



CITY OF PANAMA CITY BEACH

ANNUAL FINANCIAL STATEMENTS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2025



City of Panama City Beach, Florida

FINANCIAL STATEMENTS

September 30, 2025



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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida, as of September 30, 2025, 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.

Basis for Opinions

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis and budgetary comparison information on pages 5-17 and 78-80 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedule of expenditures of federal award as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements, the budgetary schedule and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 11, 2026, on our consideration of the City'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'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 City's internal control over financial reporting and compliance.

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

Panama City Beach, Florida

May 11, 2026

Management's Discussion and Analysis

City of Panama City Beach, Florida Management's Discussion and Analysis

Management's Discussion and Analysis

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

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

Financial Highlights

- Total assets of the City exceeded total liabilities by \$565,173,152 (net position). Of this amount, \$54,600,814 is unrestricted net position for governmental activities and \$96,992,091 is unrestricted net position for business-type activities, while \$93,442,324 is restricted net position for governmental activities and \$42,667,809 is restricted net position for business-type activities.
- Total net position increased by \$57,429,500. Of this amount, \$38,541,496 is attributable to governmental activities and \$18,888,004 is attributable to business-type activities. The increase in net position of governmental activities is attributable primarily to strong capital grants and contributions, business tax revenues, and charges for services, which supported continued capital investment and positive operating results. In addition, growth in capital assets and reductions in long-term liabilities through debt repayment contributed to the increase in net position, despite a decrease in Front Beach Road Community Redevelopment Area tax increment revenues from the prior year. Additionally, the City received American Rescue Plan Act (ARPA) funding as well as state grant and appropriation funds utilized for public safety and recreation projects. The increase in net position of business-type activities is the result of several factors, including the collection of \$8,588,538 in impact fees and net income from operations, before depreciation of \$13,914,609.
- As of September 30, 2025, the General Fund's unassigned fund balance was \$41,563,528, or 83 percent of total general fund expenditures. Unassigned fund balance in the General Fund decreased by \$12,633,734. Restricted fund balance in the General Fund increased by \$3,374,286. The City's general fund collected \$975,903 in impact fees and which drove this increase. Committed fund balance in the General Fund decreased by \$1,123,829 and assigned fund balance in the General Fund decreased by \$6,791,911. General Fund revenues for the fiscal year exceeded expenditures by \$6,440,745.
- Governmental activities' revenues decreased 5.4 percent to \$90,327,576 and governmental activities' expenditures increased 7 percent to \$53,514,080. Business-type activities' revenues increased 5 percent to \$57,482,071 and business-type activities' expenditures increased 3 percent to \$37,139,067.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

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

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

City of Panama City Beach, Florida Management's Discussion and Analysis

Fund Financial Statements

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

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

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

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

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

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

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

City of Panama City Beach, Florida Management's Discussion and Analysis

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

Financial Analysis of the City

The following schedule provides a summary of the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the City. At the end of fiscal year 2024, the City can report positive balances in all three categories of net position, both for the government as a whole, as well as for its governmental and business-type activities.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<i>September 30,</i>						
Current and other assets	\$ 177,905,612	\$ 159,756,217	\$ 152,332,196	\$ 138,403,216	\$ 330,237,808	\$ 298,159,433
Capital assets	211,345,567	195,274,267	139,827,717	139,576,752	351,173,284	334,851,019
Total assets	389,251,179	355,030,484	292,159,913	277,979,968	681,411,092	633,010,452
Deferred outflows of resources	7,610,043	6,132,648	2,737,321	2,581,019	10,347,364	8,713,667
Current liabilities	9,656,450	10,903,605	6,734,560	8,618,995	16,391,010	19,522,600
Long-term liabilities	73,510,493	77,073,603	26,782,330	29,469,401	100,292,823	106,543,004
Total liabilities	83,166,943	87,977,208	33,516,890	38,088,396	116,683,833	126,065,604
Deferred inflows of resources	5,815,082	3,848,223	4,086,389	4,066,640	9,901,471	7,914,863
Net position						
Net investment in						
capital assets	159,856,059	145,322,542	117,634,055	115,248,782	277,490,114	260,571,324
Restricted	93,422,324	75,241,112	42,667,809	33,843,543	136,090,133	109,084,655
Unrestricted	54,600,814	48,774,047	96,992,091	89,313,626	151,592,905	138,087,673
Total net position	\$ 307,879,197	\$ 269,337,701	\$ 257,293,955	\$ 238,405,951	\$ 565,173,152	\$ 507,743,652

