,324</u>	<u>5,256,618</u>	<u>3,837,738</u>	<u>(38,664)</u>	<u>128,291,540</u>
Less accumulated depreciation for:					
Buildings	406,380	45,976	30,820		421,536
Improvements other than buildings	60,680,395	2,583,499	71,088		63,192,806
Intangibles - amortizable		534			534
Machinery and equipment	10,253,718	1,478,853	3,146,454	(38,664)	8,547,453
Total accumulated depreciation	<u>71,340,493</u>	<u>4,108,862</u>	<u>3,248,362</u>	<u>(38,664)</u>	<u>72,162,329</u>
Total capital assets, being depreciated, net	<u>55,570,831</u>	<u>1,147,756</u>	<u>589,376</u>		<u>56,129,211</u>
Business-type activities capital assets, net	<u>\$ 72,891,536</u>	<u>\$20,560,008</u>	<u>\$ 781,801</u>	<u>\$ -</u>	<u>\$ 92,669,743</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 4 - CAPITAL ASSETS (Continued)**

Total depreciation expense for governmental activities for fiscal year 2018 is \$5,179,869. Total depreciation expense for business-type activities for fiscal year 2018 is \$4,108,862.

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

Governmental activities:		
General government	\$	2,029,767
Public safety		1,023,380
Highways and streets, including depreciation of general infrastructure assets		1,512,339
Culture and recreation		<u>603,909</u>
		5,169,395
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>10,474</u>
Total depreciation expense - governmental activities		<u>\$ 5,179,869</u>
Business-type activities:		
Utilities	\$	2,576,627
Solid waste		1,245,648
Marina		<u>286,587</u>
Total depreciation expense - business-type activities		<u>\$ 4,108,862</u>

**Discretely Presented Component Units**

Activity for the Panama City Downtown Improvement Board for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 786,160		\$ 32,572	\$ 753,588
Capital assets, being depreciated:				
Improvements other than buildings	872,681			872,681
Furniture and equipment	<u>36,118</u>		<u>15,399</u>	<u>20,719</u>
Total capital assets, being depreciated	<u>908,799</u>		<u>15,399</u>	<u>893,400</u>
Less accumulated depreciation for:				
Improvements other than buildings	508,599	\$ 27,823		536,422
Furniture and equipment	<u>31,047</u>	<u>2,185</u>	<u>15,399</u>	<u>17,833</u>
Total accumulated depreciation	<u>539,646</u>	<u>30,008</u>	<u>15,399</u>	<u>554,255</u>
Total capital assets, being depreciated, net	<u>369,153</u>	<u>(30,008)</u>		<u>339,145</u>
Downtown Improvement Board capital assets, net	<u>\$1,155,313</u>	<u>\$ (30,008)</u>	<u>\$ 32,572</u>	<u>\$ 1,092,733</u>



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 4 - CAPITAL ASSETS (Continued)**

Activity for the Panama City Port Authority for the year ended September 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 25,751,126	\$ 297,921		\$ 26,049,047
Construction in progress	<u>2,416,520</u>	<u>15,731,573</u>	<u>\$ 544,807</u>	<u>17,603,286</u>
Total capital assets, not being depreciated	<u>28,167,646</u>	<u>16,029,494</u>	<u>544,807</u>	<u>43,652,333</u>
Capital assets, being depreciated:				
Buildings and improvements	60,744,365		61,048	60,683,317
Improvements other than buildings	57,698,113	131,407		57,829,520
Machinery and equipment	<u>17,621,054</u>	<u>413,400</u>		<u>18,034,454</u>
Total capital assets, being depreciated	<u>136,063,532</u>	<u>544,807</u>	<u>61,048</u>	<u>136,547,291</u>
Less accumulated depreciation for:				
Buildings and improvements	26,625,308	1,910,167		28,535,475
Improvements other than buildings	24,337,608	2,336,216		26,673,824
Machinery and equipment	<u>8,173,624</u>	<u>1,007,305</u>		<u>9,180,929</u>
Total accumulated depreciation	<u>59,136,540</u>	<u>5,253,688</u>		<u>64,390,228</u>
Total capital assets, being depreciated, net	<u>76,926,992</u>	<u>(4,708,881)</u>	<u>61,048</u>	<u>72,157,063</u>
Port Authority capital assets, net	<u>\$105,094,638</u>	<u>\$11,320,613</u>	<u>\$ 605,855</u>	<u>\$115,809,396</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, 2018**

**NOTE 5 - RISK MANAGEMENT** (Continued)

Contributions to the self-insurance fund are determined by projected losses based on historical claims experience. 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, 2018, have been estimated and accrued at present value as a liability as of September 30, 2018. Changes in the balances of claims liabilities during the fiscal years 2018 and 2017 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>
2018	\$ 593,173	\$ 7,362,857	\$ 6,799,011	\$ 1,157,019
2017	416,301	7,566,576	7,389,704	593,173

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT**

**Primary Government - *Governmental Activities*:**

Long-term obligations at September 30, 2018, includes the following debt issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2018</u>
Revenue Note, Series 2008 (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	\$ 738,000
Capital Improvement Taxable Revenue Refunding Note, Series 2013A, interest 2.24%, payable semi-annually on April 1 and October 1; principal is, payable on October 1; collateralized by a lien and pledge of the occupational license taxes.	3,315,000	468,000
Capital Improvement Revenue Note, Series 2013B, interest 2.81%, payable semi-annually on April 1 and October 1; principal is, payable on October 1; collateralized by a lien and pledge of the occupational license taxes.	12,999,000	9,388,000
Capital Improvement Revenue Note, Series 2016, interest 1.87%, Interest and principal are payable quarterly on January 1, April 1, July 1 and October 1; collateralized by a lien and pledge of the occupational license taxes.	3,207,000	2,932,000
Capital Improvement Revenue Note, Series 2018, interest 3.30%, payable semi-annually on April 1, and October 1; principal is payable on October 1; collateralized by a lien and pledge of the occupational license taxes.	16,330,000	16,330,000
Infrastructure Sales Surtax Revenue Note, Series 2018, interest 3.02%, payable semi-annually on April 1, and October 1; principal is payable on October 1; collateralized by a lien and pledge of the sales surtax revenues and all moneys in the related funds.	<u>15,100,000</u>	<u>15,100,000</u>
<b>Total</b>	<u>\$ 52,873,000</u>	<u>\$ 44,956,000</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT** (Continued)

**Primary Government - *Business-Type Activities*:**

Long-term obligations at September 30, 2018 includes the following issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2018</u>
<p>Water and Sewer Refunding Revenue Note, Series 2012: dated April 19, 2012, interest 2.36%, 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.</p>	\$ 5,465,000	\$ 5,137,000
<p>Water and Sewer Refunding Revenue Note, 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.</p>	7,758,000	3,032,000
<p>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.</p>	<u>32,135,000</u>	<u>29,715,000</u>
<p>Total</p>	<u>\$ 45,358,000</u>	<u>\$ 37,884,000</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Long-term liability activity for the year ended September 30, 2018, is as follows:

	<u>Beginning Balance, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Governmental Activities:</b>					
Revenue Note, Series 2008 (Modified)	\$ 809,000		\$ 71,000	\$ 738,000	\$ 143,000
Capital Improvement Taxable Revenue Refunding Note, Series 2013A	468,000			468,000	231,000
Capital Improvement Revenue Note, Series 2013B	9,388,000			9,388,000	845,000
Capital Improvement Revenue Note, Series 2016	3,077,000		145,000	2,932,000	197,000
Capital Improvement Revenue Note, Series 2018		\$16,330,000		16,330,000	405,000
Infrastructure Sales Surtax Revenue Note, Series 2018		15,100,000		15,100,000	
Add (Deduct) deferred amounts on premium	<u>6,090</u>		<u>44,573</u>	<u>(38,483)</u>	<u>731</u>
Total bonds/notes payable	13,748,090	31,430,000	260,573	44,917,517	1,821,731
Capital lease obligation	839,668	652,489	535,300	956,857	525,936
Net pension liability	25,804,881		2,822,971	22,981,910	
Net OPEB liability	2,815,885	53,619		2,869,504	
Compensated absences	<u>1,468,120</u>	<u>1,366,423</u>	<u>1,397,254</u>	<u>1,437,289</u>	<u>359,322</u>
Total long-term liabilities	<u>\$44,676,644</u>	<u>\$33,502,531</u>	<u>\$ 5,016,098</u>	<u>\$73,163,077</u>	<u>\$ 2,706,989</u>
	<u>Beginning Balance, as restated</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
<b>Business-type Activities:</b>					
Water and Sewer Refunding Revenue Note, Series 2012	\$ 5,137,000			\$ 5,137,000	\$ 61,000
Refunding Revenue Note, Series 2014	3,032,000			3,032,000	1,503,000
Revenue Note, Series 2015	29,715,000			29,715,000	1,275,000
Add (Deduct) deferred amounts on premium	<u>15,394</u>		<u>\$ 7,697</u>	<u>7,697</u>	<u>7,697</u>
Total bonds/notes payable	37,899,394		7,697	37,891,697	2,846,697
Net OPEB liability	989,337	\$ 18,838		1,008,175	
Net pension liability	1,040,730		165,202	875,528	
Compensated absences	<u>379,618</u>	<u>372,279</u>	<u>351,097</u>	<u>400,800</u>	<u>100,200</u>
Total long-term liabilities	<u>\$40,309,079</u>	<u>\$ 391,117</u>	<u>\$ 523,996</u>	<u>\$40,176,200</u>	<u>\$ 2,946,897</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Pension liabilities, OPEB obligations and 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 pension liabilities, OPEB obligations and compensated absences liability.

**Debt Issuances and Refundings**

On April 19, 2018, the City issued Capital Improvement Revenue Note, Series 2018, in the amount of \$16,330,000. Proceeds were placed in the capital projects new city hall fund for capital improvements related to the new city hall.

Note Series	True Interest Cost	Average Coupon Rate	Maturity Date	Discount	Net Proceeds	Underwriters Cost of Issuance
2018	3.30	3.30	10/1/2032	\$40,825	\$16,289,175	\$109,525

On September 6, 2018, the City issued Infrastructure Sales Surtax Revenue Note, Series 2018, in the amount of \$15,100,000. Proceeds were placed in the capital projects infrastructure surtax fund for capital improvements related to various infrastructure projects.

Note Series	True Interest Cost	Average Coupon Rate	Maturity Date	Discount	Net Proceeds	Underwriters Cost of Issuance
2018	3.02	3.02	10/1/2026	-	\$15,100,000	\$100,000

**Discretely Presented Component Units**

*Panama City Downtown Improvement Board*

Changes in long-term liability obligations for the year ended September 30, 2018 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due within One Year
Capital lease obligation	\$ 1,759	\$ -	\$ 1,759	\$ -	\$ -
Compensated absences	1,745	1,969	1,745	1,969	492
Total long-term liabilities	<u>\$ 3,504</u>	<u>\$ 1,969</u>	<u>\$ 3,504</u>	<u>\$ 1,969</u>	<u>\$ 492</u>

The Panama City Downtown Improvement Board has entered into a lease agreement to finance equipment. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of its future minimum lease payments as of the inception date. The cost of the asset acquired through capital lease is \$4,671 and is included in furniture and equipment. Accumulated depreciation for the equipment is \$3,425 as of September 30, 2018, which makes the net value \$1,246. Interest in the amount of \$60 was incurred and charged to expense in the current fiscal year.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT (Continued)**

*Panama City Port Authority*

Changes in long-term liability obligations for the year ended September 30, 2018, 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 4.43%; 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.	\$ 4,506,997		\$ 378,332	\$ 4,128,665	\$ 395,372
Note payable - Interest at 3%; interest payable quarterly and principal balance payable upon the earlier of the sale or lease of any portion of the specified Industrial Park property or upon demand; collateralized by specified Industrial Park property.	300,000			300,000	300,000
Note payable- Interest at 2%; interest payable quarterly and principal balance payable upon the earlier of the sale or lease of any portion of the specified Industrial Park property or upon demand; collateralized by specified Industrial Park property.	1,800,000			1,800,000	1,800,000

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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>
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.	3,953,439		209,771	3,743,668	218,162
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 2035.	1,799,244		74,329	1,724,915	77,302
State Infrastructure Bank Loan- Interest currently at 3%; 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 2048.	<u>12,000,000</u>			<u>12,000,000</u>	<u>265,380</u>
Total notes payable	24,359,680		662,432	23,697,248	3,056,216
Claims and judgments	432,943		4,396	428,547	25,183
Net pension liability, as restated	273,053	\$ 8,546		281,599	
Net OPEB liability, as restated	234,997	20,880		255,877	
Compensated absences	<u>79,894</u>	<u>208,223</u>	<u>194,676</u>	<u>93,441</u>	<u>23,360</u>
Total long-term liabilities	<u>\$ 25,380,567</u>	<u>\$ 237,649</u>	<u>\$ 861,504</u>	<u>\$ 24,756,712</u>	<u>\$ 3,104,759</u>



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Debt service requirements to maturity subsequent to September 30, 2018, are as follows:

Year Ended September 30	Notes Payable		Line of Credit	
	Principal	Interest	Principal	Interest
2019	\$2,100,000	\$ 45,000	\$ 395,372	\$ 176,159
2020			413,181	154,475
2021			431,791	132,139
2022			451,239	110,647
2023			471,564	89,495
2024-2028			1,965,518	151,496
Total	<u>\$2,100,000</u>	<u>\$ 45,000</u>	<u>\$4,128,665</u>	<u>\$ 814,411</u>

Year Ended September 30	State Infrastructure Loan Agreements	
	Principal	Interest
2019	\$ 560,844	\$ 578,744
2020	580,625	558,963
2021	601,116	538,472
2022	622,346	517,242
2023	644,340	495,248
2024-2028	3,580,393	2,117,546
2029-2033	3,637,656	1,445,440
2034-2038	2,372,123	940,415
2039-2043	2,544,700	582,200
2044-2048	<u>2,324,440</u>	<u>176,901</u>
Total	<u>\$17,468,583</u>	<u>\$7,951,171</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Derivative instruments outstanding as of September 30, 2018 are as follows:

Item	Type	Objective	Notional Amount	Effective Date	Maturity Date	Terms	9/30/2018 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	\$ (315,326)

Derivative instrument A is considered a hedging derivative instrument for 2018. The fair value of the interest rate swap was estimated using a proprietary valuation model developed by the counterparty. This method calculates future cash flows by projecting forward rates, then discounting those cash flows at their present value.

Derivative Instrument Payments and Hedged Debt – Derivative A

As of September 30, 2018, aggregate debt service requirements of the Port Authority'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 Authority 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 the derivative instrument that qualify for hedge accounting.

Fiscal Year Ended September 30	Principal	Interest	Hedging Derivatives, Net	Total
2019	\$ 395,372	\$ 176,159	\$ (100,512)	\$ 471,019
2020	413,181	154,475	(97,475)	470,181
2021	431,791	132,139	(83,168)	480,762
2022	451,239	110,647	(68,612)	493,274
2023	471,564	89,495	(55,069)	505,990
2024-2027	<u>1,965,518</u>	<u>151,496</u>	<u>(94,248)</u>	<u>2,022,766</u>
	<u>\$ 4,128,665</u>	<u>\$ 814,411</u>	<u>\$ (499,084)</u>	<u>\$ 4,443,992</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT** (Continued)

**Compensated Absences**

The amount of accrued annual and sick leave pay at September 30, 2018, is as follows:

<b>Primary Government</b>	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Governmental activities	\$ 359,322	\$ 1,077,967	\$ 1,437,289
Business-type activities	<u>100,200</u>	<u>300,600</u>	<u>400,800</u>
Total	<u>\$ 459,522</u>	<u>\$ 1,378,567</u>	<u>\$ 1,838,089</u>

**Discretely Present Component Units**

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Total</u>
Panama City Port Authority	\$ 23,360	\$ 70,081	\$ 93,441
Panama City Downtown Improvement Board	\$ 492	\$ 1,477	\$ 1,969

**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, 2018**

**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 9/30/18</u>
Water and Sewer Revenue Bonds	Utility	1996	\$11,560,000	10/01/19	\$ 3,115,000
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	3,105,000
Capital Improvement Revenue Refunding Bonds	Capital Improv.	1999	3,645,000	10/01/19	545,000
Capital Improvement Revenue and Refunding Bonds - Series 2005	Capital Improv.	2005	7,285,000	10/01/19	510,000

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 6 - LONG-TERM DEBT (Continued)**

Bonded debt service requirements to maturity are as follows:

**Governmental Activities**

Year Ending September 30	Capital Improvement Taxable Revenue Refunding Note, Series 2013A					
	Principal	Interest				
2019	\$ 231,000	\$ 7,896				
2020	237,000	2,654				
	<u>\$ 468,000</u>	<u>\$ 10,550</u>				

Year Ending September 30	Revenue Note, Series 2008 (Modified)		Capital Leases		Capital Improvement Revenue Note, Series 2013B	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 143,000	\$ 13,629	\$ 525,936	\$ 42,999	\$ 845,000	\$ 251,709
2020	146,000	10,845	148,920	20,787	865,000	227,705
2021	149,000	7,993	147,106	13,941	885,000	203,139
2022	151,000	5,092	134,895	6,774	905,000	178,011
2023	149,000	2,143			926,000	152,309
2024-2028	0	0			4,962,000	354,619
	<u>\$ 738,000</u>	<u>\$ 39,702</u>	<u>\$ 956,857</u>	<u>\$ 84,501</u>	<u>\$ 9,388,000</u>	<u>\$ 1,367,492</u>

Year Ending September 30	Capital Improvement Revenue Note, Series 2016		Capital Improvement Revenue Note, Series 2018		Infrastructure Sales Surtax Revenue Note, Series 2018	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 197,000	\$ 53,454	\$ 405,000	\$ 505,263	\$	\$ 259,678
2020	201,000	49,742	913,000	510,460	1,670,000	430,803
2021	204,000	45,955	943,000	479,837	1,752,000	379,131
2022	208,000	42,114	975,000	448,190	1,804,000	325,435
2023	212,000	38,195	1,007,000	415,486	1,859,000	270,124
2024-2028	1,123,000	129,535	5,554,000	1,548,030	8,015,000	493,121
2029-2033	787,000	25,992	6,533,000	552,965		
	<u>\$ 2,932,000</u>	<u>\$ 384,987</u>	<u>\$ 16,330,000</u>	<u>\$ 4,460,231</u>	<u>\$ 15,100,000</u>	<u>\$ 2,158,292</u>

**Business-type Activities**

Year Ending September 30	Water & Sewer Refunding Revenue Note, Series 2012		Water & Sewer Refunding Revenue Note, Series 2014		Water & Sewer Revenue Note, Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 61,000	\$ 119,684	\$ 1,503,000	\$ 23,700	\$ 1,275,000	\$ 836,136
2020	62,000	118,222	1,529,000		1,315,000	797,475
2021	1,638,000	79,601			1,350,000	757,785
2022	1,673,000	40,154			1,390,000	716,919
2023	1,703,000				1,430,000	674,877
2024-2028					7,825,000	2,697,450
2029-2033					9,040,000	1,442,217
2034-2037					6,090,000	182,574
	<u>\$ 5,137,000</u>	<u>\$ 357,661</u>	<u>\$ 3,032,000</u>	<u>\$ 23,700</u>	<u>\$ 29,715,000</u>	<u>\$ 8,105,433</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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 \$172,235 in the General Fund during the fiscal year ended September 30, 2018. As of September 30, 2018, minimum rentals collectible on the noncancellable lease in the General Fund totaled \$940,000 as follows:

<u>Year</u>	
2019	\$ 20,000
2020	20,000
2021	20,000
2022	20,000
2023	20,000
2024-2028	100,000
2029-2033	100,000
2034-2038	100,000
2039-2043	100,000
2044-2048	100,000
2049-2053	100,000
2054-2058	100,000
2059-2063	100,000
2064-2065	<u>40,000</u>
Total	<u>\$ 940,000</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 \$2,620,479 and is included in equipment. Accumulated depreciation for the equipment is \$1,283,255 as of September 30, 2018, which makes the net value \$1,337,224. Interest in the amount of \$33,582 was incurred and charged to expense for the fiscal year ended September 30, 2018. The future minimum lease obligations and the net present value of these lease payments as of September 30, 2018 are as follows:

<u>Year</u>	
2019	\$ 568,935
2020	169,707
2021	161,047
2022	<u>141,669</u>
	1,041,358
Less amount representing interest	<u>(84,501)</u>
Present value of minimum lease payments	<u>\$ 956,857</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 - LEASES** (Continued)

*Discretely Presented 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, 2018, are as follows:

<u>Year</u>	
2019	\$ 780,477
2020	237,350
2021	149,992
2022	22,843
2023	<u>9,461</u>
Total	<u>\$ 1,200,123</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>(8,704,956)</u>
Total	<u>\$ 10,126,483</u>

The Port Authority recognized \$2,883,476 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, 2018.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 7 - LEASES** (Continued)

Future minimum rental commitments at September 30, 2018, are as follows:

<u>Year</u>	
2019	\$ 20,000
2020	20,000
2021	20,000
2022	20,000
2023	20,000
2024-2028	100,000
2029-2033	100,000
2034-2038	100,000
2039-2043	100,000
2044-2048	100,000
2049-2053	100,000
2054-2058	100,000
2059-2063	100,000
2064-2065	<u>40,000</u>
Total	<u>\$ 940,000</u>



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8 - INTERFUND BALANCES AND TRANSFERS**

The composition of interfund balances at September 30, 2018, are summarized as follows:

	<u>Due From</u>	<u>Due To</u>
Primary Government:		
Governmental Funds -		
Major -		
General Fund	\$ 1,163,313	\$ 290
Capital Projects		880,077
Nonmajor Special Revenue Funds -		
Community Planning and Development	1,389	217,371
State Housing Initiative Partnership-County	360	1,401
State Housing Initiative Partnership-City		371
Panama City Community Redevelopment Agency-Millville	6	
Panama City Community Redevelopment Agency-St. Andrews	30	
Panama City Community Redevelopment Agency-Downtown North	275	15
Nonmajor Debt Service Funds - Revenue Note, Series 2008 (Modified)		13,905
Proprietary Funds -		
Major -		
Utilities	375,649	194,951
Solid Waste	194,515	370,927
Marina		51
Nonmajor - Equipment Maintenance	<u>                    </u>	<u>56,178</u>
 Total	 <u>\$ 1,735,537</u>	 <u>\$ 1,735,537</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, 2018**

**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	\$ 6,100,458	\$ 8,225,992
Capital Projects	2,518,567	195,000
Capital Projects New City Hall		4,000,000
Energy Improvements	<u>242,817</u>	<u>7,065</u>
Aggregate Major	<u>8,861,842</u>	<u>12,428,057</u>
Nonmajor		
General Grants	30,028	23,703
Community Planning and Development		36,527
State Housing Initiative Partnership-City		8,541
State Housing Initiative Partnership-County		5,694
Panama City Community Redevelopment		
Agency - St. Andrews		14,213
Panama City Community Redevelopment		
Agency - Downtown		5,596
Panama City Community Redevelopment		
Agency - Downtown North		106,843
Panama City Community Redevelopment		
Agency - Millville		160,583
Infrastructure Surtax		290,316
Debt Service Series 2008	157,006	
Debt Service Series 2013A	241,483	
Debt Service Series 2013B	1,061,863	
Debt Service Series 2016	250,189	
Debt Service Infrastructure Series 2018	40,641	
Debt Service Series 2018	<u>647,501</u>	
Aggregate Nonmajor	<u>2,428,711</u>	<u>652,016</u>
Proprietary Funds -		
Major		
Utilities	474,675	1,771,816
Solid Waste		1,458,774
Marina		384,566
Aggregate Major	<u>474,675</u>	<u>3,615,156</u>
Nonmajor		
Medical Self-Insurance	4,885,203	
Dental Insurance	128,114	
Equipment Maintenance		83,316
Aggregate Nonmajor	<u>5,013,317</u>	<u>83,316</u>
	<u>\$ 16,778,545</u>	<u>\$ 16,778,545</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 8 - INTERFUND BALANCES AND TRANSFERS (Continued)**

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.