City of Panama City Beach, Florida Management's Discussion and Analysis

Net investment in capital assets (e.g., land, buildings, equipment and infrastructure), net of any related outstanding debt used to acquire those assets, represents the City's largest portion of net position (49 percent). These capital assets are utilized to provide services to citizens; consequently, these assets are not available for future spending. It should be noted that, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Amounts comprising *restricted net position*, representing 24 percent of the City's net position, are subject to certain restrictions, and thus are limited as to how they may be used. The remaining balance of *unrestricted net position*, \$151,592,905 may be used to help meet the government's ongoing obligations to citizens and creditors.

Net investment in capital assets increased \$16,918,790 (or 6%). Net investment in capital assets in the governmental activities increased \$14,533,517 and net investment in capital assets of the business-type activities increased by \$2,385,273. The governmental activities increase resulted from land acquisitions, engineering, ongoing construction of segments 3, 4.1, 4.2 and 4.3, Frank Brown Park skate park and complex lights as well as fire station 31 and fire station 32 construction. Significant capital projects were also underway or completed in the business-type activities including improvements and replacements of utility service lines and sewer lift stations.

Restricted net position increased \$27,005,478 (or 25%). Restricted net position in the governmental activities increased by \$18,181,212 and restricted net position in the business-type activities increased by \$8,824,266. Restricted net position in governmental activities increased primarily due to the growth in impact fees, fire inspection fees, discretionary sales tax collections, and other restricted resources that exceeded related expenditures in the current year. Restricted net position in business-type activities increased primarily due to utility impact fees and other restricted resources that were not expended in the current year.

The increase in unrestricted net position was \$13,505,232 (or 10%). Unrestricted net position in governmental activities increased by \$5,826,767 and unrestricted net position in business-type activities increased by \$7,678,465. The increase in unrestricted net position in governmental activities was attributable primarily to positive operating results, as unrestricted revenues, including utility taxes and charges for services, exceeded unrestricted expenses. The increase in unrestricted net position in business-type activities is attributable to strong system performance, with operating revenues outpacing expenditures. A strong system performance resulted in net income from operations, before depreciation, of \$13,246,066. The following schedule provides a summary of changes in net position for the years ended September 30, 2025 and 2024:

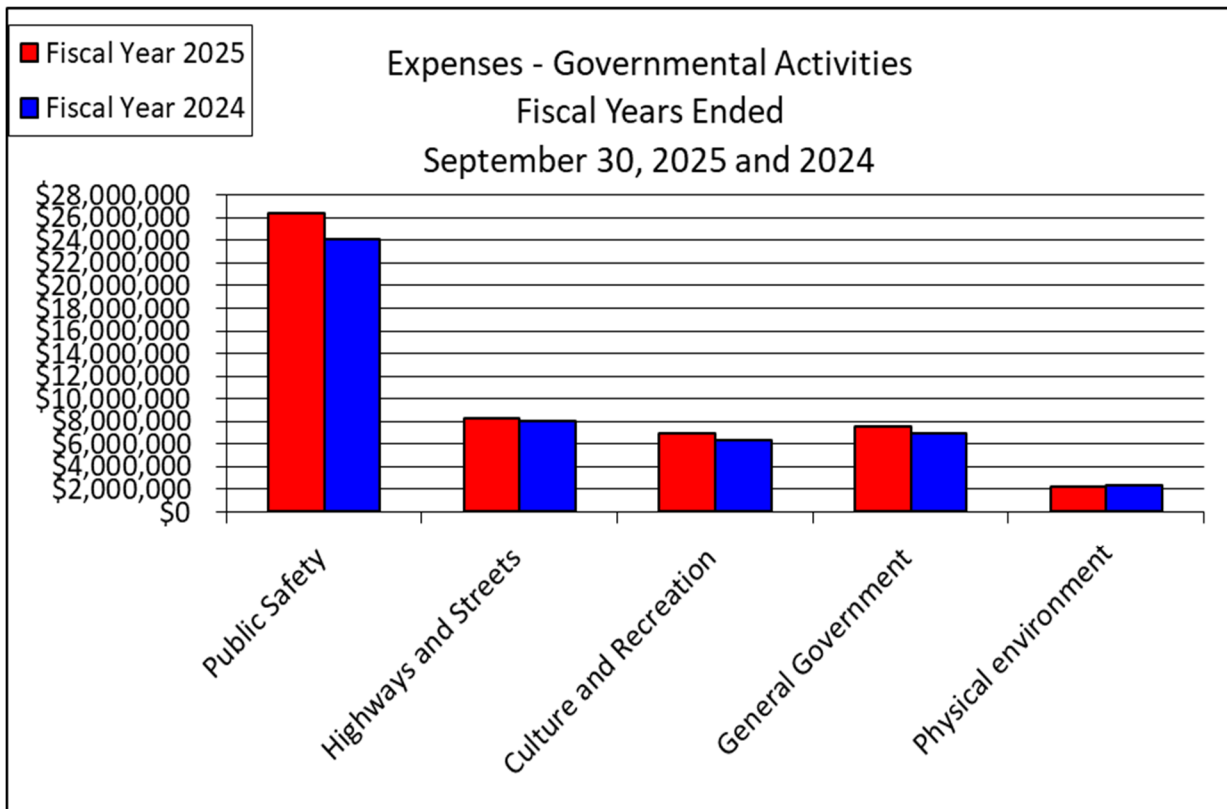
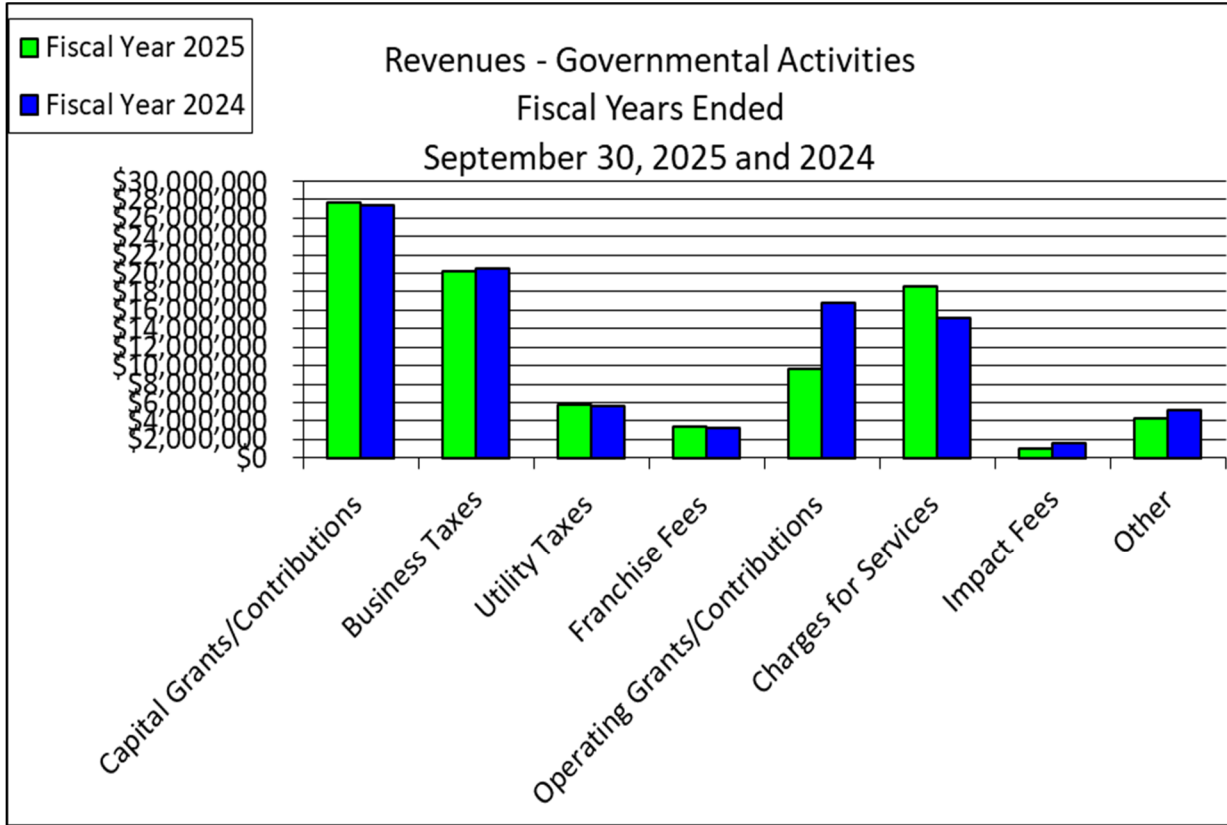
City of Panama City Beach, Florida
Management's Discussion and Analysis