**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 Police Officers' and Firefighters' 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 Department of Management Services, Division of Retirement, Research and Education Section, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the web site: [www.dms.myflorida.com/workforce\\_operations/retirement/publications](http://www.dms.myflorida.com/workforce_operations/retirement/publications).

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

**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.

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 or 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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

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, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular – 7.92% and 8.26%; Senior Management Service – 22.71% and 24.06%; and DROP participants – 13.26% and 14.03%. These employer contribution rates include 1.66% HIS Plan subsidy for both periods.

The contributions, including employee contributions, to the Pension Plan for the fiscal year ended September 30, 2018 are as follows:

<u>Primary Government</u>	<u>Component Unit</u>
\$119,349	\$22,974

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

***Primary Government:***

At September 30, 2018, the City reported a liability of \$1,262,693 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City’s proportionate share of the net pension liability was based on the City’s 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City’s proportionate share was .004192135 percent, which was a decrease of .000976146 percent from its proportionate share measured as of June 30, 2017.

***Discretely Presented Component Unit:***

At September 30, 2018, the Port Authority reported a liability of \$201,429 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Port Authority’s proportionate share of the net pension liability was based on the Port Authority’s 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the Port Authority’s proportionate share was .000668743 percent, which was an increase of .000029606 percent from its proportionate share measured as of June 30, 2017.

***Primary Government and Discretely Presented Component Unit:***

The pension expense amounts recognized for the fiscal year ended September 30, 2018 are as follows:

<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
\$111,533	\$25,650

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS** (Continued)

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

	<b>Primary Government</b>		<b>Discretely Presented Component Unit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 106,969	\$ 3,882	\$ 17,064	\$ 619
Change of assumptions	412,587		65,817	
Difference between projected and actual earnings on investments		97,558		15,563
Differences in proportion and differences between Pension Plan contributions and proportionate share of contributions	41,856	449,847	4,454	28,802
Pension Plan contributions subsequent to the measurement date	31,247		3,593	
<b>Total Pension Plan</b>	<b>\$ 592,659</b>	<b>\$ 551,287</b>	<b>\$ 90,928</b>	<b>\$ 44,984</b>

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, 2019. Subsequent contributions are as follows;

<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
\$31,247	\$3,593

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, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

Fiscal Year Ending September 30:	Primary Government	Discretely Presented Component Unit
2019	\$ (43,956)	\$ 846
2020	(66,494)	1,353
2021	(28,259)	4,588
2022	14,716	7,481
2023	32,193	9,758
Thereafter	101,925	18,325
Total	\$ 10,125	\$ 42,351

***Actuarial Assumptions:***

The total pension liability in the June 30, 2018 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	7.00%, 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, 2018, 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, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

Asset Class	Target Allocation (1)	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Fixed income	18.0%	4.4%	4.3%	4.0%
Global equity	54.0%	7.6%	6.3%	17.0%
Real estate (property)	11.0%	6.6%	6.0%	11.3%
Private equity	10.0%	10.7%	7.8%	26.5%
Strategic investments	6.0%	6.0%	5.7%	8.6%
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 7.00%. 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 7.00%, 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 (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
City's proportionate share of the net pension liability	\$ 2,304,467	\$ 1,262,693	\$ 397,437
Port Authority's proportionate share of the net pension liability	\$ 367,616	\$ 201,429	\$ 63,401



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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.

***Payables to the Pension Plan:***

At September 30, 2018, the City reported a payable in the amount of \$0 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

***Discretely Presented Component Unit:***

***Payables to the Pension Plan:***

At September 30, 2018, the Port Authority reported a payable in the amount of \$1,158 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

**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, 2018, 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, 2018, the HIS contribution for the period was 1.66%. 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, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

The contributions to the HIS Plan totaled for the fiscal year ended September 30, 2018, are as follows:

<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
\$24,169	\$3,786

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

***Primary Government:***

At September 30, 2018, the City reported a liability of \$477,372 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The City's proportionate share of the net pension liability was based on the City's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the City's proportionate share was .004510270 percent, which was a decrease of .000775343 percent from its proportionate share measured as of June 30, 2017.

***Discretely Presented Component Unit:***

At September 30, 2018, the Port Authority reported a liability of \$80,170 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Port Authority's proportionate share of the net pension liability was based on the Port Authority's 2017-18 fiscal year contributions relative to the 2016-17 fiscal year contributions of all participating members. At June 30, 2018, the Port Authority's proportionate share was .000757457 percent, which was a decrease of .000027520 percent from its proportionate share measured as of June 30, 2017.

***Primary Government and Discretely Presented Component Unit:***

The pension expense (income) amounts recognized for the fiscal year ended September 30, 2018, are as follows:

<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
\$(32,296)	\$50

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  
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**NOTE 9 - RETIREMENT PLANS (Continued)**

	<b>Primary Government</b>		<b>Discretely Presented Component Unit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,308	\$ 811	\$ 1,227	\$ 136
Change of assumptions	53,090	50,472	8,916	8,476
Difference between projected and actual earnings on investments	288		48	
Differences in proportion and differences between HIS Plan contributions and proportionate share of contributions		275,612		23,343
HIS Plan contributions subsequent to the measurement date	5,842		710	
<b>Total HIS Plan</b>	<b>\$ 66,528</b>	<b>\$ 326,895</b>	<b>\$ 10,901</b>	<b>\$ 31,955</b>

The deferred outflows of resources related to the 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, 2019. Subsequent contributions are as follows:

<u>Primary Government</u>	<u>Discretely Presented Component Unit</u>
\$5,842	\$710

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

<b>Fiscal Year Ending September 30:</b>	<b>Primary Government</b>	<b>Discretely Presented Component Unit</b>
2019	\$ (66,788)	\$ (5,742)
2020	(66,787)	(5,742)
2021	(62,316)	(5,350)
2022	(39,884)	(3,214)
2023	(20,246)	(1,716)
Thereafter	(10,188)	
Total	<b>\$ (266,209)</b>	<b>\$ (21,764)</b>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

***Actuarial Assumptions:***

The total pension liability in the July 1, 2018 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	3.87%

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

The actuarial assumptions used in the July 1, 2018 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 3.87%. 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 FRS Actuarial Assumption Conference. 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 3.87%, 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 (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease <u>2.87%</u>	Current Discount Rate <u>3.87%</u>	1% Increase <u>4.87%</u>
City's proportionate share of the net pension liability	\$ 543,699	\$ 477,372	\$ 422,085
Port Authority's proportionate share of the net pension liability	\$ 91,309	\$ 80,170	\$ 70,885

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**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.

***Payables to the HIS Plan:***

At September 30, 2018, the City reported a payable in the amount of \$0 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

***Discretely Presented Component Unit:***

***Payables to the HIS Plan:***

At September 30, 2018, the Port Authority reported a payable in the amount of \$229 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

**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 2017-18 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 and 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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 - RETIREMENT PLANS** (Continued)

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.

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, 2018, 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 did not have any participants in the Investment Plan for the fiscal year ended September 30, 2018.

**9.2 Police Officers', Firefighters', and Senior Management Pension Trust Funds**

***Plan Description:***

*a. Plan Names*

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

*b. Plan Administration, Police Officers', Firefighters', 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 Police Officers', Firefighters', 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.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS** (Continued)

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.

*c. Plan Membership*

Membership of each plan consisted of the following:

	Police Officers' Pension <u>10/1/17</u>	Firefighters' Pension <u>10/1/17</u>	Senior Management Pension <u>10/1/18</u>
Inactive plan members or beneficiaries currently receiving benefits	90	79	14
Inactive plan members entitled to but not yet receiving benefits	14	6	2
Active plan members	<u>90</u>	<u>74</u>	<u>17</u>
Total members	<u>194</u>	<u>159</u>	<u>33</u>
Number of participating employers	1	1	1

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

*d. Benefits Provided*

Normal Retirement

	Police Officers' <u>Pension</u>	Firefighters' <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 at least 6 years of credited service for Category 2 and 3 employees.
Benefit	Percentage of average final compensation according to the following schedule: <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.	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, or \$100 per month for each year of service up to 10 years for Category 3 employees.



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 9 - RETIREMENT PLANS (Continued)**

Early Retirement

	<u>Police Officers’ Pension</u>	<u>Firefighters’ 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

Termination of Employment

	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).	Less than 6 years: refund of accumulated member contributions without interest. More than 6 years: vested accrued benefit payable at normal retirement date.
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Disability

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 not-in-line of duty.	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  
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**NOTE 9 - RETIREMENT PLANS (Continued)**

Pre-Retirement Death Benefits

<u>Police Officers’ Pension</u>	<u>Firefighters’ 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.	Vested: 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

Service retirees (Early and Normal) and members with vested deferred benefits who terminate on or after 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. Those who terminate on or after 10/1/2015 will receive \$650 per month 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, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

*e. Contributions*

	<u>Police Officers’ Pension</u>	<u>Firefighters’ 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, 2018:

	<u>Police Officers’ Pension</u>	<u>Firefighters’ 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  
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**NOTE 9 - RETIREMENT PLANS (Continued)**

*c. Rate of Return:*

<u>Police Officers’ Pension</u>	<u>Firefighters’ Pension</u>	<u>Senior Management Pension</u>
For the year ended September 30, 2018 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was 6.89%.	For the year ended September 30, 2018 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was 6.16%.	For the year ended September 30, 2018 the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense was 7.50%.
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>Police Officers’ Pension</u>	<u>Firefighters’ 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  
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**NOTE 9 - RETIREMENT PLANS (Continued)**

	Police Officers' <u>Pension</u>	Firefighters' <u>Pension</u>	Senior Management <u>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>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</p>
<u>Rate of Return</u>	<p>6.5% per annum, credited quarterly. The DROP balance as of September 30, 2018 is \$279,317.</p>	<p>6.5% per annum, credited quarterly. The DROP balance as of September 30, 2018 is \$203,789.</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, 2018) and for the City's reporting period (the year ended September 30, 2018). 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, 2018, the City has chosen to use the end of the prior fiscal year (September 30, 2017) as the measurement date, and the year ended September 30, 2017 as the measurement period for the Police Officers' and Firefighters' Pensions and September 30, 2018 as the measurement date, and the year ended September 30, 2018 as the measurement period for Senior Management Pension.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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, 2016 to the measurement date of September 30, 2017 for the Police Officers' and Firefighters' Pensions, and to apply update procedures to roll forward amounts from an actuarial valuation performed as of October 1, 2017, to the measurement date of September 30, 2018 for the Senior Management Pension.

***Net Pension Liability (Employer Reporting):***

The components of the net pension liability of the sponsor on September 30, 2018 were as follows:

<b>Police Officers'</b>			
Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Reporting Period Ending September 30, 2017	\$ 40,177,707	\$ 31,483,540	\$ 8,694,167
Changes for a year:			
Service cost	861,961		861,961
Interest	3,181,465		3,181,465
Differences between expected and actual experience	(565,730)		(565,730)
Changes of assumptions			
Changes of benefit terms			
Contributions – Employer		957,303	(957,303)
Contributions – State		336,697	(336,697)
Contributions – Employee		329,705	(329,705)
Contributions – Buy Back	13,249	13,249	
Net investment income		2,827,366	(2,827,366)
Benefit payments, including refunds of employee contributions	(2,542,719)	(2,542,719)	
Administrative expense		(40,885)	40,885
Net changes	948,226	1,880,716	(932,490)
Reporting Period Ending September 30, 2018	\$ 41,125,933	\$ 33,364,256	\$ 7,761,677

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

<b>Firefighters'</b> Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Reporting Period Ending September 30, 2017	\$ 48,989,788	\$ 33,336,156	\$ 15,653,632
Changes for a year:			
Service cost	932,890		932,890
Interest	3,844,945		3,844,945
Differences between expected and actual experience	(656,507)		(656,507)
Changes of assumptions	(212,715)		(212,715)
Changes in benefit terms			
Contributions – Employer		1,730,909	(1,730,909)
Contributions – State		305,820	(305,820)
Contributions – Employee		248,753	(248,753)
Contributions – Buy Back			
Net investment income		3,139,126	(3,139,126)
Benefit payments, including refunds of employee contributions	(3,709,120)	(3,709,120)	
Administrative expense		(38,203)	38,203
Net changes	<u>199,493</u>	<u>1,677,285</u>	<u>(1,477,792)</u>
Reporting Period Ending September 30, 2018	<u>\$ 49,189,281</u>	<u>\$ 35,013,441</u>	<u>\$ 14,175,840</u>

<b>Senior Management</b> Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at September 30, 2017	\$ 3,558,206	\$ 3,154,825	\$ 403,381
Changes for a Year:			
Service cost	120,363		120,363
Interest	251,099	220,005	31,094
Differences between expected and actual experience	(196,369)		(196,369)
Contributions – Employer		133,443	(133,443)
Contributions – Employee		51,728	(51,728)
Net investment income		14,980	(14,980)
Benefit payments, including refunds of employee contributions	(187,835)	(187,835)	
Administrative expense		(21,537)	21,537
Net changes	<u>(12,742)</u>	<u>210,784</u>	<u>(223,526)</u>
Balances at September 30, 2018	<u>\$ 3,545,464</u>	<u>\$ 3,365,609</u>	<u>\$ 179,855</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

*Pension Expense (Employer Reporting):*

For the year ended September 30, 2018 the Sponsor will recognize a pension expense of:

Police Officers'	Firefighters'	Senior Management
\$1,659,574	\$2,413,003	\$175,375

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

On September 30, 2018, the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Police Officers'		Firefighters'		Senior Management	
	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	\$ 181,723	\$ 650,389	\$ 98,499	\$ 1,084,864	\$ 87,208	\$ 164,450
Changes in assumptions	46,223		1,126,260	170,172	521,042	155,611
Net difference between projected and actual earnings on pension plan investments	758,966		750,486		48,953	133,828
Total	\$ 986,912	\$ 650,389	\$ 1,975,245	\$ 1,255,036	\$ 657,203	\$ 453,889



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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:	Police Officers' Pension	Firefighters' Pension	Senior Management Pension
2019	\$ 385,780	454,143	56,790
2020	293,714	587,677	7,835
2021	(273,661)	(183,273)	12,697
2022	(69,310)	(138,338)	9,156
2023			42,105
Thereafter			74,731
Total	<u>\$ 336,523</u>	<u>\$ 720,209</u>	<u>\$ 203,314</u>

***Actuarial Assumptions (Employer Reporting):***

	Police Officers' Pension	Firefighters' Pension	Senior Management Pension
Funding method	Entry age normal actuarial cost method. The following loads are utilized for determination of the total required contribution: -Interest – a half-year, based on the 8.0% assumption. -Salary – a full-year, based on the 6% assumption.	Entry age normal actuarial cost method. The following loads are utilized for determination of the total required contribution: -Interest – a half-year, based on the 8.0% assumption. -Salary – a full-year, based on the 6% assumption.	Aggregate cost method
Amortization method	Level % of pay, Closed	Level % of pay, Closed	Level % of pay, Open
Remaining amortization period	30 years	30 years	30 years

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

	<u>Police Officers’ Pension</u>	<u>Firefighters’ Pension</u>	<u>Senior Management Pension</u>
Asset Valuation Method	Each year, the Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average of Market Value return (net-of-fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.	Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average of Market Value return (net-of-fees). It is possible that over time this technique will produce an insignificant bias above or below Market Value of Assets.	Market Value
Post Retirement COLA	2% to Social Security retirement age	3% to Social Security retirement age	2% per year for category 1 with 15 years and category 2 and 3 with 10 years of service.
Inflation	2.7%	2.7%	2.92%
Salary Increases	Service based	6.00%	4.00%
Investment rate of return	8.00%	8.00%	4.08%
Mortality Rates	RP-2000 Generational, with projection scale BB tables	RP-2000 Generational, with projection scale BB tables	RP-2000 Generational, with projection scale BB tables

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

Long-term expected rate of return

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:

Police Officers' and Firefighters' as of September 30, 2017

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	32.00%	7.0%
International equity	15.00%	3.7%
Bonds	24.00%	4.0%
High yield bonds	5.00%	5.9%
Convertibles	8.00%	6.0%
Private real estate	5.00%	4.8%
REITS	5.00%	6.8%
MLPs	5.00%	9.7%
Cash	1.00%	.8%

Senior Management as of September 30, 2018

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Core bonds	16.00%	0.58%
Multi-sector	24.00%	1.08%
U.S. large cap equity	39.00%	6.08%
U.S. small cap equity	11.00%	6.83%
Non-U.S. equity	10.00%	6.83%

***Discount Rate (Employer Reporting):***

The discount rate used to measure the total pension liability was 8.0% for Police Officers', 7.9% for Firefighters', and 7.0% 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, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

***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			
Police Officers'	\$ 12,379,125	\$ 7,761,677	\$ 3,908,136
	1% Decrease 6.90%	Current Discount Rate 7.9%	1% Increase 8.9%
Firefighters'	\$ 20,089,851	\$ 14,175,840	\$ 9,286,133
	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Senior Management	\$ 593,052	\$ 179,855	\$ (162,650)

***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, 2018. 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, 2018. 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.

***Net Pension Liabilities (Plan Reporting):***

	Police Officers' <u>Pension</u>	Firefighters' <u>Pension</u>	Senior Management <u>Pension</u>
Total pension liability	\$ 43,575,748	\$ 51,091,324	\$ 3,545,464
Plan fiduciary net position	<u>(34,639,865)</u>	<u>(36,119,426)</u>	<u>(3,365,609)</u>
Sponsor's net pension liability	<u>\$ 8,935,883</u>	<u>\$ 14,971,898</u>	<u>\$ 179,855</u>
Plan fiduciary net position as a percentage of total pension liability	79.49%	70.70%	94.93%

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

*Actuarial Assumptions (Plan Reporting):*

The September 30, 2018 total pension liability for Police Officers' and Firefighters' was determined by rolling forward the total pension liability as of September 30, 2017 to September 30, 2018, using the actuarial assumptions and methods used in the October 1, 2017 actuarial valuation on the plans. Except for the changes listed as follows there have been no other changes. For the 2018 fiscal year, amounts reported as changes of assumptions for the pension plan resulted from:

Changes of assumptions

Police Officers' Pension

For measurement date 09/30/2018, the investment rate of return was lowered from 8.0% to 7.8%, net of investment related expenses.

Firefighters' Pension

For measurement date 09/30/2018, the investment rate of return was lowered from 7.9% to 7.8% per year, net of investment related expenses.

The long-term expected rate of return

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, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Police Officers' Pension Long-Term Expected Real Rate of Return</u>	<u>Firefighters' Pension Long-Term Expected Real Rate of Return</u>
Domestic equity	8.10%	8.10%
International equity	3.4%	3.4%
Bonds	3.6%	3.6%
High yield bonds	5.6%	5.6%
Convertibles	6.7%	6.7%
Private real estate	4.9%	4.9%
REITS	6.8%	6.8%
Infrastructure	9.1%	9.1%
Cash	.7%	.7%

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

***Discount Rate (Plan Reporting):***

The discount rate used to measure the total pension liability was 7.8% for Police Officers', 7.8% for Firefighters', and 7.0% 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 (Plan Reporting):***

Sponsor's Net Pension Liability	1% Decrease 6.8%	Current Discount Rate 7.8%	1% Increase 8.8%
Police Officers'	\$ 13,868,205	\$ 8,935,883	\$ 4,826,623
	1% Decrease 6.8%	Current Discount Rate 7.8%	1% Increase 8.8%
Firefighters'	\$ 21,189,668	\$ 14,971,898	\$ 9,836,770
	1% Decrease 6.0%	Current Discount Rate 7.0%	1% Increase 8.0%
Senior Management	\$ 539,052	\$ 179,855	\$ (162,650)

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

**Combining Statement of Pension Plan Net Position  
September 30, 2018**

	Police Officers' Pension	Firefighters' Pension	Senior Management Pension	Total
<b>Assets:</b>				
Cash and cash equivalents:				
Short term investments	\$ 886,288			\$ 886,288
Cash		\$ 1,137,591	\$ 13,404	1,150,995
Total cash and equivalents	886,288	1,137,591	13,404	2,037,283
Receivables:				
Member contributions	6,594	4,803	4,044	15,441
City contributions	16,886	34,362	10,432	61,680
From broker for investments sold	6,467			6,467
Investment income	34,368	6,049		40,417
Total receivables	64,315	45,214	14,476	124,005
Investments:				
Common Stocks	8,523,165	8,918,311		17,441,476
Mutual funds:				
Fixed income	10,662,565	11,028,863		21,691,428
Equity	12,153,579	10,819,005		22,972,584
Pooled/common/commingled funds:				
Fixed income			485,914	485,914
Equity			2,550,213	2,550,213
Real estate investment trust	2,371,278	4,177,177	301,602	6,850,057
Total investments	33,710,587	34,943,356	3,337,729	71,991,672
<b>Total assets</b>	34,661,190	36,126,161	3,365,609	74,152,960
<b>Liabilities:</b>				
Accounts Payable:				
Administrative Expenses	7,469			7,469
Investment Expenses	13,188			13,188
Prior refunds	668	575		1,243
Other payables		6,160		6,160
Total accounts payable	21,325	6,735		28,060
<b>Total liabilities</b>	21,325	6,735		28,060
<b>Net Position:</b>				
Restricted for pension benefits	\$ 34,639,865	\$ 36,119,426	\$ 3,365,609	\$ 74,124,900

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

**Combining Statement of Changes in Net Position  
Fiscal Year Ended September 30, 2018**

	Police Officer's Pension	Firefighters' Pension	Senior Management Pension	Total
<b>Additions</b>				
Contributions:				
Plan members	\$ 346,586	\$ 252,579	\$ 51,728	\$ 650,893
Employer	924,910	1,912,733	133,443	2,971,086
State	343,438	313,843		657,281
Total contributions	<u>1,614,934</u>	<u>2,479,155</u>	<u>185,171</u>	<u>4,279,260</u>
Investment earnings:				
Net appreciation in fair value of investments	1,379,522	1,145,758	234,985	2,760,265
Interest	1,031,422	1,184,961		2,216,383
Total investment earnings	<u>2,410,944</u>	<u>2,330,719</u>	<u>234,985</u>	<u>4,976,648</u>
Less investment expense	(152,549)	(211,098)		(363,647)
Net investment earnings	<u>2,258,395</u>	<u>2,119,621</u>	<u>234,985</u>	<u>4,613,001</u>
Total additions	<u>3,873,329</u>	<u>4,598,776</u>	<u>420,156</u>	<u>8,892,261</u>
<b>Deductions</b>				
Distributions to members:				
Benefit payments	2,466,223	2,985,153	187,835	5,639,211
Lump sum DROP distributions	8,551	378,855		387,406
Refunds of member contributions	58,227	70,400		128,627
Total distributions	<u>2,533,001</u>	<u>3,434,408</u>	<u>187,835</u>	<u>6,155,244</u>
Administrative expenses	64,719	58,383	21,537	144,639
Total deductions	<u>2,597,720</u>	<u>3,492,791</u>	<u>209,372</u>	<u>6,299,883</u>
<b>Change in Net Position</b>	1,275,609	1,105,985	210,784	2,592,378
<b>Net Position Restricted for Pension Benefits</b>				
Beginning of year	<u>33,364,256</u>	<u>35,013,441</u>	<u>3,154,825</u>	<u>71,532,522</u>
End of year	<u>\$ 34,639,865</u>	<u>\$ 36,119,426</u>	<u>\$ 3,365,609</u>	<u>\$ 74,124,900</u>



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

**9.3 Aggregate Schedule of Retirement Plan Information**

For the fiscal year ended September 30, 2018, in total, reported deferred outflows of resources and deferred inflows of resources related to pensions were from the following sources:

	<b>Primary Government</b>		<b>Discretely Presented Component Unit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 481,707	\$ 1,904,396	\$ 18,291	\$ 755
Change of assumptions	2,159,202	376,255	74,733	8,476
Difference between projected and actual earnings on investments	1,558,693	231,386	48	15,563
Differences in proportion and differences between Pension Plan contributions and proportionate share of contributions	41,856	725,459	4,454	52,145
Pension Plan contributions subsequent to the measurement date	37,089		4,303	
<b>Total</b>	<b>\$ 4,278,547</b>	<b>\$ 3,237,496</b>	<b>\$ 101,829</b>	<b>\$ 76,939</b>

***Pension Expense***

For the fiscal year ended September 30, 2018, the City recognized total pension expense of \$4,325,189.

For the fiscal year ended September 30, 2018, the Port Authority recognized total pension expense of \$25,700.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**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 Voya Financial.

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 \$929,999, of which \$184,438 was forfeitures, for the fiscal year ended September 30, 2018. This is a noncontributory plan. Contributions are as follows:

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

		<u>Required Contribution</u>	<u>Percentage of the Amount Contributed</u>	<u>Net Pension Obligation</u>
9/30/18	\$	929,999	100%	0
9/30/17		907,119	100%	0
9/30/16		838,546	100%	0
9/30/15		784,902	100%	0

d. A separately issued annual report of the Fund is available from the Voya Financial, Plan Number 666935, 1 Orange Way C35, Windsor, CT 06095.

**9.5 Discretely Presented Component Unit**

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 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%

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 9 - RETIREMENT PLANS (Continued)**

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

*c. Contribution Obligations:*

The Port Authority is required to contribute 7% of participants' salaries to the plan. The City Commission has the authority to change contribution amounts. Total pension expense amounted to \$172,563, of which \$29,593 was forfeitures, for the fiscal year ended September 30, 2018. 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>
9/30/18	\$	172,563	100%	0
9/30/17		138,205	100%	0
9/30/16		176,936	100%	0
9/30/15		146,249	100%	0

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 – OTHER POST EMPLOYMENT BENEFITS (OPEB)**

*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.

*a. Contribution requirement*

	<u>City</u>	<u>Discretely Presented Component Unit</u>
Contribution requirement	Retirees must contribute an amount determined periodically by the City based on actual claims experience; there are no minimum required employer contributions.	Retirees must contribute an amount determined periodically by the Authority equal to 100% of the applicable health insurance premium charged by the insurance carrier; there are no minimum required employer contributions.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

*b. Benefits Provided*

	City	Discretely Presented Component Unit
Employees Covered	Regular, full time employees of the City of Panama City.	Regular, full time employees of the Panama City Port Authority.
Types of benefits provided	Post-retirement medical, dental, vision, and life insurance benefits.	Post-retirement medical benefits.
Medical coverage	Post-retirement medical coverage is provided to eligible individuals under the same self-insured plan that covers active employees; no explicit subsidy is provided to retirees.	Post-retirement medical coverage is provided to eligible individuals under the same fully-insured plan that covers active employees; no explicit subsidy is provided to retirees.
Plan choice	For health insurance coverage, retirees may choose from a basic plan or a buy-up plan.	None provided
Life insurance	The City provides a fully-insured life insurance benefit of \$1,000 to all retirees.	None provided
Legal authority	Under Florida State law, the City is required to offer retirees health insurance on the same basis as employees provided that the retiree pays the full premium for the relevant coverage.	Under Florida State law, the Authority is required to offer retirees health insurance on the same basis as employees provided that the retiree pays the full premium for the relevant coverage.
Changes	The benefit terms did not change from the prior measurement date.	The benefit terms did not change from the prior measurement date.

*c. Membership*

As of the most recent actuarial valuation of the net OPEB liability, membership data is as follows:

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

	Primary Government	Discretely Presented Component Unit
Retirees and beneficiaries currently receiving benefits	62	-
Active members:	<u>462</u>	<u>64</u>
	<u>524</u>	<u>64</u>

***OPEB Liabilities, OPEB Expense, and Actuarial Assumptions***

***Measurement Date, and Valuation Date***

The Net OPEB liability was measured as of September 20, 2018. The Total OPEB Liability was determined from an actuarial valuation as of October 1, 2017. The Net OPEB Liability is the Total OPEB Liability less the Plan Fiduciary Net Position. The Total OPEB Liability is the present value of all future benefit payments for current retirees and active employees, considering assumptions about demographics, turnover, mortality, disability, retirement, health care trends, and other actuarial assumptions.

***Net OPEB Liability:***

	Primary Government	Discretely Presented Component Unit
Total OPEB Liability	\$ 3,877,679	\$ 255,877
Less: Fiduciary Net Position	-	-
Net OPEB Liability	<u>\$ 3,877,679</u>	<u>\$ 255,877</u>

Primary Government:	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Change in Net OPEB Liability			
Beginning Net OPEB Liability, as restated	\$ 3,805,223		\$ 3,805,223
Service Cost	202,889		202,899
Interest	140,999		140,999
Benefit Payments	<u>(271,432)</u>		<u>(271,432)</u>
Net Change	<u>72,456</u>		<u>72,456</u>
Ending Net OPEB Liability	<u>\$ 3,877,679</u>		<u>\$ 3,877,679</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

Discretely Presented Component Unit:	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Change in Net OPEB Liability	<u>Liability</u>	<u>Position</u>	<u>Liability</u>
Beginning Net OPEB Liability, as restated	\$ 234,997		\$ 234,997
Service Cost	22,538		22,538
Interest	9,179		9,179
Benefit Payments	<u>(10,837)</u>	<u>                    </u>	<u>(10,837)</u>
Net Change	<u>20,880</u>	<u>                    </u>	<u>20,880</u>
Ending Net OPEB Liability	<u>\$ 255,877</u>	<u>                    </u>	<u>\$ 255,877</u>

***OPEB Expense:***

The OPEB Expense amounts recognized for the fiscal year ended September 30, 2018 are as follows:

Primary Government	Discretely Presented Component Unit
<u>                    </u>	<u>                    </u>
\$ 72,456	\$ 20,880

***Actuarial Assumption:***

	City	Discretely Presented Component Unit
	<u>                    </u>	<u>                    </u>
Discount Rate	3.64% per annum: this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade index as of the measurement date.	3.64% per annum: this rate was used to discount all future benefit payments and is based on the return on the S&P Municipal Bond 20-year High Grade index as of the measurement date.
Salary increases	3.0% per annum	3.0% per annum

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

	City	Discretely Presented Component Unit
Cost-of-living increases	Retiree contributions and health insurance premiums have been assumed to increase in accordance with the healthcare cost trend rates.	Retiree contributions, health insurance premiums, and the implied subsidy have been assumed to increase in accordance with the healthcare cost trend rates.
Healthcare cost trend rates	Increases in healthcare costs are assumed to be 8.00% for the 2017/18 fiscal year graded down by 0.50% per year to 5.00% for the 2023/24 and later fiscal years.	Increases in healthcare costs are assumed to be 8.00% for the 2017/18 fiscal year graded down by 0.50% per year to 5.00% for the 2023/24 and later fiscal years.
Age-related morbidity	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.	Healthcare costs are assumed to increase at the rate of 3.50% for each year of age.
Expected claims/Implied subsidy	Claims cost at age 59 is assumed to be \$11,825 per covered individual for the 2017/18 fiscal year; this amount was determined based on actual claims during the preceding two years, with greater weight given to more recent experience.	Because the insurance carrier charges the same monthly rate for health insurance regardless of age, an implied monthly subsidy of \$650 for the retiree and \$475 for the retiree's spouse has been assumed at age 62 for the 2017/18 fiscal year; at other ages, the implied subsidy was developed based on the age-related morbidity assumption and, for other fiscal years, the implied subsidy was increased in accordance with the healthcare cost trend rates; the implied subsidy is assumed to disappear at age 65.
Mortality basis	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table (for general employees) or the RP-2000 Blue Collar Mortality Table (for firefighters and police officers), both with full generational improvements in mortality using Scale BB.	Sex-distinct rates set forth in the RP-2000 Combined Mortality Table, with full generational improvements in mortality using Scale BB.



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

	City	Discretely Presented Component Unit
Retirement	For general employees, retirement is assumed to occur at age 59 with 10 years of service or at any age with 30 years of service; for firefighters, retirement is assumed to occur at age 55 with 10 years of service or at any age with 25 years of service; for police officers, retirement is assumed to occur at age 55 with 10 years of service, at age 50 with 15 years of service, or at any age with 23 years of service.	For employees hired prior to July 1, 2011, retirement is assumed to occur at age 62 with six years of service or at any age with 30 years of service; for employees hired on or after July 1, 2011, retirement is assumed to occur at age 65 with 8 years of service or at any age with 33 years of service.
Other decrements	Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study (Class 1 for general employees and Class 4 for firefighters and police officers).	Assumed employment termination is based on the Scale 155 table; assumed disability is based on the Wyatt 1985 Disability Study Class 1.
Coverage election	45% of eligible employees are assumed to elect medical coverage upon retirement or disability until age 65 in accordance with their current health plan and coverage election; retirees are not assumed to have any dependent children.	20% of eligible employees are assumed to elect medical coverage upon retirement or disability until age 65 under the “buy-up” plan upon retirement or disability; spouses are assumed to be covered in accordance with the employee’s current election.
Spousal and dependents	Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.	Husbands are assumed to be three years older than wives; retirees are not assumed to have any dependent children.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

	City	Discretely Presented Component Unit
COBRA	Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.	Future healthcare coverage provided solely pursuant to COBRA was not included in the OPEB valuation; because the COBRA premium is determined periodically based on plan experience, the COBRA premium to be paid by the participant is assumed to fully cover the cost of providing healthcare coverage during the relevant period.
Life Insurance	Life insurance premiums are assumed to be 25% higher than the pure insurance cost; because data was not provided for retirees who have not elected to continue their health insurance coverage under the City's plan, retiree life insurance liability has been loaded by a factor of four to account for the estimated number of covered retirees as well as the assumption that the unknown retirees are generally older than those retirees who are covered under the City's health insurance plan.	None provided
Changes	No assumptions were changed since the prior measurement date.	No assumptions were changed since the prior measurement date.

***Sensitivity of the Net OPEB Liability to Changes in the Discount Rate:***

	1% Decrease 2.64%	Current Discount Rate 3.64%	1% Increase 4.64%
City's OPEB liability	\$ 4,238,309	\$ 3,877,679	\$ 3,566,557
Port Authority's OPEB liability	281,625	255,877	233,120

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 10 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)**

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates:*

	1% Decrease (7.00% decreasing to 4.00%)	Healthcare Cost Trend Rates (8.00% decreasing to 5.00%)	1% Increase (9.00% decreasing to 6.00%)
City's OPEB Liability	\$ 3,505,460	\$ 3,877,679	\$ 4,314,111
Port Authority's OPEB liability	223,624	255,877	295,809

**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 \$5,794,469 as of September 30, 2018. Since the City has no fiduciary responsibilities other than administrative in connection with the plans, the assets are not presented in these financial statements.

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

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 12 - ENCUMBRANCES**

The amount of encumbrances outstanding as of September 30, 2018, is as follows:

Governmental Funds-	
General Fund	\$ 294,975
General Grants	2,010
Capital Projects	827,097
Capital Projects 2013	23,190
Capital Projects New City Hall	5,014,387
Infrastructure Surtax	764,995
Panama City Redevelopment Agency - St. Andrews	5,244
Panama City Redevelopment Agency - Downtown	2,239
Panama City Redevelopment Agency - Downtown North	57,543
Panama City Redevelopment Agency - Millville	49,543
Proprietary Funds-	
Equipment Maintenance	21,639
Marina	129,107
Solid Waste	1,199,080
Utilities	<u>6,155,191</u>
Total	<u>\$14,546,240</u>

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

**NOTE 13 - FUND BALANCES**

***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.

**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.

**CITY OF PANAMA CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 13 – FUND BALANCES** (Continued)

**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 City 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 general fund is the only fund that reports a positive unassigned fund balance amount.

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.

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 in order to meet unforeseen expenditures caused by disasters or emergencies. 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 drawdown of Disaster/Emergency reserves may be utilized to respond and provide relief and recovery to disasters and emergencies which include, but are not limited to:

- Hurricanes or Tropical Storms
- Flooding
- Wildfires
- Terrorist activity

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. Use of the reserves requires approval by the City Commission with a majority vote.



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**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 13 - FUND BALANCES (Continued)**

*Fund Balance Summary*

A summary of the nature and purpose of fund balances at September 30, 2018 is as follows:

	<u>Major Funds</u>					
	<u>General</u>	<u>Capital Projects</u>	<u>Capital Projects 2013</u>	<u>Energy Improvements</u>	<u>Capital Projects Infrastructure Surtax</u>	<u>Capital Projects New City Hall</u>
Fund Balances:						
<b>Non-spendable:</b>						
Inventory	\$ 158,470					
Prepaid items	158,288					
Other	2,252					
<b>Total non-spendable</b>	<u>319,010</u>					
<b>Spendable:</b>						
<b>Restricted for:</b>						
General Government						
Housing and Urban Development						
Infrastructure						
Community Redevelopment						
Debt Service						
<b>Total restricted</b>						
<b>Committed to:</b>						
Disaster/Emergency Reserve	12,906,796					
<b>Assigned</b>	<u>546,933</u>	<u>\$ 6,043,177</u>	<u>\$ 8,024,529</u>		<u>\$ 15,014,710</u>	<u>\$ 4,286,687</u>
<b>Unassigned</b>	<u>11,543,501</u>					
<b>Total</b>	<u>\$ 25,316,240</u>	<u>\$ 6,043,177</u>	<u>\$ 8,024,529</u>		<u>\$ 15,014,710</u>	<u>\$ 4,286,687</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 13 - FUND BALANCES** (Continued)

*Fund Balance Summary*

A summary of the nature and purpose of fund balances at September 30, 2018 is as follows:

	<b>Non-Major Special Revenue Funds</b>				
	<b>Infrastructure Surtax</b>	<b>General Grants</b>	<b>Community Planning and Development</b>	<b>State Housing Initiative Partnership City</b>	<b>State Housing Initiative Partnership County</b>
Fund Balances:					
<b>Non-spendable:</b>					
Inventory			\$ 124,764	\$ 1,961,571	
Prepaid items					
Other					
<b>Total non-spendable</b>			124,764	1,961,571	
<b>Spendable:</b>					
<b>Restricted for:</b>					
General Government		\$ 102,423			
Housing and Urban Development			1,012,118	3,822,617	\$ 785,653
Infrastructure	\$ 5,006,728				
Community Redevelopment					
Debt Service					
<b>Total restricted</b>	5,006,728	102,423	1,012,118	3,822,617	785,653
<b>Committed to:</b>					
Disaster/Emergency Reserve					
<b>Assigned</b>					
<b>Unassigned</b>					
<b>Total</b>	\$ 5,006,728	\$ 102,423	\$ 1,136,882	\$ 5,784,188	\$ 785,653



**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 13 - FUND BALANCES** (Continued)

*Fund Balance Summary*

A summary of the nature and purpose of fund balances at September 30, 2018 is as follows:

	<u>Non-Major Special Revenue Funds</u>			
	<u>Panama City Community Redevelopment Agency St. Andrews</u>	<u>Panama City Community Redevelopment Agency Downtown</u>	<u>Panama City Community Redevelopment Agency Downtown North</u>	<u>Panama City Community Redevelopment Agency Millville</u>
Fund Balances:				
<b>Non-spendable:</b>				
Inventory			\$ 199,297	
Prepaid items				
Other				
<b>Total non-spendable</b>			<u>199,297</u>	
<b>Spendable:</b>				
<b>Restricted for:</b>				
General Government				
Housing and Urban Development				
Infrastructure				
Community Redevelopment	\$ 307,477	\$ 372,729	702,588	\$ 42,852
Debt Service				
<b>Total restricted</b>	<u>307,477</u>	<u>372,729</u>	<u>702,588</u>	<u>42,852</u>
<b>Committed to:</b>				
Disaster/Emergency Reserve				
<b>Assigned</b>				
<b>Unassigned</b>				
<b>Total</b>	<u>\$ 307,477</u>	<u>\$ 372,729</u>	<u>\$ 901,885</u>	<u>\$ 42,852</u>

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 13 - FUND BALANCES (Continued)**

*Fund Balance Summary*

A summary of the nature and purpose of fund balances at September 30, 2018 is as follows:

	<u>Non-Major Debt Service Funds</u>					
	<u>Capital Improvement Revenue Refunding Note, Series 2013A</u>	<u>Capital Improvement Revenue Note, Series 2013B</u>	<u>Capital Improvement Revenue Note, Series 2016</u>	<u>Revenue Note, Series 2008 (Modified)</u>	<u>Capital Improvement Revenue Note, Series 2018</u>	<u>Infrastructure Sales Surtax Revenue Note Series 2018</u>
Fund Balances:						
<b>Non-spendable:</b>						
Inventory						
Prepaid items						
Other						
<b>Total non-spendable</b>						
<b>Spendable:</b>						
<b>Restricted for:</b>						
General Government						
Housing and Urban Development						
Infrastructure						
Community Redevelopment						
Debt Service	\$ 238,096	\$ 950,539	\$ 62,804	\$ 80,762	\$ 648,444	\$ 40,641
<b>Total restricted</b>	<u>238,096</u>	<u>950,539</u>	<u>62,804</u>	<u>80,762</u>	<u>648,444</u>	<u>40,641</u>
<b>Committed to:</b>						
Disaster/Emergency Reserve						
<b>Assigned</b>						
<b>Unassigned</b>						
<b>Total</b>	<u>\$ 238,096</u>	<u>\$ 950,539</u>	<u>\$ 62,804</u>	<u>\$ 80,762</u>	<u>\$ 648,444</u>	<u>\$ 40,641</u>

**CITY OF PANAMA CITY, FLORIDA**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2018**

**NOTE 14 – MERCHANT LICENSE TAX ABATEMENT**

The City considers economic incentives to encourage retail businesses to build or expand within the city limits of Panama City. City Commission uses both qualitative and quantitative economic factors in approving abatements. To incentivize the development of a retail center located in Panama City, the City entered into an agreement with a real estate developer to refund a portion of the City's operating merchant license tax attributable to the merchants' operations on the retail center site. The agreement refunds 90% of the operating merchant license tax collected on the property, with a maximum reinvestment amount by the City of \$15,142,467 over a period of up to 15 years. As conditions for payments by the City, the developer must certify that 50% or more of the business units are new business units which are open to the public. The City's promise to pay is evidenced and secured by an annual covenant to budget and appropriate from lawfully available, non-ad valorem revenues containing a disclaimer of the City maintaining any particular revenue source, all in a form traditionally used in municipal borrowings and often validated under Florida Statutes Chapter 75. For the fiscal year ended September 30, 2018, the City abated merchant license taxes totaling \$58,415, all of which were to this business.

**NOTE 15 - 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, 2018, 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 \$344,161 that begins on October 1, 2018.

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

**Litigation.** On August 10, 2018, the City filed a lawsuit against BellSouth Telecommunications, LLC d/b/a AT&T Florida (AT&T) alleging a failure to timely relocate AT&T's facilities located along Jenks Avenue for the Widening and Reconstruction of Jenks Avenue from 23<sup>rd</sup> Street to Baldwin Avenue Project. As of the date of this report, the City anticipates it may recover approximately \$875,000 from AT&T. 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, 2018, are as follows:

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 15 - COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS**  
(Continued)

General Fund	\$	58,405
Capital Projects		966,195
Capital Projects 2013		23,190
Capital Projects City Hall		5,036,887
Special Revenue:		
Community Redevelopment Agency-Downtown North		54,273
Community Redevelopment Agency-Millville		49,543
Infrastructure Surtax		785,980
Enterprise:		
Utilities		6,780,085
Marina		118,331

**Marina Project.** The City borrowed \$12,999,000 in 2013 of which \$8,024,529 remains unspent. The remaining portion of the project is still in the planning phase.

**Debt Issuance.** On December 14, 2018 the City issued Hurricane Recovery Revenue Note, Series 2018 in the amount of \$50,000,000 for Hurricane Michael related expenses. On March 29, 2019 the City issued Hurricane Recover and Refunding Revenue Note, Series 2019 in the amount of \$75,000,000 which refunded the December 14, 2018 Hurricane Recovery Revenue Note, Series 2018 and will be used for Hurricane Michael related expenses.

**Hurricane Michael.** On October 10, 2018, Hurricane Michael impacted business owners, residents, and the infrastructure of Panama City. The City expects to receive approximately \$138 million for debris removal throughout the City. The City saw significant damages to water and sewer lines as well as other infrastructure. The City is working with FEMA and the State to obtain estimates and begin work on restoring the City's infrastructure. Several smaller scale damages were experienced to City buildings and equipment; most were covered by insurance. The City expects the first 45 days to be reimbursed at 100% and after that up to 87.5% of the City's storm costs will be reimbursed by FEMA and the State covering all damages. Any required spending matches and any costs that are not deemed reimbursable by FEMA and the State will be appropriated from the City's reserves.

**Other Subsequent Events.** The City did not have any other subsequent events requiring disclosure or recording in these financial statements through April 25, 2019 which is the date these financial statements were issued.

**CITY OF PANAMA CITY, FLORIDA  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2018**

**NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLES AND PRIOR PERIOD ADJUSTMENT**

As a result of implementing GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB), net position was restated October 1, 2017. With the adoption of GASB 75, the difference between the net OPEB obligation calculation and the net OPEB liability calculation is a reduction to the prior year net position.

	Primary Government Government-wide Activities	Discretely Presented Component Unit- Government-wide Activities	
Beginning balance, as previously reported	\$ 91,192,727	\$	91,207,945
Prior period adjustments:			
Change in accounting principle GASB 75	(421,008)	(206,063)	(206,063)
Beginning balance, as restated	\$ 90,771,719	\$	91,001,882

	Proprietary Fund-Utilities	Proprietary Fund- Solid Waste	Proprietary Fund-Marina
Beginning balance, as previously reported	\$ 69,234,395	\$ 11,435,654	\$ 7,161,096
Prior period adjustments:			
Change in accounting principle GASB 75	(92,620)	(42,049)	(13,069)
Beginning balance, as restated	\$ 69,141,775	\$ 11,393,605	\$ 7,148,027

	Internal Service Fund- Equipment Maintenance
Beginning balance, as previously reported	\$ 110,862
Prior period adjustments:	
Change in accounting principle GASB 75	(11,364)
Beginning balance, as restated	\$ 99,498

# 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



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**CITY OF PANAMA CITY, FLORIDA  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 19,401,432	\$ 19,401,432	\$ 20,602,145	\$ 1,200,713
Licenses and permits	9,253,000	9,253,000	10,013,624	760,624
Intergovernmental	5,991,931	5,991,931	5,898,740	(93,191)
Charges for services	1,289,355	1,289,355	1,316,434	27,079
Investment earnings	245,000	245,000	340,353	95,353
Miscellaneous	330,000	330,000	367,765	37,765
Total revenues	<u>36,510,718</u>	<u>36,510,718</u>	<u>38,539,061</u>	<u>2,028,343</u>
<b>Expenditures:</b>				
Current:				
General government	6,124,747	6,142,288	5,427,336	714,952
Public safety	18,944,296	18,901,104	17,368,665	1,532,439
Transportation	4,206,636	4,223,267	3,757,914	465,353
Economic environment	1,059,302	1,059,302	1,059,112	190
Human services	315,000	315,000	244,479	70,521
Culture and recreation	3,116,537	3,087,201	2,775,170	312,031
Debt Service:				
Capital lease principal	728,736	728,736	535,300	193,436
Capital lease interest			33,583	(33,583)
Capital outlay	317,563	1,046,673	1,641,106	(594,433)
Total expenditures	<u>34,812,817</u>	<u>35,503,571</u>	<u>32,842,665</u>	<u>2,660,906</u>
Excess of revenues over expenditures	1,697,901	1,007,147	5,696,396	4,689,249
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,079,690	2,079,690	6,100,458	4,020,768
Transfers out	(6,573,032)	(7,649,376)	(8,225,992)	(576,616)
Issuance of long-term debt			652,490	652,490
Total other financing sources (uses)	<u>(4,493,342)</u>	<u>(5,569,686)</u>	<u>(1,473,044)</u>	<u>4,096,642</u>
Net change in fund balance	(2,795,441)	(4,562,539)	4,223,352	8,785,891
<b>Fund Balance:</b>				
Beginning of year	<u>21,092,888</u>	<u>21,092,888</u>	<u>21,092,888</u>	
End of year	<u>\$ 18,297,447</u>	<u>\$ 16,530,349</u>	<u>\$ 25,316,240</u>	<u>\$ 8,785,891</u>

See independent auditor's report.