Changes in Net Position

<i>Year Ended September 30,</i>	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program revenues						
Charges for services	\$ 18,522,134	\$ 15,166,910	\$ 44,509,413	\$ 42,801,311	\$ 63,031,547	\$ 57,968,221
Operating grants/contributions	9,615,848	16,733,523	-	113,500	9,615,848	16,847,023
Capital grants/contributions	27,707,645	27,395,300	24,198	200,784	27,731,843	27,596,084
General revenues						
Business taxes	20,219,197	20,514,316	-	-	20,219,197	20,514,316
Utility taxes	5,722,627	5,602,031	-	-	5,722,627	5,602,031
Franchise fees	3,306,208	3,294,340	-	-	3,306,208	3,294,340
Impact fees	1,008,072	1,528,417	8,588,538	7,072,489	9,596,610	8,600,906
Penalties on delinquent business taxes	81,662	84,095	-	-	81,662	84,095
Investment earnings	3,723,350	5,059,492	4,092,217	4,642,098	7,815,567	9,701,590
Miscellaneous	420,833	63,661	267,705	51,154	688,538	114,815
Total revenues	90,327,576	95,442,085	57,482,071	54,881,336	147,809,647	150,323,421
Expenses						
General government	7,501,257	6,983,563	-	-	7,501,257	6,983,563
Public safety	26,380,568	24,130,486	-	-	26,380,568	24,130,486
Highways and streets	8,230,805	8,028,626	-	-	8,230,805	8,028,626
Culture and recreation	6,957,323	6,361,472	-	-	6,957,323	6,361,472
Physical environment	2,249,099	2,318,551	-	-	2,249,099	2,318,551
Interest on long- term debt	1,922,028	1,998,161	523,291	558,061	2,445,319	2,556,222
Utility - water	-	-	18,299,659	17,078,362	18,299,659	17,078,362
Utility - wastewater	-	-	15,244,400	15,272,888	15,244,400	15,272,888
Pier	-	-	1,412,470	1,469,483	1,412,470	1,469,483
Aquatic center	-	-	1,659,247	1,631,322	1,659,247	1,631,322
Total expenses	53,241,080	49,820,859	37,139,067	36,010,116	90,380,147	85,830,975
Increase in net position before transfers	37,086,496	45,621,226	20,343,004	18,871,220	57,429,500	64,492,446
Transfers	1,455,000	1,071,000	(1,455,000)	(1,071,000)	-	-
Increase in net position	\$ 38,541,496	\$ 46,692,226	\$ 18,888,004	\$ 17,800,220	\$ 57,429,500	\$ 64,492,446