**CITY OF PANAMA CITY, FLORIDA**  
**SCHEDULES OF CHANGES IN NET PENSION**  
**LIABILITY AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**Last 10 Fiscal Years**

	Police Officers' Pension 9/30/2018	Police Officers' Pension 9/30/2017	Police Officers' Pension 9/30/2016	Police Officers' Pension 9/30/2015	Police Officers' Pension 9/30/2014
<b>Total Pension Liability</b>					
Service cost	\$ 880,010	\$ 861,961	\$ 885,176	\$ 1,254,367	\$ 1,110,917
Interest	3,259,155	3,181,465	3,099,797	2,907,190	2,710,277
Change in Excess State Money	2,209				
Changes in benefit terms				619,363	
Differences between expected and actual experience	(37,800)	(565,730)	(452,178)	726,890	
Changes in assumptions	879,242			184,891	
Contributions - buy back		13,249	11,054		
Benefit payments, including refunds of employee contributions	(2,533,001)	(2,542,719)	(2,456,851)	(2,136,270)	(2,108,924)
Net change in total pension liability	2,449,815	948,226	1,086,998	3,556,431	1,712,270
Total pension liability - beginning	41,125,933	40,177,707	39,090,709	35,534,278	33,822,008
Total pension liability - ending (a)	43,575,748	41,125,933	40,177,707	39,090,709	35,534,278
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	924,910	957,303	1,372,342	1,292,438	1,411,641
Contributions - state	343,438	336,697	325,836	312,431	292,899
Contributions - employee	346,586	329,705	334,052	221,583	220,523
Contributions - buy back		13,249	11,054		
Net investment income	2,258,395	2,827,366	2,640,449	(966,448)	2,905,224
Benefit payments including refunds of employee contributions	(2,533,001)	(2,542,719)	(2,456,851)	(2,136,270)	(2,108,924)
Administrative expense	(64,719)	(40,885)	(46,785)	(41,641)	(29,479)
Net change in plan fiduciary net position	1,275,609	1,880,716	2,180,097	(1,317,907)	2,691,884
Plan fiduciary net position - beginning	33,364,256	31,483,540	29,303,443	30,621,350	27,929,466
Plan fiduciary net position - ending (b)	34,639,865	33,364,256	31,483,540	29,303,443	30,621,350
Net pension liability - ending (a) - (b)	\$ 8,935,883	\$ 7,761,677	\$ 8,694,167	\$ 9,787,266	\$ 4,912,928
Plan fiduciary net position as a percentage of the total pension	79.49%	81.13%	78.36%	74.96%	86.17%
Covered payroll	\$ 4,263,073	\$ 4,055,417	\$ 4,184,070	\$ 4,041,893	\$ 3,952,031
Net pension liability as a percentage of covered payroll	209.61%	191.39%	207.79%	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  
SCHEDULES OF CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
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Last 10 Fiscal Years**

**Notes to Schedules:**

*Changes of benefit terms:*

For measurement date 09/30/2015, amounts reported as changes of benefit terms were 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 on 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.

*Changes of assumption:*

For measurement date 9/30/18, the investment rate of return was lowered from 8.00% to 7.80%

For measurement date 09/30/2016, the inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

For measurement date 09/30/2015, amounts reported as changes of assumptions were 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:

For the 2016 Reporting Period Ending year, amounts reported as changes of assumptions were 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 a 50% probability at first eligibility, 75% the following year and 100% two (2) years following first eligibility.
- \* 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.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
SCHEDULES OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED SEPTEMBER 30, 2018  
Last 10 Fiscal Years**

	Police Officers' Pension 9/30/2018	Police Officers' Pension 9/30/2017	Police Officers' Pension 9/30/2016	Police Officers' Pension 9/30/2015	Police Officers' Pension 9/30/2014
Actuarially determined contribution	\$ 1,271,961	\$ 1,290,387	\$ 1,688,178	\$ 1,604,869	\$ 1,704,540
Contributions in relation to the actuarially determined contributions	1,266,139	1,294,000	1,698,178	1,604,869	1,704,540
Contribution deficiency (excess)	<u>\$ 5,822</u>	<u>\$ (3,613)</u>	<u>\$ (10,000)</u>	<u>-</u>	<u>-</u>
Covered payroll	\$ 4,263,073	\$ 4,055,417	\$ 4,184,070	\$ 4,041,893	\$ 3,952,031
Contributions as a percentage of covered payroll	29.70%	31.91%	40.59%	39.71%	43.13%

**Notes to Schedules:**

Valuation Date: 10/1/2016

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 Method.

Amortization Method: Level Percentage of Pay, closed.

Remaining Amortization Period: 30 Years (as of 10/01/2016).

Mortality Rate Healthy Active Lives: Female: RP2000 Generational, 100% annuitant White Collar, Scale BB.  
Male: RP-2000 Generational, 10% annuitant White Collar/90% Annuitant Blue Collar, Scale BB.

Healthy Inactive Female: RP-2000 Generational, 100% Combined Healthy, White Collar, Scale BB.  
Male: RP-2000 Generational, 10% Combined Healthy, White Collar/90% Annuitant Healthy Blue Collar, Scale BB.

Mortality Rate Disabled Lives: Female: 60% RP2000 Disabled Female set forward two years/40% Annuitant White Collar with no setback, no projection scale.  
Male: 60 % RP2000 Disabled Male setback four years/40% Annuitant White Collar with no setback, no projection scale.

Interest Rate: 8% per year, compounded annually, net of investment related expenses. This is supported by the target asset allocation of the trust and the expected long-term return by asset class.

Normal Retirement:	Number of Years Following First	
	Eligibility	Retirement Probability
	0	50%
	1	75%
	2	100%

This assumption was approved by the Board in conjunction with our December 2, 2015 actuarial experience study.

Early Retirement: Commencing with the earliest Early Retirement Age (40), Members are assumed to retire with an immediate subsidized benefit at the rate of 10% per year. This assumption was approved by the Board in conjunction with our December 2, 2015 actuarial experience study.

Payroll Growth: 2.2% per year. The assumption is in compliance with Part VII of Chapter 112, Florida Statutes.

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 CONTRIBUTIONS  
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FISCAL YEAR ENDED SEPTEMBER 30, 2018  
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Disability Rates: See table below (1207 \* 0.5). It is assumed that 75% of disablements are service related.

Age	Probability
25	0.045%
35	0.07%
45	0.15%
55	0.48%
65	0.00%

The assumed rates of disablement were approved by the Board in conjunction with our December 2, 2015 actuarial experience study.

Termination Rates:

Service	Probability
<1	12.0%
1	11.5%
2	11.0%
3	10.5%
4	10.0%
5	8.0%
6	7.5%
7	7.0%
8	6.5%
9	6.0%
10	5.5%
11	5.0%
12	4.5%
13	4.0%
14	3.5%
15+	2.0%

This assumption was approved by the Board in conjunction with our December 2, 2015 actuarial experience study.

Salary Increases:

Service	Increase
<1	8.5%
1	7.5%
2	6.5%
3-10	5.5%
11+	5.0%

This assumption was approved by the Board in conjunction with our December 2, 2015 actuarial experience study.

Additionally, the projected salary in the year of retirement is increased on an individual basis to account for payouts of non-regular compensation.

Cost-of-Living:

2% per year from the later retirement of age 50 to Social Security Retirement Age.

Asset Valuation Method:

Each year, the Actuarial Value of Assets is brought forward using the historical geometric four-year average of Market Value Return (net-of-fees). It is possible that over time, this technique will produce an insignificant bias above or below the Market Value of Assets.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA**  
**SCHEDULES OF CHANGES IN NET PENSION**  
**LIABILITY AND RELATED RATIOS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**  
**Last 10 Fiscal Years**

	Firefighters' Pension 9/30/2018	Firefighters' Pension 9/30/2017	Firefighters' Pension 9/30/2016	Firefighters' Pension 9/30/2015	Firefighters' Pension 9/30/2014
<b>Total Pension Liability</b>					
Service cost	\$ 807,572	\$ 932,890	\$ 814,109	\$ 840,054	\$ 753,886
Interest	3,813,594	3,844,945	3,713,228	3,604,980	3,478,697
Differences between expected and actual experience	158,830	(656,507)	(839,486)	196,997	
Changes in assumptions	556,455	(212,715)	1,689,388		
Contributions - buy back			20,069		
Benefit payments, including refunds of employee contributions	(3,434,408)	(3,709,120)	(4,030,129)	(2,495,847)	(2,984,580)
Net change in total pension liability	1,902,043	199,493	1,367,179	2,146,184	1,248,003
Total pension liability - beginning	49,189,281	48,989,788	47,622,609	45,476,425	44,228,422
Total pension liability - ending (a)	51,091,324	49,189,281	48,989,788	47,622,609	45,476,425
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	1,912,733	1,730,909	1,641,064	1,568,772	1,433,019
Contributions - state	313,843	305,820	331,496	327,139	355,576
Contributions - employee	252,579	248,753	229,393	218,870	207,185
Contributions - buy back			20,069		
Net investment income	2,119,621	3,139,126	2,897,802	(1,162,379)	3,164,093
Benefit payments including refunds of employee contributions	(3,434,408)	(3,709,120)	(4,030,129)	(2,495,847)	(2,984,580)
Administrative expense	(58,383)	(38,203)	(38,737)	(33,019)	(26,647)
Net change in plan fiduciary net position	1,105,985	1,677,285	1,050,958	(1,576,464)	2,148,646
Plan fiduciary net position - beginning	35,013,441	33,336,156	32,285,198	33,861,662	31,713,016
Plan fiduciary net position - ending (b)	36,119,426	35,013,441	33,336,156	32,285,198	33,861,662
Net pension liability - ending (a) - (b)	\$ 14,971,898	\$ 14,175,840	\$ 15,653,632	\$ 15,337,411	\$ 11,614,763
Plan fiduciary net position as a percentage of the total pension	70.70%	71.18%	68.05%	67.79%	74.46%
Covered payroll	\$ 3,367,671	\$ 3,316,702	\$ 3,058,582	\$ 3,402,962	\$ 2,656,214
Net pension liability as a percentage of covered payroll	444.58%	427.41%	511.79%	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  
SCHEDULES OF CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS  
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FISCAL YEAR ENDED SEPTEMBER 30, 2018  
Last 10 Fiscal Years**

**Notes to Schedules:**

The Covered Payroll numbers shown are in compliance with GASB 82, except for the 09/30/2015 measurement period which includes DROP payroll.

*Changes of benefit terms:*

For measurement date 09/30/2016, the 30-year maximum accrual benefit cap for future retirees has been removed. The new benefit cap will be 100% of Average Final Compensation.

*Changes of assumption:*

For measurement date 9/30/18, the investment rate of return was lowered from 7.9% to 7.8% per year net of investment related expenses.

For measurement date 09/30/2017, as a result of an actuarial experience study dated November 16, 2017, the following changes have been incorporated:

- \* The assumed rate of investment return was lowered from 8.00% to 7.90% per year, net of investment related
- \* The assumed rates of salary increases were amended from a flat rate of 6.00% per year to a service-based table.
- \* As mandated by Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed from the rates used by the Florida Retirement System actuary in July 1, 2015 actuarial valuation to the rates used in the July 1, 2016 actuarial valuation for special risk lives.
- \*The assumed rates of retirement were amended to remove the assumption that members eligible for normal retirement on the valuation date will continue employment for one additional year. Additionally, the retirement rates were amended to be 75% upon completion of 25 or 26 years of service (previously 100% at completion of 25 years), and the assumed rates of early retirement were amended from 2% per year to 0% per year.
- \* The assumed rates of withdrawal were amended from an age-based table to a service-based table.
- \* The assumed rates of disablement were reduced at each age by 30%.
- \* The payroll growth assumption was reduced from 0.9% to 0.0% per year.
- \* Prior to measuring the impact of the assumption changes stated directly above, a “fresh start” to the existing Unfunded Actuarial Accrued Liability (UAAL) was implemented. The “fresh start” effectively consolidated all existing UAAL layers into one single layer which will be amortized over a 16-year period. As approved by the Board of Trustees, all future UAAL layers will be amortized as a level dollar over a 15-year period.

For measurement date 09/30/2016, as a result of Chapter 2015-157, Laws of Florida, the assumed rates of mortality were changed to the assumptions used by the Florida Retirement System for special risk employees.

The inflation assumption rate was lowered from 3.00% to 2.70%, matching the long-term inflation assumption utilized by the Plan's investment consultant.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
SCHEDULES OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED SEPTEMBER 30, 2018  
Last 10 Fiscal Years**

	Firefighters' Pension 9/30/2018	Firefighters' Pension 9/30/2017	Firefighters' Pension 9/30/2016	Firefighters' Pension 9/30/2015	Firefighters' Pension 9/30/2014
Actuarially determined contribution	\$ 2,252,865	\$ 2,003,301	\$ 1,969,699	\$ 1,895,911	\$ 1,788,595
Contributions in relation to the actuarially determined contributions	2,226,576	2,036,729	1,972,560	1,895,911	1,788,595
Contribution deficiency (excess)	<u>\$ 26,289</u>	<u>\$ (33,428)</u>	<u>\$ (2,861)</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,367,671	\$ 3,316,702	\$ 3,058,582	\$ 3,402,962	\$ 2,656,214
Contributions as a percentage of covered payroll	66.12%	61.41%	64.49%	55.71%	67.34%

**Notes to Schedules:**

Valuation Date: 10/1/2016

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 Method. The following loads are utilized for determination of the Total Required Contribution:  
- Interest - a half-year, based on the 8.0% assumption.  
- Salary - a full-year, based on the 6.0% assumption.

Amortization Method: Level Percentage of Pay, Layered closed

Remaining Amortization Period: 30 Years (as of 10/01/2015)

Mortality Rate Healthy Lives: Female: RP-2000 Generational, 100% Combined Healthy, White Collar, Scale BB.  
Male: RP-2000 Generational, 10% annuitant White Collar/90% Annuitant Blue Collar, Scale BB.

Mortality Rate Disabled Lives: Female: 60% RP-2000 Disabled Female set forward two years/40% Annuitant White Collar with no setback, no projection scale.  
Male: 60 % RP2000 Disabled Male setback four years/40% Annuitant White Collar with no setback, no projection scale.

The above assumption rates were mandated by Chapter 2015-157, Laws of Florida. This law mandates the use of the assumption used in either of the two most recent valuations of the Florida Retirement System (FRS). The above rates are those outlined in Milliman's July 1, 2015 FRS valuation report. We fee this assumption sufficiently accommodates future mortality improvements

Interest Rate: 8% per year, compounded annually, net of investment related expenses.

Retirement Age: The earlier of: 1) age 55 and the completion of 10 years of service, or 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 eligibility for Early Retirement Age (45), Members are assumed to retire with an immediate subsidized benefit at the rate of 2% per year.

Disability Rates: See table below. It is assumed that 75% of disablements are service related.

Termination Rates: See table below.

Salary Increases: 6% per year until the assumed retirement age.

Payroll Growth: 0.9% per year

Cost-of-Living Increase: 3% per year from retirement to Social Security Retirement Age.

Asset Valuation Method: Each year, the prior Actuarial Value of Assets is brought forward utilizing the historical geometric four-year average of Market Value Return (net-of-fees). It is possible that over time this technique will produce an insignificant bias above or below the Market Value of Assets.

Age	<u>% Becoming Disabled During the Year</u>	<u>% Terminating During the Year</u>
	20	0.07%
30	0.11%	2.50%
40	0.19%	1.30%
50	0.51%	0.50%

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 CHANGES IN NET PENSION  
LIABILITY AND RELATED RATIOS  
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FISCAL YEAR ENDED SEPTEMBER 30, 2018  
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	Senior Management Pension 9/30/2018	Senior Management Pension 9/30/2017	Senior Management Pension 9/30/2016	Senior Management Pension 9/30/2015	Senior Management Pension 9/30/2014
<b>Total Pension Liability</b>					
Service cost	\$ 120,363	\$ 132,908	\$ 111,867	\$ 77,922	\$ 82,808
Interest	251,099	225,197	175,476	230,283	194,644
Differences Between Expected and Actual Experience	(196,369)	85,036	(14,017)	58,580	
Changes in Assumptions		178,858	599,329	(250,495)	
Benefit payments, including refunds of employee contributions	(187,835)	(238,268)	(181,415)	(178,688)	(119,587)
Net change in total pension liability	(12,742)	383,731	691,240	(62,398)	157,865
Total pension liability - beginning	3,558,206	3,174,475	2,483,235	2,545,633	2,387,768
Total pension liability - ending (a)	3,545,464	3,558,206	3,174,475	2,483,235	2,545,633
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	133,443	120,859	94,097	75,852	83,416
Contributions - employee	51,728	56,300	57,925	54,179	59,205
Net investment income	234,985	378,842	218,716	1,838	218,211
Benefit payments including refunds of employee contributions	(187,835)	(238,268)	(181,415)	(174,790)	(142,266)
Administrative expense	(21,537)	(22,323)	(15,276)	(18,501)	(18,611)
Net change in plan fiduciary net position	210,784	295,410	174,047	(61,422)	199,955
Plan fiduciary net position - beginning	3,154,825	2,859,415	2,685,368	2,746,790	2,546,835
Plan fiduciary net position - ending (b)	3,365,609	3,154,825	2,859,415	2,685,368	2,746,790
Net pension liability - ending (a) - (b)	\$ 179,855	\$ 403,381	\$ 315,060	\$ (202,133)	\$ (201,157)
Plan fiduciary net position as a percentage of the total pension	94.93%	88.66%	90.08%	108.14%	107.90%
Covered payroll	\$ 1,147,863	\$ 1,338,740	\$ 1,203,982	\$ 1,177,075	\$ 1,250,562
Net pension liability as a percentage of covered payroll	15.67%	30.13%	26.17%	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  
SCHEDULES OF CONTRIBUTIONS  
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	Senior Management Pension 9/30/2018	Senior Management Pension 9/30/2017	Senior Management Pension 9/30/2016	Senior Management Pension 9/30/2015	Senior Management Pension 9/30/2014
Actuarially determined contribution	\$ 133,443	\$ 120,859	\$ 94,097	\$ 77,852	\$ 83,416
Contributions in relation to the actuarially determined contributions	133,443	120,859	94,097	77,852	83,416
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,147,863	\$ 1,338,740	\$ 1,203,982	\$ 1,177,075	\$ 1,250,562
Contributions as a percentage of covered payroll	11.63%	9.03%	7.82%	6.61%	6.67%

**Notes to Schedules:**

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 10/01/2017)
Asset Valuation Method:	Market Value
Inflation:	2.92% 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 Combined Mortality Table, with full generational improvements in mortality using 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 PROPORTIONATE SHARE OF  
NET PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED SEPTEMBER 30, 2018  
Last 10 Fiscal Years**

	Florida Retirement System 9/30/2018	Florida Retirement System 9/30/2017	Florida Retirement System 9/30/2016	Florida Retirement System 9/30/2015
City's proportion of the net pension liability	0.004192135%	0.005168281%	0.005341020%	0.007041064%
City's proportionate share of the net pension liability	\$ 1,262,693	\$ 1,528,743	\$ 1,348,612	\$ 909,448
City's covered payroll	\$ 1,485,888	\$ 1,709,792	\$ 1,783,283	\$ 2,166,895
City's proportionate share of the net pension liability as a percentage of its covered payroll	84.98%	89.41%	75.63%	41.97%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.39%	84.88%	92.00%

**Notes to Schedules:**

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  
SCHEDULES OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED SEPTEMBER 30, 2018  
Last 10 Fiscal Years**

	Florida Retirement System 9/30/2018	Florida Retirement System 9/30/2017	Florida Retirement System 9/30/2016	Florida Retirement System 9/30/2015
Actuarially determined contribution	\$ 119,349	\$ 133,004	\$ 132,720	\$ 133,750
Contributions in relation to the actuarially determined contributions	<u>119,349</u>	<u>133,004</u>	<u>132,720</u>	<u>133,750</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,455,964	\$ 1,665,463	\$ 1,761,327	\$ 1,979,255
Contributions as a percentage of covered payroll	8.20%	7.99%	7.54%	6.76%

**Notes to Schedules:**

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:

Actuarial Cost Method:	Ultimate Entry Age Normal
Amortization Method:	Level Percent, Closed, Layered
Remaining Amortization Period:	30 Years
Asset Valuation Method:	5 years, Asymptotic, 80%-120% of fair market value
Inflation:	2.60%
Salary Increases:	0.65%
Investment Rate of Return:	7.40%
Cost of Living Adjustments:	3% for pre-July 2011 benefit 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 PROPORTIONATE SHARE OF  
NET PENSION LIABILITY  
REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED SEPTEMBER 30, 2018  
Last 10 Fiscal Years**

	Health Insurance Subsidy Program 9/30/2018	Health Insurance Subsidy Program 9/30/2017	Health Insurance Subsidy Program 9/30/2016	Health Insurance Subsidy Program 9/30/2015
City's proportion of the net pension liability	0.004510270%	0.005285613%	0.005781922%	0.007153432%
City's proportionate share of the net pension liability	\$ 477,372	\$ 565,162	\$ 673,859	\$ 729,538
City's covered payroll	\$ 1,485,888	\$ 1,709,792	\$ 1,783,283	\$ 2,166,895
City's proportionate share of the net pension liability as a percentage of its covered payroll	32.13%	33.05%	37.79%	33.67%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%

**Notes to Schedules:**

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  
SCHEDULES OF CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED SEPTEMBER 30, 2018  
Last 10 Fiscal Years**

	Health Insurance Subsidy Program 9/30/2018	Health Insurance Subsidy Program 9/30/2017	Health Insurance Subsidy Program 9/30/2016	Health Insurance Subsidy Program 9/30/2015
Actuarially determined contribution	\$ 24,169	\$ 27,647	\$ 29,402	\$ 27,071
Contributions in relation to the actuarially determined contributions	24,169	27,647	29,402	27,071
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 1,455,964	\$ 1,665,463	\$ 1,771,190	\$ 2,003,319
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.35%

**Notes to Schedules:**

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:

Actuarial Cost Method:	Ultimate Entry Age Normal
Amortization Method:	Level Percent, Closed, Layered
Remaining Amortization Period:	30 years
Asset Valuation Method:	5 years, Asymptotic, 80%-120% of fair market value
Inflation:	2.60%
Salary Increases:	0.65%
Investment Rate of Return	7.40%
Cost of Living Adjustments	3% for pre-July 2011 benefit 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, 2018  
Last 10 Fiscal Years**

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
	<u>Police Officers'</u>				
Annual Money-Weighted Rate of Return Net of Investment Expense	6.89%	9.15%	9.14%	(3.19%)	10.49%
	<u>Firefighters'</u>				
Annual Money-Weighted Rate of Return Net of Investment Expense	6.16%	9.71%	9.15%	(3.45%)	10.13%
	<u>Senior Management</u>				
Annual Money-Weighted Rate of Return Net of Investment Expense	7.50%	13.41%	8.23%	0.07%	8.60%
	<u>Florida Retirement System</u>				
Annual Money-Weighted Rate of Return Net of Investment Expense	9.28%	13.59%	0.57%	3.77%	17.57%
	<u>Health Insurance Subsidy</u>				
Annual Money-Weighted Rate of Return Net of Investment Expense	9.28%	13.59%	0.57%	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  
SCHEDULE OF CHANGE IN NET OPEB  
LIABILITY AND RELATED RATIOS  
REQUIRED SUPPLEMENTARY INFORMATION  
FISCAL YEAR ENDED SEPTEMBER 30, 2018  
Last 10 Fiscal Years**

	<u>OPEB 9/30/2018</u>
<b>Total OPEB Liability</b>	
Service cost	\$ 202,889
Interest	140,999
Benefit payments, including refunds of employee contributions	(271,432)
Net change in total pension liability	<u>72,456</u>
Total OPEB liability - beginning, as restated	<u>3,805,223</u>
Total OPEB liability - ending (a)	<u>3,877,679</u>
 <b>Plan Fiduciary Net Position</b>	
Contributions - employer	
Contributions - employee	
Net investment income	
Benefit payments including refunds of employee contributions	
Administrative expense	
Net change in plan fiduciary net position	<u>                    </u>
Plan fiduciary net position - beginning	<u>                    </u>
Plan fiduciary net position - ending (b)	<u>                    </u>
Net OPEB liability - ending (a) - (b)	<u>\$ 3,877,679</u>
 Plan fiduciary net position as a percentage of the total OPEB	
Covered payroll	\$ 17,336,337
Net OPEB liability as a percentage of covered payroll	22.37%

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

See independent auditor's report.

# COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS AND SCHEDULES

THIS SUBSECTION CONTAINS THE FOLLOWING:

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





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## **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.

*Infrastructure Surtax* – This special revenue fund is used to account for local option infrastructure sales surtax (pursuant to Florida Statutes 212.055) to provide for the construction of various infrastructure improvements including park and recreation improvements, street resurfacing, and street reconstruction.

*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 Taxable Revenue Refunding Note, Series 2013A*, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2013A note.

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

The *Capital Improvement Revenue Note, Series 2016*, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2016 note.

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

The *Capital Improvement Revenue Note, Series 2018*, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2018 note.

The *Infrastructure Sales Surtax Revenue Note, Series 2018*, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2018 note.

**CITY OF PANAMA CITY, FLORIDA  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2018**

	Special Revenue						
	Infrastructure Surtax	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
<b>ASSETS</b>							
<b>Assets:</b>							
Cash and cash equivalents	\$ 4,824,892	\$ 94,835	\$ 8,013	\$ 585,903	\$ 896,744	\$ 331,548	\$ 376,827
Due from other governmental entities	256,946	7,588	14,889		147,529		
Due from other funds			1,389		360	30	
Inventories			124,764	1,961,571			
Notes receivable			1,216,340	3,267,187			
<b>Total Assets</b>	<b>\$ 5,081,838</b>	<b>\$ 102,423</b>	<b>\$ 1,365,395</b>	<b>\$ 5,814,661</b>	<b>\$ 1,044,633</b>	<b>\$ 331,578</b>	<b>\$ 376,827</b>
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 75,110		\$ 2,834	\$ 27,960	\$ 4,536	\$ 21,617	\$ 3,069
Due to other funds			217,371	371	1,401		
Due to other governmental entities					251,615		
Accrued salaries			8,308	2,142	1,428	2,484	1,029
Total liabilities	75,110		228,513	30,473	258,980	24,101	4,098
<b>Fund Balances:</b>							
Non-Spendable			124,764	1,961,571			
Spendable:							
Restricted	5,006,728	\$ 102,423	1,012,118	3,822,617	785,653	307,477	372,729
Total fund balances	5,006,728	102,423	1,136,882	5,784,188	785,653	307,477	372,729
<b>Total Liabilities and Fund Balances</b>	<b>\$ 5,081,838</b>	<b>\$ 102,423</b>	<b>\$ 1,365,395</b>	<b>\$ 5,814,661</b>	<b>\$ 1,044,633</b>	<b>\$ 331,578</b>	<b>\$ 376,827</b>

See independent auditor's report.

**Debt Service**

<b>Panama City Community Redevelopment Agency Downtown North</b>	<b>Panama City Community Redevelopment Agency Millville</b>	<b>Capital Improvement Taxable Revenue Refunding Note, Series 2013A</b>	<b>Capital Improvement Revenue Note, Series 2013B</b>	<b>Capital Improvement Revenue Note, Series 2016</b>	<b>Revenue Note, Series 2008 (Modified)</b>	<b>Capital Improvement Revenue Note, Series 2018</b>	<b>Infrastructure Sales Surtax Revenue Note, Series 2018</b>	<b>Total Non-Major Governmental Funds</b>
\$ 466,723	\$ 10,718	\$ 238,096	\$ 950,539	\$ 62,804	\$ 94,667	\$ 648,444	\$ 40,641	\$ 9,631,394
275	6							426,952
199,297								2,060
259,274	33,048							2,285,632
<u>925,569</u>	<u>43,772</u>	<u>238,096</u>	<u>950,539</u>	<u>62,804</u>	<u>94,667</u>	<u>648,444</u>	<u>40,641</u>	<u>4,775,849</u>
\$ 20,663	\$ 499							\$ 156,288
15					\$ 13,905			233,063
3,006	421							251,615
23,684	920				13,905			18,818
								659,784
199,297								2,285,632
702,588	42,852	\$ 238,096	\$ 950,539	\$ 62,804	80,762	\$ 648,444	\$ 40,641	14,176,471
901,885	42,852	238,096	950,539	62,804	80,762	648,444	40,641	16,462,103
<u>925,569</u>	<u>43,772</u>	<u>238,096</u>	<u>950,539</u>	<u>62,804</u>	<u>94,667</u>	<u>648,444</u>	<u>40,641</u>	<u>17,121,887</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
 CHANGES IN FUND BALANCES  
 NON-MAJOR GOVERNMENTAL FUNDS  
 FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Special Revenue						
	Infrastructure Surtax	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
<b>Revenues:</b>							
Intergovernmental		\$ 50,115	\$ 309,555	\$ 248,179	\$ 693,447	\$ 447,882	\$ 258,032
Taxes	\$ 3,279,225						
Charges for services			1,489				
Investment earnings	17,172	241	2,464	10,531	4,179	2,420	1,920
Miscellaneous		13,538	1,102	95,809	790		
Total revenues	<u>3,296,397</u>	<u>63,894</u>	<u>314,610</u>	<u>354,519</u>	<u>698,416</u>	<u>450,302</u>	<u>259,952</u>
<b>Expenditures:</b>							
Current:							
Economic environment			487,274	378,001	654,843	305,969	132,255
Public Safety		16,007					
Debt service-							
Principal retirement							
Interest and other charges							
Capital outlay	55,857	49,521				298,098	
Total expenditures	<u>55,857</u>	<u>65,528</u>	<u>487,274</u>	<u>378,001</u>	<u>654,843</u>	<u>604,067</u>	<u>132,255</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,240,540</u>	<u>(1,634)</u>	<u>(172,664)</u>	<u>(23,482)</u>	<u>43,573</u>	<u>(153,765)</u>	<u>127,697</u>
<b>Other Financing Sources (Uses):</b>							
Transfers in		30,028					
Transfers out	(290,316)	(23,703)	(36,527)	(8,541)	(5,694)	(14,213)	(5,596)
Total other financing sources (uses)	<u>(290,316)</u>	<u>6,325</u>	<u>(36,527)</u>	<u>(8,541)</u>	<u>(5,694)</u>	<u>(14,213)</u>	<u>(5,596)</u>
Net change in fund balances	2,950,224	4,691	(209,191)	(32,023)	37,879	(167,978)	122,101
<b>Fund Balances:</b>							
Beginning of year	2,056,504	97,732	1,346,073	5,816,211	747,774	475,455	250,628
End of year	<u>\$ 5,006,728</u>	<u>\$ 102,423</u>	<u>\$ 1,136,882</u>	<u>\$ 5,784,188</u>	<u>\$ 785,653</u>	<u>\$ 307,477</u>	<u>\$ 372,729</u>

See independent auditor's report.

**Debt Service**

Panama City Community Redevelopment Agency Downtown North	Panama City Community Redevelopment Agency Millville	Capital Improvement Taxable Revenue Refunding Note, Series 2013A	Capital Improvement Revenue Note, Series 2013B	Capital Improvement Revenue Note, Series 2016	Revenue Note, Series 2008 (Modified)	Capital Improvement Revenue Note, Series 2018	Infrastructure Sales Surtax Revenue Note, Series 2018	Total Non-Major Governmental Funds
\$ 1,147,572	\$ 318,524							\$ 3,473,306
								3,279,225
								1,489
8,094	589	\$ 698	\$ 2,727	\$ 81	\$ 404	\$ 943		52,463
46,868	29,900							188,007
<u>1,202,534</u>	<u>349,013</u>	<u>698</u>	<u>2,727</u>	<u>81</u>	<u>404</u>	<u>943</u>		<u>6,994,490</u>
1,787,759	76,057							3,822,158
								16,007
				145,000	71,000			216,000
		5,122	119,949	42,469	7,847			175,387
215,636	126,708							745,820
<u>2,003,395</u>	<u>202,765</u>	<u>5,122</u>	<u>119,949</u>	<u>187,469</u>	<u>78,847</u>			<u>4,975,372</u>
(800,861)	146,248	(4,424)	(117,222)	(187,388)	(78,443)	943		2,019,118
		241,483	1,061,863	250,189	157,006	647,501	\$ 40,641	2,428,711
(106,843)	(160,583)							(652,016)
(106,843)	(160,583)	241,483	1,061,863	250,189	157,006	647,501	40,641	1,776,695
(907,704)	(14,335)	237,059	944,641	62,801	78,563	648,444	40,641	3,795,813
1,809,589	57,187	1,037	5,898	3	2,199			12,666,290
<u>\$ 901,885</u>	<u>\$ 42,852</u>	<u>\$ 238,096</u>	<u>\$ 950,539</u>	<u>\$ 62,804</u>	<u>\$ 80,762</u>	<u>\$ 648,444</u>	<u>\$ 40,641</u>	<u>\$ 16,462,103</u>

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, 2018**

	Original Budget	Final Budget	Actual	Variance
Legislative	\$ 343,899	\$ 869,412	\$ 855,643	\$ 13,769
Executive	851,651	852,627	725,116	127,511
Finance and Administration - City Clerk	895,546	894,982	848,940	46,042
Finance and Administration - Purchasing	32,216	25,449	22,511	2,938
Finance and Administration - Human Resources	486,584	480,834	448,112	32,722
Finance and Administration - Data Processing	659,633	640,285	624,383	15,902
Finance and Administration - Legal Counsel	462,000	464,700	464,363	337
Public Works - Engineering	837,639	871,157	728,656	142,501
Public Works - Street	4,137,085	4,310,261	3,841,629	468,632
Public Works - Other	864,480	921,908	878,306	43,602
Police	12,035,986	12,024,675	11,347,628	677,047
Fire	7,759,296	7,819,635	7,412,334	407,301
Leisure Services	2,532,984	2,430,945	2,123,563	307,382
Non-departmental	<u>2,913,818</u>	<u>2,896,701</u>	<u>2,521,481</u>	<u>375,220</u>
<b>Total General Fund Expenditures by Department</b>	<b><u><u>\$ 34,812,817</u></u></b>	<b><u><u>\$ 35,503,571</u></u></b>	<b><u><u>\$ 32,842,665</u></u></b>	<b><u><u>\$ 2,660,906</u></u></b>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
 INFRASTRUCTURE SURTAX  
 SCHEDULE OF REVENUES, EXPENDITURES, AND  
 CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
 FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Taxes			\$ 3,279,225	\$ 3,279,225
Investment earnings			17,172	17,172
Total revenues			<u>3,296,397</u>	<u>3,296,397</u>
<b>Expenditures:</b>				
Capital outlay		\$ (597,257)	55,857	(653,114)
Excess of revenues over expenditures		<u>597,257</u>	<u>3,240,540</u>	<u>2,643,283</u>
<b>Other Financing Sources (Uses):</b>				
Transfers - out	\$ (3,200,000)	(249,675)	(290,316)	(40,641)
Net change in fund balance	(3,200,000)	347,582	2,950,224	2,602,642
<b>Fund Balance:</b>				
Beginning of year	<u>2,056,504</u>	<u>2,056,504</u>	<u>2,056,504</u>	
End of year	<u>\$ (1,143,496)</u>	<u>\$ 2,404,086</u>	<u>\$ 5,006,728</u>	<u>\$ 2,602,642</u>

See independent auditor's report.



**CITY OF PANAMA CITY, FLORIDA  
GENERAL GRANTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental		\$ 70,874	\$ 50,115	\$ (20,759)
Investment Earnings			241	241
Miscellaneous	\$ 10,000	10,000	13,538	3,538
Total revenues	<u>10,000</u>	<u>80,874</u>	<u>63,894</u>	<u>(16,980)</u>
<b>Expenditures:</b>				
Current:				
Public Safety		7,243	16,007	(8,764)
Capital outlay		84,862	49,521	35,341
Total expenditures		<u>92,105</u>	<u>65,528</u>	<u>26,577</u>
Excess (deficiency) of revenues over (under) expenditures	<u>10,000</u>	<u>(11,231)</u>	<u>(1,634)</u>	<u>9,597</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in		19,862	30,028	10,166
Transfers out	(10,000)	(10,000)	(23,703)	(13,703)
Total other financing sources (uses)	<u>(10,000)</u>	<u>9,862</u>	<u>6,325</u>	<u>(3,537)</u>
Net change in fund balance		(1,369)	4,691	6,060
<b>Fund Balance:</b>				
Beginning of year	<u>97,732</u>	<u>97,732</u>	<u>97,732</u>	
End of year	<u>\$ 97,732</u>	<u>\$ 96,363</u>	<u>\$ 102,423</u>	<u>\$ 6,060</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
COMMUNITY PLANNING AND DEVELOPMENT  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 509,966	\$ 509,966	\$ 309,555	\$ (200,411)
Charges for services			1,489	1,489
Investment earnings	2,500	2,500	2,464	(36)
Miscellaneous			1,102	1,102
Total revenues	<u>512,466</u>	<u>512,466</u>	<u>314,610</u>	<u>(197,856)</u>
<b>Expenditures:</b>				
Current:				
Economic environment:				
Housing and Urban Development	<u>454,149</u>	<u>522,494</u>	<u>487,274</u>	<u>35,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>58,317</u>	<u>(10,028)</u>	<u>(172,664)</u>	<u>(162,636)</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(136,153)</u>	<u>(136,281)</u>	<u>(36,527)</u>	<u>99,754</u>
Net change in fund balance	(77,836)	(146,309)	(209,191)	(62,882)
<b>Fund Balance:</b>				
Beginning of year	<u>1,346,073</u>	<u>1,346,073</u>	<u>1,346,073</u>	
End of year	<u>\$ 1,268,237</u>	<u>\$ 1,199,764</u>	<u>\$ 1,136,882</u>	<u>\$ (62,882)</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
STATE HOUSING INITIATIVE PARTNERSHIP - CITY  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 252,861	\$ 252,861	\$ 248,179	\$ (4,682)
Charges for services	100,000	100,000		(100,000)
Investment earnings	7,500	7,500	10,531	3,031
Miscellaneous	75,000	75,000	95,809	20,809
Total revenues	<u>435,361</u>	<u>435,361</u>	<u>354,519</u>	<u>(80,842)</u>
<b>Expenditures:</b>				
Current:				
Economic environment:				
Housing and Urban Development	<u>431,308</u>	<u>896,308</u>	<u>378,001</u>	<u>518,307</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,053</u>	<u>(460,947)</u>	<u>(23,482)</u>	<u>437,465</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(2,505)</u>	<u>(2,505)</u>	<u>(8,541)</u>	<u>(6,036)</u>
Net change in fund balance	1,548	(463,452)	(32,023)	431,429
<b>Fund Balance:</b>				
Beginning of year	<u>5,816,211</u>	<u>5,816,211</u>	<u>5,816,211</u>	
End of year	<u>\$ 5,817,759</u>	<u>\$ 5,352,759</u>	<u>\$ 5,784,188</u>	<u>\$ 431,429</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
STATE HOUSING INITIATIVE PARTNERSHIP - COUNTY  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 295,000	\$ 295,000	\$ 693,447	\$ 398,447
Investment earnings			4,179	4,179
Miscellaneous			790	790
Total revenues	<u>295,000</u>	<u>295,000</u>	<u>698,416</u>	<u>403,416</u>
<b>Expenditures:</b>				
Current:				
Economic environment:				
Housing and Urban Development	<u>196,618</u>	<u>661,618</u>	<u>654,843</u>	<u>6,775</u>
Excess (deficiency) of revenues over (under) expenditures	<u>98,382</u>	<u>(366,618)</u>	<u>43,573</u>	<u>410,191</u>
<b>Other Financing Sources (Uses):</b>				
Transfers out			<u>(5,694)</u>	<u>(5,694)</u>
Net change in fund balance	98,382	(366,618)	37,879	404,497
<b>Fund Balance:</b>				
Beginning of year	<u>747,774</u>	<u>747,774</u>	<u>747,774</u>	
End of year	<u><u>\$ 846,156</u></u>	<u><u>\$ 381,156</u></u>	<u><u>\$ 785,653</u></u>	<u><u>\$ 404,497</u></u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY -  
ST. ANDREWS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 448,318	\$ 448,318	\$ 447,882	\$ (436)
Investment earnings			2,420	2,420
Total revenues	<u>448,318</u>	<u>448,318</u>	<u>450,302</u>	<u>1,984</u>
<b>Expenditures:</b>				
Current:				
Economic environment	321,549	360,067	305,969	54,098
Capital outlay	332,460	520,354	298,098	222,256
Total expenditures	<u>654,009</u>	<u>880,421</u>	<u>604,067</u>	<u>276,354</u>
Excess (deficiency) of revenues over (under) expenditures	(205,691)	(432,103)	(153,765)	278,338
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(18,525)</u>	<u>(18,525)</u>	<u>(14,213)</u>	<u>4,312</u>
Net change in fund balance	(224,216)	(450,628)	(167,978)	282,650
<b>Fund Balance:</b>				
Beginning of year	<u>475,455</u>	<u>475,455</u>	<u>475,455</u>	
End of year	<u>\$ 251,239</u>	<u>\$ 24,827</u>	<u>\$ 307,477</u>	<u>\$ 282,650</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY -  
DOWNTOWN  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 258,568	\$ 258,568	\$ 258,032	\$ (536)
Investment earnings			1,920	1,920
Total revenues	<u>258,568</u>	<u>258,568</u>	<u>259,952</u>	<u>1,384</u>
<b>Expenditures:</b>				
Current:				
Economic environment	178,810	183,587	132,255	51,332
Debt Service	313,558	130,917		130,917
Total expenditures	<u>492,368</u>	<u>314,504</u>	<u>132,255</u>	<u>182,249</u>
Excess (deficiency) of revenues over (under) expenditures	(233,800)	(55,936)	127,697	183,633
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(8,010)</u>	<u>(8,010)</u>	<u>(5,596)</u>	<u>2,414</u>
Net change in fund balance	(241,810)	(63,946)	122,101	186,047
<b>Fund Balance:</b>				
Beginning of year	<u>250,628</u>	<u>250,628</u>	<u>250,628</u>	
End of year	<u>\$ 8,818</u>	<u>\$ 186,682</u>	<u>\$ 372,729</u>	<u>\$ 186,047</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY -  
DOWNTOWN NORTH  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 1,148,265	\$ 1,148,265	\$ 1,147,572	\$ (693)
Investment earnings			8,094	8,094
Miscellaneous			46,868	46,868
Total revenues	<u>1,148,265</u>	<u>1,148,265</u>	<u>1,202,534</u>	<u>54,269</u>
<b>Expenditures:</b>				
Current:				
Economic environment	1,439,025	1,495,088	1,787,759	(292,671)
Capital outlay	996,007	503,429	215,636	287,793
Total expenditures	<u>2,435,032</u>	<u>1,998,517</u>	<u>2,003,395</u>	<u>(4,878)</u>
Excess (deficiency) of revenues over (under) expenditures	(1,286,767)	(850,252)	(800,861)	49,391
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(60,606)</u>	<u>(108,606)</u>	<u>(106,843)</u>	<u>1,763</u>
Net change in fund balance	(1,347,373)	(958,858)	(907,704)	51,154
<b>Fund Balance:</b>				
Beginning of year	<u>1,809,589</u>	<u>1,809,589</u>	<u>1,809,589</u>	
End of year	<u>\$ 462,216</u>	<u>\$ 850,731</u>	<u>\$ 901,885</u>	<u>\$ 51,154</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY -  
MILLVILLE  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$ 320,980	\$ 320,980	\$ 318,524	\$ (2,456)
Investment earnings	200	200	589	389
Miscellaneous			29,900	29,900
Total revenues	<u>321,180</u>	<u>321,180</u>	<u>349,013</u>	<u>27,833</u>
<b>Expenditures:</b>				
Current:				
Economic environment	88,426	88,426	76,057	12,369
Capital outlay	110,448	152,449	126,708	25,741
Total expenditures	<u>198,874</u>	<u>240,875</u>	<u>202,765</u>	<u>38,110</u>
Excess of revenues over expenditures	122,306	80,305	146,248	65,943
<b>Other Financing Sources (Uses):</b>				
Transfers out	<u>(162,016)</u>	<u>(162,016)</u>	<u>(160,583)</u>	<u>1,433</u>
Net change in fund balance	(39,710)	(81,711)	(14,335)	67,376
<b>Fund Balance:</b>				
Beginning of year	<u>57,187</u>	<u>57,187</u>	<u>57,187</u>	
End of year	<u>\$ 17,477</u>	<u>\$ (24,524)</u>	<u>\$ 42,852</u>	<u>\$ 67,376</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**  
**CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings			\$ 698	\$ 698
<b>Expenditures:</b>				
Debt service:				
Principal retirement	\$ 643,000	\$ 643,000		643,000
Interest and other charges	17,685	17,685	5,122	12,563
Total expenditures	660,685	660,685	5,122	655,563
Deficiency of revenues under expenditures	(660,685)	(660,685)	(4,424)	656,261
<b>Other Financing Sources (Uses):</b>				
Transfers in	241,483	241,483	241,483	
Net change in fund balance	(419,202)	(419,202)	237,059	656,261
<b>Fund Balance:</b>				
Beginning of year	1,037	1,037	1,037	
End of year	\$ (418,165)	\$ (418,165)	\$ 238,096	\$ 656,261

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA**  
**CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2013B**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings			\$ 2,727	\$ 2,727
<b>Expenditures:</b>				
Debt service:				
Principal retirement	\$ 826,000	\$ 826,000		826,000
Interest and other charges	226,403	226,403	119,949	106,454
Total expenditures	1,052,403	1,052,403	119,949	932,454
Deficiency of revenues under expenditures	(1,052,403)	(1,052,403)	(117,222)	935,181
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,061,863	1,061,863	1,061,863	
Net change in fund balance	9,460	9,460	944,641	935,181
<b>Fund Balance:</b>				
Beginning of year	5,898	5,898	5,898	
End of year	\$ 15,358	\$ 15,358	\$ 950,539	\$ 935,181