**City of Panama City Beach, Florida
Management's Discussion and Analysis**

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



City of Panama City Beach, Florida Management's Discussion and Analysis

Governmental activities' revenues exceeded expenses by \$37,086,496, while business-type activities' revenues exceeded expenses by \$20,343,004. Total revenues decreased \$2,513,774 from the previous year. The change in total revenues from business-type activities was an increase of \$2,600,735 while the change in revenues from governmental activities was a decrease of \$5,114,509. Total charges for services increased \$5,063,326, capital grants and contributions increased \$135,759, business taxes decreased \$295,119, impact fees increased \$995,704, and investment earnings decreased \$1,886,023 in the current year. Governmental activities charges for services increased by \$3,355,224. This increase resulted from a combination of factors including increases in fire rescue assessment revenues, CRA assessment revenues, and fire inspection revenues. The increase of \$1,708,102 in charges for services from business-type activities resulted primarily from an increase in water and wastewater sales attributable to a combination of a rate increase as well as growth in the City's customer base.

Capital grants and contributions increased a total of \$135,759 with governmental activities experiencing an increase of \$312,345 while business-type activities experienced a decrease of \$176,586. The increase in governmental activities capital grants and contributions was due primarily to the timing and level of grant-funded capital activity. Governmental activities as additional grant and contribution revenues were recognized for capital projects in the current year, while business-type activities decrease is due to lower grant-funded reimbursements and contributions compared to the prior year.

Impact fees increased \$995,704 in total, with a \$520,345 decrease attributable to governmental activities and an increase of \$1,516,049 attributable to business-type activities.

Investment earnings decreased \$549,881 in business-type activities and decreased \$1,336,142 in governmental activities for a total decrease of \$1,886,023. The decrease is primarily due to lower average investment yields and/or changes in average invested balances compared with the prior year.

Total expenses in governmental activities increased \$3,420,221 from the previous year. Business-type activities expenses increased \$1,128,951. The increase in governmental activities expenses resulted from a number of factors including the completion of the city road resurfacing project. The increase in business-type activities resulted from water and sewer repairs throughout the city.

31% of the revenues for governmental activities were generated by capital grants and contributions, 22% by business taxes, and 21% from charges for services. Capital grants and contributions as a percentage of total revenues for governmental activities increased by 0% from the prior year. Business taxes as a percentage of total revenues for governmental activities decreased by 1% and utility taxes increased by 2% relative to the preceding year. Charges for services increased as a percentage of total revenues for governmental activities by 9%. Most of the governmental resources were expended for public safety (50%), highways and streets (15%), and general government (14%).

Charges for services provide 77% of the revenues for business-type activities, while 15% are provided from impact fees. Most of the resources are expended to operate the public utility systems (90%).

Financial Analysis of the City's Funds

Governmental Funds

General Fund

The main operating fund of the City is the General Fund. As of September 30, 2025, total assets were \$76,917,980 and total liabilities were \$5,150,027. At the end of fiscal year 2025, unassigned fund balance of the general fund was \$41,653,528, while total fund balance equaled \$71,767,953. Total fund balance increased \$8,042,538 (13%). Restricted fund balance increased \$3,374,286 (37%), committed fund balance decreased \$1,123,829 (24%), Assigned fund balance decreased \$6,791,911 (33%) and nonspendable fund balance decreased \$49,742 (25%). Unassigned fund balance increased \$12,633,734 (44%). Fiscal year 2025 revenues in the general fund exceeded expenditures by \$6,440,745.