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2016  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings			\$ 81	\$ 81
<b>Expenditures:</b>				
Debt service:				
Principal retirement	\$ 193,000	\$ 193,000	145,000	48,000
Interest and other charges	57,091	57,091	42,469	14,622
Total expenditures	<u>250,091</u>	<u>250,091</u>	<u>187,469</u>	<u>62,622</u>
Deficiency of revenues under expenditures	(250,091)	(250,091)	(187,388)	62,703
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>250,190</u>	<u>250,190</u>	<u>250,189</u>	<u>(1)</u>
Net change in fund balance	99	99	62,801	62,702
<b>Fund Balance:</b>				
Beginning of year	<u>3</u>	<u>3</u>	<u>3</u>	
End of year	<u>\$ 102</u>	<u>\$ 102</u>	<u>\$ 62,804</u>	<u>\$ 62,702</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
REVENUE NOTE, SERIES 2008 (MODIFIED)  
DEBT SERVICE FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings			\$ 404	404
<b>Expenditures:</b>				
Debt service:				
Principal retirement	\$ 141,000	\$ 141,000	71,000	70,000
Interest and other charges	16,374	16,374	7,847	8,527
Total expenditures	<u>157,374</u>	<u>157,374</u>	<u>78,847</u>	<u>78,527</u>
Excess (deficiency) of revenues over (under) expenditures	(157,374)	(157,374)	(78,443)	78,931
<b>Other Financing Sources (Uses):</b>				
Transfers in	<u>157,006</u>	<u>157,006</u>	<u>157,006</u>	
Net change in fund balance	(368)	(368)	78,563	78,931
<b>Fund Balance:</b>				
Beginning of year	<u>2,199</u>	<u>2,199</u>	<u>2,199</u>	
End of year	<u>\$ 1,831</u>	<u>\$ 1,831</u>	<u>\$ 80,762</u>	<u>\$ 78,931</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA**  
**CAPITAL IMPROVEMENT REVENUE NOTE, SERIES 2018**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings			\$ 943	943
<b>Expenditures:</b>				
Debt service:				
Principal retirement				
Interest and other charges				
Total expenditures				
Excess of revenues over expenditures			943	943
<b>Other Financing Sources (Uses):</b>				
Transfers in			647,501	647,501
Net change in fund balance			648,444	648,444
<b>Fund Balance:</b>				
Beginning of year				
End of year			\$ 648,444	\$ 648,444

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA**  
**INFRASTRUCTURE SALES SURTAX REVENUE NOTE, SERIES 2018**  
**DEBT SERVICE FUND**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings				
<b>Expenditures:</b>				
Debt service:				
Principal retirement				
Interest and other charges				
Total expenditures				
Deficiency of revenues under expenditures				
<b>Other Financing Sources (Uses):</b>				
Transfers in			\$ 40,641	\$ 40,641
Net change in fund balance			40,641	40,641
<b>Fund Balance:</b>				
Beginning of year				
End of year			\$ 40,641	\$ 40,641

**CITY OF PANAMA CITY, FLORIDA  
CAPITAL PROJECTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings			\$ 97,244	\$ 97,244
<b>Expenditures:</b>				
Current:				
Public safety		\$ 23,366	44,399	(21,033)
Transportation		63,700	63,700	
Culture/recreation			15,668	(15,668)
Capital outlay:				
Public safety	\$ 210,000	297,751	276,716	21,035
Transportation	442,500	4,515,598	4,295,128	220,470
Culture/recreation	682,000	1,896,353	1,641,384	254,969
Total expenditures	<u>1,334,500</u>	<u>6,796,768</u>	<u>6,336,995</u>	<u>459,773</u>
Deficiency of revenues under expenditures	<u>(1,334,500)</u>	<u>(6,796,768)</u>	<u>(6,239,751)</u>	<u>557,017</u>
<b>Other Financing Sources (Uses):</b>				
Transfers in	1,334,000	2,390,482	2,518,567	128,085
Transfers out			(195,000)	(195,000)
Total other financing sources (uses)	<u>1,334,000</u>	<u>2,390,482</u>	<u>2,323,567</u>	<u>(66,915)</u>
Net change in fund balance	(500)	(4,406,286)	(3,916,184)	490,102
<b>Fund Balance:</b>				
Beginning of year	<u>9,959,361</u>	<u>9,959,361</u>	<u>9,959,361</u>	
End of year	<u>\$ 9,958,861</u>	<u>\$ 5,553,075</u>	<u>\$ 6,043,177</u>	<u>\$ 490,102</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
CAPITAL PROJECTS 2013  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings			\$ 99,135	\$ 99,135
<b>Expenditures:</b>				
Capital outlay:				
General government		\$ 23,190		23,190
Net change in fund balance		(23,190)	99,135	122,325
<b>Fund Balance:</b>				
Beginning of year	\$ 7,925,394	7,925,394	7,925,394	
End of year	<u>\$ 7,925,394</u>	<u>\$ 7,902,204</u>	<u>\$ 8,024,529</u>	<u>\$ 122,325</u>

See independent auditor's report.



**CITY OF PANAMA CITY, FLORIDA  
ENERGY IMPROVEMENTS  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings			\$ 481	\$ 481
<b>Expenditures:</b>				
Capital outlay:				
General government		\$ 236,235	236,233	2
Deficiency of revenues under expenditures		(236,235)	(235,752)	483
<b>Other Financing Sources (Uses):</b>				
Transfers in			242,817	242,817
Transfers out			(7,065)	(7,065)
Total other financing sources (uses)			\$ 235,752	235,752
Net change in fund balance		(236,235)		236,235
<b>Fund Balance:</b>				
Beginning of year				
End of year		\$ (236,235)		\$ 236,235

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
CAPITAL PROJECTS INFRASTRUCTURE SURTAX  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings		\$ 9,750	\$ 9,728	\$ (22)
<b>Expenditures:</b>				
Current:				
General government		100,000	95,018	4,982
Deficiency of revenues under expenditures		(90,250)	(85,290)	4,960
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt		15,100,000	15,100,000	
Net change in fund balance		15,009,750	15,014,710	4,960
<b>Fund Balance:</b>				
Beginning of year				
End of year		\$ 15,009,750	\$ 15,014,710	\$ 4,960

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
CAPITAL PROJECTS NEW CITY HALL  
SCHEDULE OF REVENUES, EXPENDITURES, AND  
CHANGE IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues:</b>				
Investment earnings		\$ 65,000	\$ 64,470	\$ (530)
<b>Expenditures:</b>				
Current:				
General government		110,000	109,600	400
Capital outlay:				
General government			7,957,358	(7,957,358)
Total expenditures		110,000	8,066,958	(7,956,958)
Deficiency of revenues under expenditures		(45,000)	(8,002,488)	(7,957,488)
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt		16,289,175	16,330,000	40,825
Original issue discount			(40,825)	(40,825)
Transfers out		(4,000,000)	(4,000,000)	
Total other financing sources (uses)		12,289,175	12,289,175	
Net change in fund balance		12,244,175	4,286,687	(7,957,488)
<b>Fund Balance:</b>				
Beginning of year				
End of year		\$ 12,244,175	\$ 4,286,687	\$ (7,957,488)

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, 2018**

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
<b>ASSETS</b>				
<b>Current Assets:</b>				
Cash and cash equivalents	\$ 110,608	\$ 2,503,415	\$ 370,674	\$ 2,984,697
Investments		816,597		816,597
Accounts receivable		50,000		50,000
Due from other government entities	4,232			4,232
Inventories	187,227			187,227
Total current assets	<u>302,067</u>	<u>3,370,012</u>	<u>370,674</u>	<u>4,042,753</u>
<b>Noncurrent Assets:</b>				
<b>Capital Assets:</b>				
Machinery and equipment	235,097			235,097
Less accumulated depreciation	(167,190)			(167,190)
Total noncurrent assets	<u>67,907</u>			<u>67,907</u>
Total assets	<u>369,974</u>	<u>3,370,012</u>	<u>370,674</u>	<u>4,110,660</u>
<b>LIABILITIES</b>				
<b>Current Liabilities:</b>				
Due to other funds	56,178			56,178
Accounts payable	92,174	1,157,019		1,249,193
Accrued salaries	11,941			11,941
Compensated absences	3,370			3,370
Total current liabilities	<u>163,663</u>	<u>1,157,019</u>	<u>-</u>	<u>1,320,682</u>
<b>Noncurrent Liabilities:</b>				
Net OPEB liability	77,553			77,553
Compensated absences	10,111			10,111
Total noncurrent liabilities	<u>87,664</u>			<u>87,664</u>
Total liabilities	<u>251,327</u>	<u>1,157,019</u>	<u>-</u>	<u>1,408,346</u>
<b>NET POSITION</b>				
Net investment in capital assets	67,907			67,907
Restricted for claims		2,212,993	370,674	2,583,667
Unrestricted	50,740			50,740
Total net position	<u>\$ 118,647</u>	<u>\$ 2,212,993</u>	<u>\$ 370,674</u>	<u>\$ 2,702,314</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND  
CHANGES IN FUND NET POSITION  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
<b>Operating Revenues:</b>				
Charges for services	\$ 880,468			\$ 880,468
Contributions:				
Employee contributions		\$ 812,463	\$ 93,268	905,731
Other agency contributions		1,232,424	39,477	1,271,901
Retired employee contributions		681,415	84,989	766,404
Miscellaneous	3,104	50,363		53,467
Total operating revenues	<u>883,572</u>	<u>2,776,665</u>	<u>217,734</u>	<u>3,877,971</u>
<b>Operating Expenses:</b>				
Personnel services	345,640			345,640
Operating expenses:				
Operating expenses	424,834			424,834
Administration fees		1,337,637	322,202	1,659,839
Depreciation	10,474			10,474
Insurance claims and expenses		6,025,220		6,025,220
Total operating expenses	<u>780,948</u>	<u>7,362,857</u>	<u>322,202</u>	<u>8,466,007</u>
Operating income (loss)	<u>102,624</u>	<u>(4,586,192)</u>	<u>(104,468)</u>	<u>(4,588,036)</u>
<b>Nonoperating Revenues (Expenses):</b>				
Gain (loss) on disposal of assets	(1,897)			(1,897)
Scrap sales	1,005			1,005
Investment earnings	733	24,377	1,624	26,734
Total nonoperating revenues (expenses)	<u>(159)</u>	<u>24,377</u>	<u>1,624</u>	<u>25,842</u>
Income (loss) before transfers	<u>102,465</u>	<u>(4,561,815)</u>	<u>(102,844)</u>	<u>(4,562,194)</u>
<b>Transfers:</b>				
Transfers in		4,885,203	128,114	5,013,317
Transfers out	(83,316)			(83,316)
Total transfers	<u>(83,316)</u>	<u>4,885,203</u>	<u>128,114</u>	<u>4,930,001</u>
<b>Change in Net Position</b>	19,149	323,388	25,270	367,807
<b>Net Position - beginning of year</b>	110,862	1,889,605	345,404	2,345,871
Change in accounting principle - Implementation of GASB 75	<u>(11,364)</u>			<u>(11,364)</u>
Net Position - beginning of year, as restated	<u>99,498</u>	<u>1,889,605</u>	<u>345,404</u>	<u>2,334,507</u>
<b>Net Position - end of year</b>	<u>\$ 118,647</u>	<u>\$ 2,212,993</u>	<u>\$ 370,674</u>	<u>\$ 2,702,314</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
INTERNAL SERVICE FUNDS  
COMBINING STATEMENT OF CASH FLOWS  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	Equipment Maintenance	Medical Self- Insurance	Dental Insurance	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 884,109			\$ 884,109
Payments to suppliers	(446,662)			(446,662)
Payments to employees	(338,640)			(338,640)
Cash received for insurance contributions		\$ 2,726,666	\$ 217,734	2,944,400
Cash paid for insurance claims		(6,748,109)	(322,202)	(7,070,311)
Net cash provided by (used in) operating activities	<u>98,807</u>	<u>(4,021,443)</u>	<u>(104,468)</u>	<u>(4,027,104)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfers in		4,885,203	128,114	5,013,317
Transfers out	(83,316)			(83,316)
Net cash provided by (used in) noncapital financing activities	<u>(83,316)</u>	<u>4,885,203</u>	<u>128,114</u>	<u>4,930,001</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Purchases of capital assets	(8,694)			(8,694)
Proceeds from sales of capital assets	1,205			1,205
Net cash used in capital and related financing activities	<u>(7,489)</u>			<u>(7,489)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from maturity of investments		874,628		874,628
Purchase of investment securities		(816,597)		(816,597)
Interest and dividends	733	24,377	1,624	26,734
Net cash provided by investing activities	<u>733</u>	<u>82,408</u>	<u>1,624</u>	<u>84,765</u>
<b>Net increase in cash and cash equivalents</b>	8,735	946,168	25,270	980,173
<b>Cash and cash equivalents</b>				
Beginning of year	<u>101,873</u>	<u>1,557,247</u>	<u>345,404</u>	<u>2,004,524</u>
End of Year	<u>\$ 110,608</u>	<u>\$ 2,503,415</u>	<u>\$ 370,674</u>	<u>\$ 2,984,697</u>

See independent auditor's report.

	<u>Equipment Maintenance</u>	<u>Medical Self - Insurance</u>	<u>Dental Insurance</u>	<u>Total</u>
<b>Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:</b>				
Operating income (loss)	\$ 102,624	\$ (4,586,192)	\$ (104,468)	\$ (4,588,036)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation expense	10,474			10,474
Change in assets and liabilities: (Increase) Decrease:				
Inventories	(76,409)			(76,409)
Accounts receivable		(50,000)		(50,000)
Due from other governmental entities	524			524
Prepaid items		50,903		50,903
Increase (Decrease):				
Accounts payable	54,581	563,846		618,427
Due to other funds	13			13
Accrued salaries	1,691			1,691
Compensated absences	3,860			3,860
Net OPEB liability	1,449			1,449
Net cash provided by (used in) operating activities	<u>\$ 98,807</u>	<u>\$ (4,021,443)</u>	<u>\$ (104,468)</u>	<u>\$ (4,027,104)</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 police officers, firefighters, and senior management defined benefit pension plans. These funds are as follows:

*Police Officers' Pension*

*Firefighters' 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, 2018**

	Police Officers' Pension	Firefighters' Pension	Senior Management Pension	Total
<b>Assets:</b>				
Cash and cash equivalents:				
Short term investments	\$ 886,288			\$ 886,288
Cash		\$ 1,137,591	\$ 13,404	1,150,995
Total cash and equivalents	886,288	1,137,591	13,404	2,037,283
Receivables:				
Member contributions	6,594	4,803	4,044	15,441
City contributions	16,886	34,362	10,432	61,680
From broker for investments sold	6,467			6,467
Investment income	34,368	6,049		40,417
Total receivables	64,315	45,214	14,476	124,005
Investments:				
Common Stocks	8,523,165	8,918,311		17,441,476
Mutual funds:				
Fixed income	10,662,565	11,028,863		21,691,428
Equity	12,153,579	10,819,005		22,972,584
Pooled/common/commingled funds:				
Fixed income			485,914	485,914
Equity			2,550,213	2,550,213
Real estate investment trust	2,371,278	4,177,177	301,602	6,850,057
Total investments	33,710,587	34,943,356	3,337,729	71,991,672
<b>Total assets</b>	<b>34,661,190</b>	<b>36,126,161</b>	<b>3,365,609</b>	<b>74,152,960</b>
<b>Liabilities:</b>				
Accounts Payable:				
Administrative Expenses	7,469			7,469
Investment Expenses	13,188			13,188
Prior refunds	668	575		1,243
Other payables		6,160		6,160
Total accounts payable	21,325	6,735		28,060
<b>Total liabilities</b>	<b>21,325</b>	<b>6,735</b>		<b>28,060</b>
<b>Net Position:</b>				
Restricted for pension benefits	\$ 34,639,865	\$ 36,119,426	\$ 3,365,609	\$ 74,124,900

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, 2018**

	Police Officers' Pension	Firefighters' Pension	Senior Management Pension	Total
<b>Additions</b>				
Contributions:				
Plan members	\$ 346,586	\$ 252,579	\$ 51,728	\$ 650,893
Employer	924,910	1,912,733	133,443	2,971,086
State	343,438	313,843		657,281
Total contributions	<u>1,614,934</u>	<u>2,479,155</u>	<u>185,171</u>	<u>4,279,260</u>
Investment earnings:				
Net appreciation in fair value of investments	1,379,522	1,145,758	234,985	2,760,265
Interest	1,031,422	1,184,961		2,216,383
Total investment earnings	<u>2,410,944</u>	<u>2,330,719</u>	<u>234,985</u>	<u>4,976,648</u>
Less investment expense	(152,549)	(211,098)		(363,647)
Net investment earnings	<u>2,258,395</u>	<u>2,119,621</u>	<u>234,985</u>	<u>4,613,001</u>
Total additions	<u>3,873,329</u>	<u>4,598,776</u>	<u>420,156</u>	<u>8,892,261</u>
<b>Deductions</b>				
Distributions to members:				
Benefit payments	2,466,223	2,985,153	187,835	5,639,211
Lump sum DROP distributions	8,551	378,855		387,406
Refunds of member contributions	58,227	70,400		128,627
Total distributions	<u>2,533,001</u>	<u>3,434,408</u>	<u>187,835</u>	<u>6,155,244</u>
Administrative expenses	64,719	58,383	21,537	144,639
Total deductions	<u>2,597,720</u>	<u>3,492,791</u>	<u>209,372</u>	<u>6,299,883</u>
<b>Change in Net Position</b>	1,275,609	1,105,985	210,784	2,592,378
<b>Net Position Restricted for Pension Benefits</b>				
Beginning of year	<u>33,364,256</u>	<u>35,013,441</u>	<u>3,154,825</u>	<u>71,532,522</u>
End of year	<u>\$ 34,639,865</u>	<u>\$ 36,119,426</u>	<u>\$ 3,365,609</u>	<u>\$ 74,124,900</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, 2018**

	<u>Balance October 1, 2017</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance September 30, 2018</u>
<b>ASSETS</b>				
Cash	\$ 114,878	\$ 286,589	\$ 323,539	\$ 77,928
<b>Total Assets</b>	<u>\$ 114,878</u>	<u>\$ 286,589</u>	<u>\$ 323,539</u>	<u>\$ 77,928</u>
<b>LIABILITIES</b>				
Accounts payable		\$ 282,079	\$ 282,079	
Accrued payroll deductions and matching	\$ 114,878		36,950	\$ 77,928
<b>Total Liabilities</b>	<u>\$ 114,878</u>	<u>\$ 282,079</u>	<u>\$ 319,029</u>	<u>\$ 77,928</u>

See independent auditor's report.

# SUPPLEMENTAL INFORMATION

THIS SUBSECTION CONTAINS THE FOLLOWING:

- SCHEDULE OF REVENUES, EXPENSES, AND CHANGE 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  
CHANGE IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 18,300,000	\$ 19,013,223	\$ 713,223
Connection fees	371,000	497,008	126,008
Hydrant fees	65,000	65,000	
Miscellaneous	25,000	47,351	22,351
Total operating revenues	<u>18,761,000</u>	<u>19,622,582</u>	<u>861,582</u>
<b>Operating Expenses:</b>			
Personnel services	3,722,536	3,511,632	210,904
Operating expenses	8,237,034	7,771,070	465,964
Depreciation	2,600,350	2,576,627	23,723
Total operating expenses	<u>14,559,920</u>	<u>13,859,329</u>	<u>700,591</u>
Operating income	<u>4,201,080</u>	<u>5,763,253</u>	<u>1,562,173</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment earnings	175,000	391,236	216,236
Interest expense	(1,050,555)	(1,036,363)	14,192
Other debt service costs	(110,000)	(163,153)	(53,153)
Scrap sales	500	775	275
Gain (loss) on disposal of assets		(164,406)	(164,406)
Total nonoperating revenues (expenses)	<u>(985,055)</u>	<u>(971,911)</u>	<u>13,144</u>
Income before contributions and transfers	3,216,025	4,791,342	1,575,317
<b>Contributions and Transfers:</b>			
Capital contributions	252,500	361,400	108,900
Transfers in	3,425,000	474,675	(2,950,325)
Transfers out	(1,832,856)	(1,771,816)	61,040
Total contributions and transfers	<u>1,844,644</u>	<u>(935,741)</u>	<u>(2,780,385)</u>
<b>Change in Net Position</b>	5,060,669	3,855,601	(1,205,068)
<b>Net Position - beginning of year</b>	69,234,395	69,234,395	
Change in accounting principle - Implementation of GASB 75	<u>(92,620)</u>	<u>(92,620)</u>	
Net Position - beginning of year, as restated	<u>69,141,775</u>	<u>69,141,775</u>	
<b>Net Position - end of year</b>	<u>\$ 74,202,444</u>	<u>\$ 72,997,376</u>	<u>\$ (1,205,068)</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
SOLID WASTE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGE IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 7,035,000	\$ 7,100,126	\$ 65,126
Miscellaneous		86,022	86,022
Total operating revenues	<u>7,035,000</u>	<u>7,186,148</u>	<u>151,148</u>
<b>Operating Expenses:</b>			
Personnel services	1,615,742	1,493,898	121,844
Operating expenses	3,555,326	3,180,960	374,366
Depreciation	640,000	1,245,648	(605,648)
Total operating expenses	<u>5,811,068</u>	<u>5,920,506</u>	<u>(109,438)</u>
Operating income	<u>1,223,932</u>	<u>1,265,642</u>	<u>41,710</u>
<b>Nonoperating Revenues (Expenses):</b>			
Investment earnings	50,000	60,515	10,515
Scrap sales		12,069	12,069
Gain (loss) on disposal of assets		(164,029)	(164,029)
Total nonoperating revenues (expenses)	<u>50,000</u>	<u>(91,445)</u>	<u>(141,445)</u>
Income before transfers	1,273,932	1,174,197	(99,735)
<b>Transfers:</b>			
Transfers out	<u>(1,455,525)</u>	<u>(1,458,774)</u>	<u>(3,249)</u>
<b>Change in Net Position</b>	(181,593)	(284,577)	(102,984)
<b>Net Position - beginning of year</b>	11,435,654	11,435,654	
Change in accounting principle - Implementation of GASB 75	<u>(42,049)</u>	<u>(42,049)</u>	
Net Position - beginning of year, as restated	<u>11,393,605</u>	<u>11,393,605</u>	
<b>Net Position - end of year</b>	<u>\$ 11,212,012</u>	<u>\$ 11,109,028</u>	<u>\$ (102,984)</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
MARINA FUND  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGE IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Charges for services:			
Rent	\$ 1,312,000	\$ 1,247,170	\$ (64,830)
Gas	485,000	565,252	80,252
Diesel	915,000	953,872	38,872
Miscellaneous	358,300	382,298	23,998
Total operating revenues	<u>3,070,300</u>	<u>3,148,592</u>	<u>78,292</u>
<b>Operating Expenses:</b>			
Personnel services	582,186	421,494	160,692
Operating expenses	1,976,579	2,064,371	(87,792)
Depreciation	400,000	286,587	113,413
Total operating expenses	<u>2,958,765</u>	<u>2,772,452</u>	<u>186,313</u>
Operating income	<u>111,535</u>	<u>376,140</u>	<u>264,605</u>
<b>Nonoperating Revenues:</b>			
Grant		218,225	218,225
Gain (loss) on disposal of assets		1,434	1,434
Investment earnings	2,000	36,721	34,721
Total nonoperating revenues	<u>2,000</u>	<u>256,380</u>	<u>254,380</u>
Income before transfers	113,535	632,520	518,985
<b>Transfers:</b>			
Transfers out	<u>(394,880)</u>	<u>(384,566)</u>	<u>10,314</u>
<b>Change in Net Position</b>	(281,345)	247,954	529,299
<b>Net Position - beginning of year</b>	7,161,096	7,161,096	
Change in accounting principle - Implementation of GASB 75	<u>(13,069)</u>	<u>(13,069)</u>	
Net Position - beginning of year, as restated	<u>7,148,027</u>	<u>7,148,027</u>	
<b>Net Position - end of year</b>	<u>\$ 6,866,682</u>	<u>\$ 7,395,981</u>	<u>\$ 529,299</u>

See independent auditor's report.