Restricted fund balance increased due to the collection of Half-Cent Discretionary Tax and this funding was not expended in the fiscal year. Committed fund balance decreased because of the completion of the skate park project and the near completion of the fire stations. Assigned fund balance decreased primarily due to the completion of Frank Brown Park connector roadway and north complex lighting project. Unassigned fund balance increased due reclassification to assigned, committed and restricted fund balances.

The general fund budget was amended during the year to reflect a decrease in available revenues as well as decreases in current expenditures and decreases in capital outlay expenditures. The decrease in total budgeted revenues was \$1,034,533 which represented a change from the original to the amended budget of 1.85%. The primary reason for the decrease was a small decline in business tax revenue and timing of grant revenues. Budgeted current expenditures decreased from the original by \$436,040, while the budget for capital outlay expenditures decreased by \$436,040 to reflect the revised timing of capital projects.

Community Redevelopment Fund

The other major governmental fund of the City is the Community Redevelopment Fund. As of September 30, 2025, total assets were \$91,509,771 and total liabilities were \$3,379,893. At the end of fiscal year 2025, the total fund balance equaled \$88,129,878. Total fund balance increased \$8,916,610. Assigned fund balance increased from \$1,714,687 to a balance of \$2,173,295 at year end.

City of Panama City Beach, Florida Management's Discussion and Analysis

Nonmajor Governmental Funds

The *beach access public parking fund* accounts for the use of coastal development and redevelopment fees restricted for the construction of additional beach access public parking.

The *stormwater fund* accounts for the use of stormwater special assessments which must be used for the construction and maintenance of the City's stormwater system. In the past, the stormwater function was a separate department within the Utility Fund. Beginning with fiscal year 2020, the stormwater fund is a standalone nonmajor governmental fund. The stormwater fund is the only nonmajor governmental fund for which a budget is prepared annually.

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

Proprietary Funds

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

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

Fund	2025 Unrestricted Net Position	2024 Unrestricted Net Position
Utility	\$ 94,506,203	\$ 86,642,456
Pier	2,285,115	2,541,229
Aquatic Center	200,773	129,941
Total	\$ 96,992,091	\$ 89,313,626

The *Utility Fund* is used to account for the operations of the City's water and wastewater systems. Operating revenues increased \$1,602,747, or 4%, in 2025 compared to 2024 primarily due to an increase in water and wastewater sales attributable to a combination of a rate increase as well as growth in the City's customer base. The primary reason for the increase in the unrestricted net position of the utility fund was from net operating income of \$8,544,348.

City of Panama City Beach, Florida Management's Discussion and Analysis

The *Pier Fund* accounts for the operations and maintenance of the City's Russell-Fields Pier. Operating revenues exceeded operating expenditures by \$450,033. Personal services and depreciation expense accounted for a significant portion of operating expenses, 47% and 26%, respectively. Pier fund operations generated positive cash flows in 2025. \$1,000,000 of this positive cash flow was transferred to the City's aquatic center fund to help subsidize its operating shortfall.

The *Aquatic Center Fund* is being used to account for the operation of an aquatic center located at Frank Brown Park. For fiscal year 2025, operating expenses exceeded operating revenues by \$1,088,606. The shortfall in operations was offset by transfers from the City's Pier Fund.

Capital Assets Activity

The following schedule provides a summary of the City's capital assets activity. The City's total investment in capital assets for both its governmental and business-type activities as of September 30, 2025, was \$351,173,284 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Continued investment in Front Beach Road Community Redevelopment Area projects, including construction activity and utility relocation associated with 4.1, 4.2, 4.3 roadway and drainage improvements, lighting improvements, easement-related activity, and approximately \$942,194 in land acquisitions. Construction in progress within the CRA increased approximately \$52.6 million at year-end.
- Continued investment in water and wastewater infrastructure, including utility relocations associated with Front Beach Road improvements, wastewater treatment and lift station related improvements, Laguana Bach sewer expansion and water system improvement within the service area.
- Continued investment in General Fund capital projects, including public safety facilities, recreation improvements, roadway projects, and park related improvements, with construction in progress increasing to approximately \$24.7 million at year end.