**CITY OF PANAMA CITY, FLORIDA  
EQUIPMENT MAINTENANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGE IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Charges for services	\$ 1,030,000	\$ 880,468	\$ (149,532)
Miscellaneous	500	3,104	2,604
Total operating revenues	<u>1,030,500</u>	<u>883,572</u>	<u>(146,928)</u>
<b>Operating Expenses:</b>			
Personnel services	385,245	345,640	39,605
Operating expenses	506,640	424,834	81,806
Depreciation	10,000	10,474	(474)
Total operating expenses	<u>901,885</u>	<u>780,948</u>	<u>120,937</u>
Operating income	<u>128,615</u>	<u>102,624</u>	<u>(25,991)</u>
<b>Nonoperating Revenues (Expenses):</b>			
Gain (loss) on disposal of assets		(1,897)	(1,897)
Scrap sales	5,000	1,005	(3,995)
Investment earnings		733	733
Total nonoperating revenues (expenses)	<u>5,000</u>	<u>(159)</u>	<u>(5,159)</u>
Income before transfers	133,615	102,465	(31,150)
<b>Transfers:</b>			
Transfers out	<u>(106,917)</u>	<u>(83,316)</u>	<u>23,601</u>
<b>Change in Net Position</b>	26,698	19,149	(7,549)
<b>Net Position - beginning of year</b>	110,862	110,862	
Change in accounting principle - Implementation of GASB 75	<u>(11,364)</u>	<u>(11,364)</u>	
Net Position - beginning of year, as restated	<u>99,498</u>	<u>99,498</u>	
<b>Net Position - end of year</b>	<u>\$ 126,196</u>	<u>\$ 118,647</u>	<u>\$ (7,549)</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
MEDICAL SELF-INSURANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGE IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Contributions:			
Employee contributions	\$ 606,000	\$ 812,463	\$ 206,463
Other agency contributions	1,440,000	1,232,424	(207,576)
Retired employee contributions	870,000	681,415	(188,585)
Miscellaneous		50,363	50,363
Total operating revenues	<u>2,916,000</u>	<u>2,776,665</u>	<u>(139,335)</u>
<b>Operating Expenses:</b>			
Operating expenses:			
Administration fees	1,498,000	1,337,637	160,363
Insurance claims and expenses	6,700,000	6,025,220	674,780
Total operating expenses	<u>8,198,000</u>	<u>7,362,857</u>	<u>835,143</u>
Operating loss	(5,282,000)	(4,586,192)	695,808
<b>Nonoperating Revenues:</b>			
Investment earnings	<u>10,000</u>	<u>24,377</u>	<u>14,377</u>
Loss before transfers	(5,272,000)	(4,561,815)	710,185
<b>Transfers:</b>			
Transfers in	<u>5,272,000</u>	<u>4,885,203</u>	<u>(386,797)</u>
<b>Change in Net Position</b>		323,388	323,388
<b>Net Position - beginning of year</b>	<u>1,889,605</u>	<u>1,889,605</u>	
<b>Net Position - end of year</b>	<u>\$ 1,889,605</u>	<u>\$ 2,212,993</u>	<u>\$ 323,388</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
DENTAL INSURANCE FUND  
SCHEDULE OF REVENUES, EXPENSES, AND  
CHANGE IN FUND NET POSITION - BUDGET (GAAP BASIS) AND ACTUAL  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Operating Revenues:</b>			
Contributions:			
Employee contributions	\$ 99,750	\$ 93,268	\$ (6,482)
Other agency contributions	55,091	39,477	(15,614)
Retired employee contributions	63,000	84,989	21,989
Total operating revenues	<u>217,841</u>	<u>217,734</u>	<u>(107)</u>
<b>Operating Expenses:</b>			
Administration fees	<u>357,634</u>	<u>322,202</u>	<u>35,432</u>
Operating loss	(139,793)	(104,468)	35,325
<b>Nonoperating Revenue:</b>			
Investment earnings		<u>1,624</u>	<u>1,624</u>
Income (loss) before transfers	(139,793)	(102,844)	36,949
<b>Transfers:</b>			
Transfers in	<u>139,793</u>	<u>128,114</u>	<u>(11,679)</u>
<b>Change in Net Position</b>		25,270	25,270
<b>Net Position - beginning of year</b>	<u>345,404</u>	<u>345,404</u>	
<b>Net Position - end of year</b>	<u>\$ 345,404</u>	<u>\$ 370,674</u>	<u>\$ 25,270</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA**  
**SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Governmental Activities**

Year Ending September 30	Revenue Note, Series 2008 (Modified)		Capital Improvement Taxable Revenue Refunding Note, Series 2013A		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
	2019	\$ 143,000	\$ 13,629	\$ 231,000	\$ 7,896	\$ 525,936
2020	146,000	10,845	237,000	2,654	148,920	20,787
2021	149,000	7,993			147,106	13,941
2022	151,000	5,092			134,895	6,774
2023	149,000	2,143				
	<u>\$ 738,000</u>	<u>\$ 39,702</u>	<u>\$ 468,000</u>	<u>\$ 10,550</u>	<u>\$ 956,857</u>	<u>\$ 84,501</u>

	Capital Improvement Revenue Note, Series 2013B		Capital Improvement Revenue Note, Series 2016		Capital Improvement Revenue Note, Series 2018	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 845,000	\$ 251,709	\$ 197,000	\$ 53,454	\$ 405,000	\$ 505,263
2020	865,000	227,705	201,000	49,742	913,000	510,460
2021	885,000	203,139	204,000	45,955	943,000	479,837
2022	905,000	178,011	208,000	42,114	975,000	448,190
2023	926,000	152,309	212,000	38,195	1,007,000	415,486
2024	948,000	126,002	216,000	34,202	1,040,000	381,711
2025	969,000	99,092	220,000	30,135	1,074,000	346,830
2026	992,000	71,564	225,000	25,993	1,110,000	310,794
2027	1,015,000	43,390	229,000	21,758	1,146,000	273,570
2028	1,038,000	14,571	233,000	17,447	1,184,000	235,125
2029			237,000	13,063	1,223,000	195,410
2030			242,000	8,597	1,264,000	154,374
2031			246,000	4,042	1,305,000	111,986
2032			62,000	290	1,348,000	68,211
2033					1,393,000	22,984
	<u>\$ 9,388,000</u>	<u>\$ 1,367,492</u>	<u>\$ 2,932,000</u>	<u>\$ 384,987</u>	<u>\$ 16,330,000</u>	<u>\$ 4,460,231</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**Governmental Activities (continued)**

Year Ending September 30	Infrastructure Sales Surtax Revenue Note, Series 2018	
	Principal	Interest
2019		\$ 259,678
2020	\$ 1,670,000	430,803
2021	1,752,000	379,131
2022	1,804,000	325,435
2023	1,859,000	270,124
2024	1,915,000	213,137
2025	1,973,000	154,428
2026	2,033,000	93,937
2027	2,094,000	31,619
	<u>\$ 15,100,000</u>	<u>\$ 2,158,292</u>

**Business-type Activities**

Year Ending September 30	Water & Sewer Refunding Revenue Note, Series 2012		Water & Sewer Refunding Revenue Note, Series 2014		Water & Sewer Revenue Note, Series 2015	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 61,000	\$ 119,684	\$ 1,503,000	\$ 23,700	\$ 1,275,000	\$ 836,136
2020	62,000	118,222	1,529,000		1,315,000	797,475
2021	1,638,000	79,601			1,350,000	757,785
2022	1,673,000	40,154			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>\$ 5,137,000</u>	<u>\$ 357,661</u>	<u>\$ 3,032,000</u>	<u>\$ 23,700</u>	<u>\$ 29,715,000</u>	<u>\$ 8,105,433</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**

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Expenses</b>										
Governmental activities:										
General government	\$ 5,733,023	\$ 6,165,676	\$ 5,874,629	\$ 5,529,101	\$ 6,364,801	\$ 6,094,551	\$ 7,332,537	\$ 7,202,957	\$ 8,047,155	\$ 8,232,205
Public safety	15,991,185	16,776,513	17,346,057	17,954,974	18,443,729	19,060,516	18,241,148	21,345,141	21,091,964	21,197,707
Physical environment	18,880	75,055	37,477							
Transportation	6,090,807	5,876,999	5,760,884	5,877,854	5,455,287	5,481,149	5,320,025	5,293,976	5,781,421	5,824,445
Leisure Services								5,748		
Economic environment	1,673,062	2,545,814	3,112,085	3,779,765	3,309,023	3,728,293	3,553,702	3,584,832	3,528,539	4,956,197
Culture and recreation	2,999,228	3,236,099	3,317,259	3,375,322	3,470,268	3,505,846	3,373,667	3,322,205	3,625,195	3,665,526
Human services	281,737	261,793	373,967	326,609	301,127	341,100	298,840	244,089	282,512	244,479
Interest on long-term debt	579,547	523,507	451,014	465,549	462,930	415,035	364,137	385,657	531,878	205,222
Total governmental activities expenses	<u>33,367,469</u>	<u>35,461,456</u>	<u>36,273,372</u>	<u>37,309,174</u>	<u>37,807,165</u>	<u>38,626,490</u>	<u>38,484,056</u>	<u>41,384,605</u>	<u>42,888,664</u>	<u>44,325,781</u>
Business-type activities:										
Utilities	13,075,679	13,219,349	13,708,629	13,889,586	14,032,601	13,575,865	13,818,774	15,018,401	15,252,532	15,981,122
Solid waste	6,949,756	4,990,240	5,458,696	5,422,422	5,591,570	5,450,759	5,592,968	5,764,430	6,012,230	6,440,541
Marina	2,758,488	3,631,068	3,296,092	3,669,461	3,213,703	3,025,662	2,895,496	2,500,262	2,707,680	2,842,914
Total business-type activities expenses	<u>22,783,923</u>	<u>21,840,657</u>	<u>22,463,417</u>	<u>22,981,469</u>	<u>22,837,874</u>	<u>22,052,286</u>	<u>22,307,238</u>	<u>23,283,093</u>	<u>23,972,442</u>	<u>25,264,577</u>
Total primary government expenses	<u>\$ 56,151,392</u>	<u>\$ 57,302,113</u>	<u>\$ 58,736,789</u>	<u>\$ 60,290,643</u>	<u>\$ 60,645,039</u>	<u>\$ 60,678,776</u>	<u>\$ 60,791,294</u>	<u>\$ 64,667,698</u>	<u>\$ 66,861,106</u>	<u>\$ 69,590,358</u>
<b>Program Revenues</b>										
Governmental activities:										
Charges for services:										
General government	\$ 7,711,674	\$ 7,157,635	\$ 7,763,454	\$ 7,882,958	\$ 8,221,000	\$ 8,854,998	\$ 9,516,380	\$ 9,674,256	\$ 9,882,404	\$ 10,332,074
Public safety	1,171,638	828,425	830,845	777,578	928,896	1,002,506	942,066	1,081,365	1,127,848	1,106,826
Transportation	443,678	486,426	510,790	442,727	483,251	455,887	281,775	188,709	194,373	200,205
Economic environment				584,160			19,978		5,119	1,489
Culture and recreation	166,640	177,794	165,238	167,982	199,286	184,717	275,060	250,591	279,223	378,443
Other	91,200	91,200	61,873							
Operating grants and contributions	2,261,479	1,355,662	1,955,297	3,356,769	2,696,614	2,443,538	2,573,798	1,085,770	1,278,837	1,301,296
Capital grants and contributions	1,199,300	37,180	61,299	51,717	20,494	25,000	25,000			
Total governmental activities program revenues	<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>	<u>12,280,691</u>	<u>12,767,804</u>	<u>13,320,333</u>
Business-type activities:										
Charges for services:										
Utilities	15,064,559	14,827,798	16,411,828	15,962,245	17,409,907	17,861,187	19,054,265	18,524,781	19,565,041	19,622,582
Solid waste	7,389,466	6,740,634	6,855,496	6,513,969	6,499,983	6,607,800	6,749,482	6,716,863	6,906,065	7,186,148
Marina	2,929,412	4,017,054	3,374,900	3,511,819	3,123,838	2,976,178	3,099,610	2,772,635	3,050,304	3,148,592
Operating grants and contributions	12,639						65,550		17,476	218,225
Capital grants and contributions	243	490,068	177,734	172,820	142,542	138,515	178,999	200,432	591,888	361,400
Total business-type activities program revenues	<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>	<u>28,214,711</u>	<u>30,130,774</u>	<u>30,536,947</u>
Total primary government program revenues	<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>	<u>\$ 40,495,402</u>	<u>\$ 42,898,578</u>	<u>\$ 43,857,280</u>
<b>Net (Expense)/Revenue</b>										
Governmental activities	\$ (20,321,860)	\$ (25,327,134)	\$ (24,924,576)	\$ (24,045,283)	\$ (25,257,624)	\$ (25,659,844)	\$ (24,849,999)	\$ (29,103,914)	\$ (30,120,860)	\$ (31,005,448)
Business-type activities	2,612,396	4,234,897	4,356,541	3,179,384	4,338,396	5,531,394	6,840,668	4,931,618	6,158,332	5,272,370
Total primary government net expenses	<u>\$ (17,709,464)</u>	<u>\$ (21,092,237)</u>	<u>\$ (20,568,035)</u>	<u>\$ (20,865,899)</u>	<u>\$ (20,919,228)</u>	<u>\$ (20,128,450)</u>	<u>\$ (18,009,331)</u>	<u>\$ (24,172,296)</u>	<u>\$ (23,962,528)</u>	<u>\$ (25,733,078)</u>
<b>General Revenues and Other Changes in Net Position</b>										
Governmental activities:										
Taxes										
Ad valorem taxes	\$ 8,823,554	\$ 8,388,901	\$ 8,221,868	\$ 8,008,760	\$ 7,931,119	\$ 8,338,872	\$ 8,511,463	\$ 8,861,504	\$ 8,897,687	\$ 8,929,919
Tax increment ad valorem taxes		1,833,125	1,716,903	1,588,207	1,503,382	2,095,743	2,308,216	2,306,065	2,239,986	2,172,010
Local option gasoline tax	1,361,984	1,389,891	1,272,508	1,269,175	1,394,258	1,376,850	1,410,878	1,479,612	1,281,331	1,295,819
Franchise fees	2,193,523	2,408,155	3,616,998	3,798,295	4,066,491	4,149,648	4,409,262	4,373,282	4,112,022	4,261,663
Utility service tax	3,011,492	3,309,913	3,462,259	3,420,265	3,479,637	3,879,713	4,176,778	4,276,080	4,287,390	4,540,419
Communications service tax	2,209,786	1,940,445	1,913,553	1,823,525	1,945,790	1,713,347	1,619,995	1,537,187	1,614,810	1,574,325
Local option sales tax	2,550,808	2,457,273	2,650,754	2,644,093	2,736,855	2,947,185	3,110,963	3,285,075	2,120,937	3,279,225
Unrestricted state revenue sharing	1,313,002	1,320,909	1,329,508	1,336,070	1,344,526	1,355,933	1,403,496	1,436,957	4,871,519	5,117,650
Unrestricted investment earnings	568,222	591,142	220,889	228,562	225,263	346,393	343,489	472,139	663,874	
Gain (loss) on disposal of capital assets	8,757	(229)	52,993	1,468	16,980	14,930	23,980	28,398	33,503	(107,719)
Miscellaneous	677,294	779,579	478,638	738,522	2,950,334	608,564	941,573	1,389,553	563,515	618,970
Contributions			5,242,210							
Transfers	2,144,178	1,999,400	1,862,663	1,949,175	1,774,122	1,803,068	1,819,302	1,610,527	2,112,119	1,861,812
Total governmental activities general revenues	<u>24,862,600</u>	<u>26,418,504</u>	<u>32,041,744</u>	<u>26,806,117</u>	<u>29,368,757</u>	<u>28,630,246</u>	<u>30,079,395</u>	<u>30,760,582</u>	<u>32,606,958</u>	<u>34,207,967</u>
Business-type activities:										
Unrestricted investment earnings	413,264	321,544	134,623	112,395	90,477	99,797	144,474	207,665	395,756	488,472
Gain (loss) on disposal of capital assets		(72,256)	3,200			3,145	22,964	24,775	(265,461)	8,585
Miscellaneous	2,682	8,047		182,378	50,689	13,196	6,807	2,433	4,258	12,844
Transfers	(2,144,178)	(1,999,400)	(1,862,663)	(1,949,175)	(1,774,122)	(1,803,068)	(1,819,302)	(1,610,527)	(2,112,119)	(1,861,812)
Total business-type activities general revenues	<u>(1,728,232)</u>	<u>(1,742,065)</u>	<u>(1,724,840)</u>	<u>(1,654,402)</u>	<u>(1,632,956)</u>	<u>(1,686,930)</u>	<u>(1,645,057)</u>	<u>(1,375,654)</u>	<u>(1,977,566)</u>	<u>(1,351,911)</u>
Total primary government general revenues	<u>\$ 23,134,368</u>	<u>\$ 24,676,439</u>	<u>\$ 30,316,904</u>	<u>\$ 25,151,715</u>	<u>\$ 27,735,801</u>	<u>\$ 26,943,316</u>	<u>\$ 28,434,338</u>	<u>\$ 29,384,928</u>	<u>\$ 30,629,392</u>	<u>\$ 32,856,056</u>
<b>Changes in Net Position</b>										
Governmental activities	\$ 4,540,740	\$ 1,091,370	\$ 7,117,168	\$ 2,760,834	\$ 4,111,133	\$ 2,970,402	\$ 5,229,396	\$ 1,656,668	\$ 2,486,098	\$ 3,202,519
Business-type activities	884,164	2,492,832	2,631,701	1,524,982	2,705,440	3,844,464	5,195,611	3,555,964	4,180,766	3,920,459
Total primary government changes in net position	<u>\$ 5,424,904</u>	<u>\$ 3,584,202</u>	<u>\$ 9,748,869</u>	<u>\$ 4,285,816</u>	<u>\$ 6,816,573</u>	<u>\$ 6,814,866</u>	<u>\$ 10,425,007</u>	<u>\$ 5,212,632</u>	<u>\$ 6,666,864</u>	<u>\$ 7,122,978</u>

See independent auditor's report.

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

	<b>Fiscal Year</b>									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Governmental activities:</b>										
Net investment in capital assets	\$ 37,228,955	\$ 37,918,883	\$ 45,114,329	\$ 48,578,821	\$ 41,666,862	\$ 57,092,075	\$ 60,426,245	\$ 61,541,617	\$ 70,309,572	\$ 70,572,052
Restricted	4,106,138	4,804,128	3,429,960	2,884,127	1,842,298	2,415,183	4,740,198	6,387,711	14,901,299	19,045,770
Unrestricted	40,011,966	43,997,797	45,293,687	45,135,862	55,225,669	42,197,973	21,883,518	20,777,301	5,981,856	4,356,416
Total governmental activities net position	<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>	<u>\$ 88,706,629</u>	<u>\$ 91,192,727</u>	<u>\$ 93,974,238</u>
<b>Business-type activities:</b>										
Net investment in capital assets	\$ 38,864,027	\$ 38,999,520	\$ 39,075,302	\$ 45,577,206	\$ 46,401,318	\$ 47,083,456	\$ 46,182,187	\$ 47,757,703	\$ 67,700,504	\$ 58,183,597
Restricted	3,981,941	4,050,490	417,800	2,023,696	5,038,071	3,510,242	5,726,784	8,787,979	6,841,454	10,248,871
Unrestricted	20,215,498	22,504,288	28,692,897	22,110,079	20,789,178	25,479,333	28,355,307	27,274,560	13,459,050	23,341,261
Total business-type activities net position	<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>	<u>\$ 83,820,242</u>	<u>\$ 88,001,008</u>	<u>\$ 91,773,729</u>
<b>Primary government:</b>										
Net investment in capital assets	\$ 76,092,982	\$ 76,918,403	\$ 84,189,631	\$ 94,156,027	\$ 88,068,180	\$ 104,175,531	\$ 106,608,432	\$ 109,299,320	\$ 138,010,076	\$ 128,755,649
Restricted	8,088,079	8,854,618	3,847,760	4,907,823	6,880,369	5,925,425	10,466,982	15,175,690	21,742,753	29,294,641
Unrestricted	60,227,464	66,502,085	73,986,584	67,245,941	76,014,847	67,677,306	50,238,825	48,051,861	19,440,906	27,697,677
Total primary government net position	<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>	<u>\$ 172,526,871</u>	<u>\$ 179,193,735</u>	<u>\$ 185,747,967</u>

See independent auditor's report.

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

Function/Program Revenues	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Governmental activities:										
General government	\$ 7,711,674	\$ 7,157,635	\$ 7,763,454	\$ 7,882,958	\$ 8,221,000	\$ 8,854,998	\$ 9,516,380	\$ 9,674,256	\$ 9,882,404	\$ 10,332,074
Public safety	1,490,168	1,225,533	1,746,190	3,142,050	1,993,601	2,192,020	2,576,709	1,196,295	1,188,058	1,156,941
Physical environment	25,878									
Transportation	443,678	486,426	510,790	442,727	483,251	455,887	281,775	188,709	194,373	200,205
Economic environment	2,962,163	995,734	1,101,251	1,628,174	1,652,403	1,279,024	984,133	970,840	1,223,746	1,252,670
Culture and recreation	166,640	177,794	165,238	167,982	199,286	184,717	275,060	250,591	279,223	378,443
Other	245,408	91,200	61,873							
Total governmental activities	<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>	<u>12,280,691</u>	<u>12,767,804</u>	<u>13,320,333</u>
Business-type activities:										
Utilities	15,064,559	15,317,866	16,589,562	16,135,065	17,552,449	17,999,702	19,233,264	18,725,213	20,156,929	19,983,982
Solid waste	7,389,709	6,740,634	6,855,496	6,513,969	6,499,983	6,607,800	6,749,482	6,716,863	6,906,065	7,186,148
Marina	2,942,051	4,017,054	3,374,900	3,511,819	3,123,838	2,976,178	3,165,160	2,772,635	3,067,780	3,366,817
Total business-type activities	<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>	<u>28,214,711</u>	<u>30,130,774</u>	<u>30,536,947</u>
Total primary government function/program revenues	<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>	<u>\$ 40,495,402</u>	<u>\$ 42,898,578</u>	<u>\$ 43,857,280</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	
	2009	2010
<b>Governmental Funds</b>		
General fund:		
Reserved	\$ 160,154	\$ 713,213
Unreserved	20,894,866	21,464,954
Total general fund	21,055,020	22,178,167
All other governmental funds:		
Reserved	9,239,910	9,926,499
Unreserved, reported in:		
Special revenue funds	2,109,182	5,760,911
Debt service funds	843,422	1,212,092
Capital projects funds	10,236,234	9,209,758
Total all other governmental funds	22,428,748	26,109,260
<b>Total governmental funds</b>	\$ 43,483,768	\$ 48,287,427

**POST-GASB 54**

	Fiscal Year							
	2011	2012	2013	2014	2015	2016	2017	2018
<b>Governmental Funds</b>								
General fund:								
Non-spendable	\$ 161,098	\$ 432,325	\$ 160,252	\$ 212,444	\$ 355,237	\$ 292,545	\$ 293,011	\$ 319,010
Spendable:								
Committed	9,838,400	9,838,400	10,496,928	10,882,597	11,396,432	11,164,211	12,045,554	12,906,796
Assigned	1,053,855	783,378	230,253	228,760	228,760	286,399	546,933	546,933
Unassigned	9,254,662	9,545,027	11,542,588	13,262,912	12,591,442	14,868,795	8,207,390	11,543,501
Total general fund	20,308,015	20,599,130	22,430,021	24,586,713	24,571,871	26,611,950	21,092,888	25,316,240
All other governmental funds:								
Non-spendable	167,695	164,350	161,352	166,328	1,931,733	1,947,538	2,322,141	2,285,632
Spendable:								
Restricted	13,077,348	11,914,160	8,823,094	9,664,348	8,059,411	9,821,489	10,344,149	14,176,471
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	18,426,642	17,884,755	33,369,103
Total all other governmental funds	28,718,828	27,866,377	35,377,664	31,038,567	30,204,921	30,195,669	30,551,045	49,831,206
<b>Total governmental funds</b>	\$ 49,026,843	\$ 48,465,507	\$ 57,807,685	\$ 55,625,280	\$ 54,776,792	\$ 56,807,619	\$ 51,643,933	\$ 75,147,446

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>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Revenues</b>										
Taxes	\$ 17,600,338	\$ 17,437,305	\$ 18,487,185	\$ 18,320,020	\$ 18,817,297	\$ 19,458,430	\$ 20,128,376	\$ 20,527,665	\$22,314,178	\$ 23,881,370
Licenses and permits	7,567,342	6,979,627	7,523,145	7,590,601	7,966,335	8,657,993	9,163,514	9,361,261	9,573,480	10,013,624
Intergovernmental	8,179,249	7,733,274	8,476,178	10,321,430	9,006,077	9,623,619	10,174,102	8,888,292	9,150,093	9,372,046
Charges for services	1,162,828	995,548	1,075,967	1,011,432	1,253,090	1,175,095	1,209,316	1,156,224	1,249,335	1,317,923
Investment earnings	568,222	595,264	220,889	228,562	225,263	346,626	343,489	176,342	472,139	663,874
Miscellaneous	686,295	775,457	539,298	2,878,779	969,360	532,062	890,468	1,320,962	640,337	555,772
Total revenues	<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>	<u>41,430,746</u>	<u>43,399,562</u>	<u>45,804,609</u>
<b>Expenditures</b>										
Current:										
General government	4,572,820	5,090,301	4,951,169	4,555,892	5,357,993	4,928,462	5,465,271	5,043,149	5,314,495	5,631,954
Public safety	13,889,930	14,776,921	15,060,689	15,506,710	15,859,430	16,362,023	16,248,208	16,622,005	16,772,083	17,429,071
Physical environment	18,880	75,055	37,477					5,748		
Transportation	3,867,833	3,731,508	3,728,533	3,727,188	3,888,680	3,852,140	3,660,154	3,601,914	3,754,584	3,821,614
Economic environment	1,669,200	2,515,436	3,076,424	3,747,936	3,265,201	3,682,475	3,500,184	3,514,085	3,455,302	4,881,270
Human services	245,600	246,858	347,571	305,925	274,702	313,463	265,926	244,089	282,512	244,479
Culture and recreation	2,270,902	2,315,498	2,306,535	2,330,338	2,446,464	2,447,613	2,588,130	2,626,840	2,713,367	2,790,838
Debt service:										
Capital lease principal						395,642	806,349	750,414	381,959	535,300
Capital lease interest						10,070	6,666	62,601	45,269	33,583
Principal	1,577,000	1,631,000	1,690,000	1,771,000	1,387,000	1,187,000	1,802,000	1,838,000	3,243,000	216,000
Interest and other charges	563,129	517,256	450,642	1,618,578	715,680	418,705	370,427	332,915	493,141	175,387
Capital outlay	2,622,408	2,203,932	3,833,890	6,493,415	7,464,200	7,298,532	8,729,922	3,302,128	13,782,228	16,793,745
Total expenditures	<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>	<u>37,943,888</u>	<u>50,237,940</u>	<u>52,553,241</u>
Excess (deficiency) of revenues over (under) expenditures	<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>	<u>3,486,858</u>	<u>(6,838,378)</u>	<u>(6,748,632)</u>
<b>Other Financing Sources (Uses)</b>										
Transfers in	4,654,215	4,476,428	8,845,631	11,691,407	7,368,623	7,778,812	9,467,567	7,353,850	7,020,694	11,290,553
Transfer out	(4,424,226)	(4,752,145)	(8,945,948)	(12,611,868)	(8,377,393)	(8,858,917)	(10,670,379)	(8,809,881)	(8,642,793)	(13,080,073)
Issuance of long term debt					14,194,945		1,888,296		3,296,791	32,082,490
Original issue discount										(40,825)
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>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>	<u>(1,456,031)</u>	<u>1,674,692</u>	<u>30,252,145</u>
Net change in fund balances	<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>	<u>\$ 2,030,827</u>	<u>\$ (5,163,686)</u>	<u>\$ 23,503,513</u>
Debt service as a percentage of noncapital expenditures	7.46%	6.95%	6.76%	10.10%	6.33%	5.99%	8.60%	8.61%	11.42%	2.69%

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 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	
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
2016	1,938,954	2,845,484	337,167	433,798	16,547	17,190	2,292,668	3,296,472	69.55%	3.9740
2017	1,981,248	2,897,689	320,030	417,208	20,272	20,624	2,321,550	3,335,521	69.60%	3.9740
2018	2,051,763	2,964,195	328,829	425,405	15,412	15,795	2,396,004	3,405,395	70.36%	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			
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
2016	3.9740		3.9740	4.6500		4.6500	6.4750		6.4750	3.0000	0.0366	18.1356
2017	3.9740		3.9740	4.4362		4.4362	6.3410		6.3410	3.0000	0.0353	17.7865
2018	4.3500		4.3500	4.4362		4.4362	6.1220		6.1220	3.0000	0.0338	17.9420

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

See independent auditor's report.

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

<u>Taxpayer</u>	2018			2009		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Bay County Sacred Heart Hospital Corporation of America	\$ 83,730,749	1	3.50%	\$ 16,534,791	4	0.73%
Gulf Power Company	56,587,767	3	2.36%	37,820,301	1	1.68%
Berg Steel Pipe Corporation	46,268,683	4	1.93%	18,916,699	3	0.84%
Panama City Mall	29,264,209	5	1.22%	27,795,400	2	1.23%
MFG Waterstone Owner, LLC	25,771,046	6	1.08%			
Oceaneering International	20,322,386	7	0.85%			
Panama City Port Authority/Oceaneering	19,398,344	8	0.81%			
St. Andrew Bay Land Company, LLC	15,801,596	9	0.66%			
The Bay Line Railroad, LLC	14,432,188	10	0.60%	12,988,389	7	0.58%
BellSouth Telecommunications				15,292,459	5	0.68%
New Plan of Panama City, LLC				15,201,232	6	0.67%
Comcast Corporation				11,072,480	8	0.49%
Eastern Shipbuilding Group				10,134,172	9	0.45%
Lloyd, William P., Etal				9,605,311	10	0.43%
<b>Total Principal Taxpayers</b>	<b>\$ 374,189,025</b>		<b>15.62%</b>	<b>\$ 175,361,234</b>		<b>7.78%</b>
<b>Total Taxable Assessed Value</b>	<b>\$ 2,395,503,395</b>			<b>\$ 2,256,552,000</b>		

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

See independent auditor's report.



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

Fiscal Year	Total Tax Levied for the Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
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%
2016	9,110,571	8,813,050	96.73%	48,454	8,861,504	97.27%
2017	9,225,232	8,868,185	96.13%	29,502	8,897,687	96.45%
2018	10,419,786	8,905,109	85.46%	24,809	8,929,918	85.70%

(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	Governmental Activities		Business-type Activities		Total Primary Government	Percentage of Personal Income (1)	Per Capita (1)
	Revenue Bonds/Notes	Capital Lease Obligations	Revenue Bonds/Notes				
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	2.58%	1,733
2016	13,790,621	1,131,837	43,379,092		58,301,550	2.90%	1,580
2017	13,748,090	839,668	37,899,394		52,487,152	3.36%	1,419
2018	44,917,517	956,857	37,891,697		83,766,071	Not Available	2,251

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 195 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 <sup>1</sup>	Estimated Share of Overlapping Debt
Bay County:			
Bonds payable	\$ 39,877	14.58%	\$ 5,813
Capital leases	1,209	14.58%	176
Notes payable	79,095	14.58%	11,531
Bay County School Board:			
State school bonds	173	13.63%	24
Sales tax revenue anticipation note	11,371	13.63%	1,550
Certificates of participation	68,404	13.63%	<u>9,322</u>
Subtotal of overlapping debt			28,416
City of Panama City direct debt	45,875		<u>45,875</u>
Total direct and overlapping debt			<u><u>\$ 74,291</u></u>

<sup>1</sup> The percentage of overlapping debt applicable is estimated using taxable assessed property values, for 2018, that are provided by the Bay County Property Appraiser's Office. The percentages were calculated by dividing the City's taxable assessed value by the County or School Board taxable assessed value.

Source: - Bay County Clerk of Court & Comptroller for fiscal year ended September 30, 2018

- District School Board of Bay County Superintendent's Annual Financial Report for the fiscal year ended June 30, 2018

See independent auditor's report.

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

Fiscal Year	Local Option Gas Transportation Bonds				Utility Service Tax Bonds			
	Revenue Collected	Debt Service		Coverage	Revenue Collected	Debt Service		Coverage
		Principal	Interest			Principal	Interest	
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
2016	1,479,612	-	-	-	4,276,080	293,000	1,582	14.52
2017	1,281,331	-	-	-	4,287,390	-	-	-
2018	1,298,819	-	-	-	4,540,419	-	-	-

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

Fiscal Year	Revenue Collected (1)	Debt Service		Coverage
		Principal	Interest	
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
2016	14,604,875	621,000	38,976	22.13
2017	15,191,733	1,272,000	44,453	11.54
2018	15,920,513	-	-	-

(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
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
2016	18,709,289	10,657,103	8,052,186	1,492,000	1,165,638	2,657,638	3.03
2017	19,906,474	10,941,850	8,964,624	2,692,000	1,080,841	3,772,841	2.38
2018	19,850,187	11,445,855	8,404,332	2,780,000	1,036,363	3,816,363	2.20

- 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**

Fiscal Year	Estimated City Population (1)	Estimated County Population (2)	City to County Population Ratio	Personal Income (1)	Per Capita Personal Income (1)	Unemployment Rate (3)
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%	7,214,062	44,731	5.1%
2016	36,909	176,016	20.97%	7,529,278	45,744	4.8%
2017	36,988	178,820	20.68%	7,796,975	47,648	3.3%
2018	37,208	181,199	20.53%	Not Available	48,944	2.8%

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	2018			2009		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Tyndall Air Force Base	6,416	1	7.08%	5,191	1	5.98%
Naval Support Activity Panama City	3,300	2	3.64%	3,606	3	4.16%
Bay District Schools	3,000	3	3.31%	4,552	2	5.25%
General Dynamics IT	2,300	4	2.54%			
Bay Medical Center	1,800	5	1.99%	1,991	4	2.30%
Eastern Shipbuilding Group	1,800	6	1.99%	873	5	1.01%
Wal-Mart and Sam's Club	1,500	7	1.66%			
Bay County Constitutional Officers	1,214	8	1.34%			
Trane Company	700	9	0.77%			
Gulf Coast Medical Center	631	10	0.70%	621	8	0.72%
Sallie Mae				700	7	0.81%
Gulf Coast Community College				724	6	0.83%
Sprint Communications				600	9	0.69%
City of Panama City				575	10	0.66%
	<u>22,661</u>		<u>25.01%</u>	<u>19,433</u>		<u>22.40%</u>
Total Bay County Labor Force	<u>90,595</u>			<u>86,751</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**

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b><u>Governmental activities:</u></b>										
<b>Police:</b>										
Total crime arrests	6,171	5,083	4,210	4,190	4,074	5,807	5,297	5,346	4,177	4,834
Traffic violations	11,706	7,544	10,551	11,240	10,286	6,683	9,179	8,385	8,438	5,427
Parking violations	248	151	315	104	135	154	98	42	70	61
Code enforcement reports	1,649	1,342	839	1,022	2,059	2,707	3,160	4,164	4,971	4,104
Calls for service	54,115	53,291	56,398	56,880	54,480	53,421	53,343	55,069	55,876	61,206
<b>Fire:</b>										
Structure fires	56	40	39	49	48	44	35	62	29	44
Total calls for service	1,605	1,740	1,756	1,870	1,821	2,479	2,735	2,779	5,206	6,186
Inspections	1,729	2,412	1,985	2,132	1,721	1,870	2,358	2,508	3,396	2,502
<b><u>Business-type activities:</u></b>										
<b>Wastewater system:</b>										
Number of service connections	14,734	14,583	14,575	14,554	14,643	14,730	14,683	14,734	14,885	15,038
<b>Water system:</b>										
Number of service connections	17,138	16,948	16,933	16,928	17,011	17,052	17,139	17,221	17,449	17,668

Source: City Departments

See independent auditor's report.



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

	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<u>Governmental activities:</u>										
<b>Police:</b>										
Number of stations	1	1	1	1	1	1	1	1	1	1
Number of substations	5	4	3	3	3	2	2	2	2	2
Number of vehicles in fleet	120	119	121	118	121	120	121	122	126	137
<b>Fire:</b>										
Number of stations	5	5	5	6	6	6	6	6	6	6
<b>Transportation:</b>										
Miles of paved streets	205	201	198	198	198	198	199	201	201	204
Number of street lights	4,544	4,544	4,401	4,832	4,846	4,857	4,949	4,952	5,036	5,060
<b>Culture and recreation:</b>										
Community centers	8	8	8	8	8	8	8	8	8	8
Parks	33	33	33	33	33	34	35	35	35	35
Park acreage	146	146	146	146	146	150	156	156	156	156
Baseball and softball fields	13	13	13	13	13	13	10	10	10	10
Soccer fields							1	1	1	1
Public marinas	2	2	2	2	2	2	2	2	2	2
Public boat launching areas	4	4	4	4	4	4	4	4	4	4
Civic centers	1	1	1	1	1	1	1	1	1	1
<u>Business-type activities:</u>										
<b>Wastewater system:</b>										
Miles of sanitary sewers	286	289	290	294	295	292	293	295	295	297
Number of treatment plants	2	2	2	2	2	2	2	2	2	2
Daily average treatment in gallons	5,453,000	5,117,000	4,435,000	4,775,000	6,074,000	5,244,000	4,200,000	5,200,000	5,000,000	6,200,000
<b>Water system:</b>										
Miles of water mains	360	364	365	368	338	337	339	339	339	341
Number of fire hydrants	1,611	1,618	1,635	1,677	1,681	1,683	1,701	1,718	1,730	1,759
Daily average consumption in gallons	5,447,000	5,416,000	5,807,000	5,754,000	6,049,000	5,190,000	5,351,000	5,310,000	5,680,000	4,926,000

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**

<b>Function/Program</b>	Fiscal Year									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
<b>Governmental activities:</b>										
General government	69	66	66	65	67	67	71	82	74	69
Public safety	221	219	220	220	220	213	216	224	243	233
Transportation	61	50	50	50	50	39	36	40	43	35
Culture and recreation	27	25	25	28	25	24	24	22	24	25
Economic environment	7	5	5	8	7	14	13	14	14	12
<b>Business-type activities:</b>										
Utilities	92	92	92	93	91	79	83	79	77	82
Solid waste	39	39	39	39	39	39	39	39	40	39
Marinas	9	9	9	9	9	13	13	14	14	14
<b>Total</b>	<u>525</u>	<u>505</u>	<u>506</u>	<u>512</u>	<u>508</u>	<u>488</u>	<u>495</u>	<u>514</u>	<u>529</u>	<u>509</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 STATE FINANCIAL ASSISTANCE..... *p. 200*
  
- 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. 202*
  
- INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY CHAPTER 10.550, RULES OF THE AUDITOR GENERAL.....*p. 205*
  
- SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT.....*p. 207*
  
- INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH FLORIDA STATUTE 218.415 RELATED TO LOCAL GOVERNMENT INVESTMENT POLICIES.....*p. 209*
  
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**CITY OF PANAMA CITY, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

<u>State Agency, Pass-Through Entity, State Projects</u>	<u>CSFA Number</u>	<u>Expenditures</u>
<b>Division of Emergency Management</b>		
Residential Construction Mitigation Program	31.066	\$ <u>855</u>
<b>Florida Fish and Wildlife Conservation Commission</b>		
Florida Fish and Wildlife Conservation Commission - St. Andrews Marina	77.006	<u>218,225</u>
<b>Florida Housing Finance Corp:</b>		
State Housing Institutions Partnership Program	40.901	315,476
<i>Passed through Bay County:</i>		
State Housing Institutions Partnership Program	40.901	<u>603,339</u>
Total Florida Housing Finance Corp		<u>918,815</u>
<b>Florida Department of Environmental Protection</b>		
Coastal Partnership Initiative Grant - Community Redevelopment Agency Downtown North	11.419	<u>29,900</u>
<b>Total Expenditures of State Financial Assistance</b>		<u>\$ 1,167,795</u>
 <b><u>COMPONENT UNIT - Panama City Port Authority</u></b>		
<b>Florida Department of Transportation:</b>		
Grant No 43876319401	55.005	\$ 5,235,694
Grant No 43876319402	55.005	74,363
Grant No 43876319403	55.005	1,431,141
Grant No 41818229401	55.005	294,500
Grant No 42836479401	55.005	<u>145,125</u>
<b>Total Expenditures of State Financial Assistance</b>		<u>\$ 7,180,823</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA  
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**NOTE A - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial assistance includes the grant activity of the City of Panama City, Florida and is presented on the accrual basis of accounting.

The accompanying schedule of expenditures of state financial assistance summarizes the state expenditures of the City under programs of state departments for the year ended September 30, 2018. The information in this schedule is presented in accordance with the requirements of Chapter 10.550, Rules of the Auditor General. The amounts reported as state expenditures were obtained from the City's general ledger. Because the schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City.

For purposes of the schedule, state projects include all grants, contracts, and similar agreements entered into directly with state departments. The City has obtained Catalog of State Financial Assistance (CSFA) numbers to ensure that all programs have been identified in the schedule.



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**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 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, 2018, 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 April 25, 2019.

**Internal Control over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material

weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been 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, cash receipts duties are combined and assigned to the available employees. To the extent possible cash receipt duties should be segregated to serve as a check and balance and to maintain the best control system possible. Oversight provided by the Board of Directors has been a mitigating factor which prevents this from being a material weakness. We recommend that the segregation of duties in their cash receipts processes be reviewed and adjusted where possible to strengthen the system of internal controls.

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 of Directors continues to have oversight over all events in which the Board participates. The Board of Directors has taken some steps to implement new control policies over the handling of cash receipts at the events. The Board of Directors 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 of Directors have taken steps to strengthen the Board's internal controls for events conducted by the Board. 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.

Documentation 2018-2

During the current year it was noted that some audit documentation was destroyed by Hurricane Michael. We recommend (to the extent possible) that the Panama City Downtown Improvement Board maintain cash receipt books and to store them in a secure location to ensure proper documentation is available. All copies of the documentation should be sent to the City of Panama City for recording and to provide a second location for storing.



## Panama City Downtown Improvement Board's Response to Findings

All cash receipt books will be safely secured going forward. Copies of all documentation will be sent to the City of Panama City.

### **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  
April 25, 2019



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY 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 State Project**

We have audited the City of Panama City, Florida's compliance with the types of compliance 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 state projects for the year ended September 30, 2018. The City of Panama City, Florida's major 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 state statutes, regulations, and the terms and conditions of its state financial assistance applicable to its 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 state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state project occurred. An audit includes examining, on a test basis, evidence about the City of Panama City, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion on Each Major 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 state projects for the year ended September 30, 2018.

### **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 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 state project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City 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 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 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 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 Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.



Panama City, Florida  
April 25, 2019

**CITY OF PANAMA CITY, FLORIDA  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT  
 FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**A. Summary of Auditor's Results**

1. The auditor's report expresses an unmodified opinion on whether the financial statements of the City of Panama City, Florida were prepared in accordance with GAAP.
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*. Three 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 Component Unit 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, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies or material weakness in internal control over a major state project were reported in the Independent Auditor's Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General.
5. The auditor's report on compliance for the major state projects for the City of Panama City, Florida, expresses an unmodified opinion on all major state projects.
6. Our audit disclosed no findings to the state projects required to be disclosed under Chapter 10.550 Rules of the Auditor General.
7. The projects tested as major projects included the following:

<u>State Projects</u>	<u>State CSFA No.</u>
State Housing Institutions Partnership Program	40.901

8. The threshold for distinguishing Type A and B programs was \$750,000 for major state financial assistance projects.
9. The City of the Panama City, Florida, did not qualify as a low-risk auditee.

**CITY OF PANAMA CITY, FLORIDA  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT  
FISCAL YEAR ENDED SEPTEMBER 30, 2018**

**B. Findings - Financial Statements Audit**

NONE

**C. Findings and Questioned Costs - Major State Project**

NONE

**D. Prior Year Findings and Questioned Costs – Major State Project**

NONE



**INDEPENDENT ACCOUNTANT'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, 2018. Management of the City is responsible for the City's compliance with the specified requirements. Our responsibility is to express an opinion on the City's compliance with the specified requirements, based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the City complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the City complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide 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 during the year ended September 30, 2018.

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 the specified parties.

Panama City, Florida  
April 25, 2019



## 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, 2018, and have issued our report thereon dated April 25, 2019.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

### Other Reporting Requirements

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 State Project and Report 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*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 25, 2019, 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

With the accounting duties being handled with the City of Panama City effective October 1, 2016, the segregation of duties in the overall accounting function has improved. However, the Board continues to have a significant deficiency in internal control from the lack of segregation of duties in their cash receipts processes. Due to the limited number of people working in the office, many duties associated with cash receipts are combined and assigned to the available employees. To the extent possible, these duties should be segregated to serve as a check and balance and to maintain the best control system possible. Oversight provided by the Board of Directors has been a mitigating factor which prevents this from being a material weakness. We recommend that the segregation of duties in their cash receipts processes 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. Previous budgets prohibited hiring of additional staff to maintain proper segregation of duties. Continued oversight by the Board of Directors has been provided during the year.

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

### Deficit Fund Balance 2017-1, 2016-1, 2015-1, 2014-1, 2013-2b

See current year finding 2018-1.

## **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 and Management**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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 to identify 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 for the City of Panama City, Florida. 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 review of financial information provided by same.

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

Deficit Fund Balance 2018-1

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 six years, the Panama City Downtown Improvement Board has had a deficit in the General fund unassigned balance. We recommend the Board continues their efforts to eliminate this deficit balance.

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.

Documentation 2018-2

After the fiscal year end, Hurricane Michael hit Panama City, Florida and destroyed documentation of the Panama City Downtown Improvement Board. Some documentation was able to be obtained elsewhere or be recreated, while some documentation, namely cash receipt books, were not.

Panama City Downtown Improvement Board's Response to Findings

Hurricane Michael was an isolated, catastrophic incident that is not expected to reoccur in the near future. All cash receipt books will be maintained and kept going forward. The Board wants consideration given to the fact that the hurricane was out of the Board's control.

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we communicate 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.

**Additional Matters**

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note 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, the Mayor, City Commissioners, City Manager, 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 black ink that reads "Robert M. Carter, Esq. Chastain". The signature is written in a cursive style with a large initial 'R'.

Panama City, Florida  
April 25, 2019