**City of Panama City Beach, Florida
Management's Discussion and Analysis**

**Capital Assets
(net of depreciation)**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<i>September 30,</i>						
Land	\$ 57,001,847	\$ 54,845,088	\$ 11,699,312	\$ 10,045,357	\$ 68,701,159	\$ 64,890,445
Construction in progress	65,791,400	63,597,878	24,995,141	23,195,211	90,786,541	86,793,089
Intangible assets	-	-	194,788	194,788	194,788	194,788
Buildings	16,871,002	16,621,589	17,613,311	17,262,367	34,484,313	33,883,956
Improvements	60,333,766	49,975,299	78,865,780	82,596,921	139,199,546	132,572,220
Machinery and equipment	11,347,552	10,234,413	6,451,084	6,267,947	17,798,636	16,502,360
Right-to-use lease asset	-	-	8,301	14,161	8,301	14,161
Total	\$ 211,345,567	\$ 195,274,267	\$ 139,827,717	\$ 139,576,752	\$ 351,173,284	\$ 334,851,019

Additional information on the City's capital assets can be found in note 3 of the notes to basic financial statements.

Debt Management

At the end of the current fiscal year, the City had total bond debt outstanding of \$85,929,131. This debt amount represents bonds secured solely by specified revenue sources (i.e., revenue bonds).

Outstanding Bond Debt

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
<i>September 30,</i>						
Revenue bonds	\$ 62,389,131	\$ 65,421,038	\$ 23,540,000	\$ 25,935,000	\$ 85,929,131	\$ 91,356,038

Total outstanding bond debt decreased by \$5,426,907 in the current fiscal year. Principal payments totaled \$5,190,000 in the current year and were adjusted by amortization of premiums. The City's Utility System Bonds currently maintain an "AA-" rating from Standard & Poor's and "AA+" rating from Fitch. The City's 2020 Capital Improvement Bonds (Front Beach Road) are assigned an A rating by Standard & Poor's while the 2015 Capital Improvement Bonds (Front Beach Road) are not rated as they are not a public issue but rather a bank loan.

The Florida Constitution and the City of Panama City Beach set no legal debt limits for revenue bonds. More detailed information about the City's liabilities is presented in note 3 of the notes to basic financial statements.

City of Panama City Beach, Florida Management's Discussion and Analysis

Other Financial Information

During fiscal year 2025, Panama City Beach continued to experience strong economic activity supported by tourism, commercial and residential growth, and ongoing redevelopment and infrastructure investment. Tourism remained a primary economic driver, while continued development activity contributed to growth in the City's tax base, business activity, and utility customer base. The City continued to invest in major infrastructure and redevelopment projects designed to support long-term growth, resiliency, and quality of life.

The local economy remained strong, and in many of the City's funds revenues exceeded expenditures, contributing to increased reserves that will assist in funding upcoming construction projects and other long-term capital needs. The City also continued to monitor economic conditions, infrastructure demands, and changes affecting redevelopment revenues as part of long-term financial planning.

This report was prepared by the City's finance department. Questions concerning this report or requests for additional information should be addressed to City of Panama City Beach, 17007 Panama City Beach Parkway, Panama City Beach, Florida 32413-2199, and attention: Debra Gibson, Finance Director.

City of Panama City Beach, Florida
Statement of Net Position

<i>September 30, 2025</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	\$ 41,286,673	\$ 42,099,691	\$ 83,386,364
Accounts receivable, net	615,930	8,427,698	9,043,628
Taxes and fees receivable	806,909	-	806,909
Grants receivable	1,257,535	264,158	1,521,693
Accrued interest receivable	86,864	45,291	132,155
Lease receivable	-	2,773,827	2,773,827
Due from other governments	638,507	14,070	652,577
Due from fiduciary funds	1,350	-	1,350
Inventory	19,109	1,762,060	1,781,169
Investments	21,874,987	48,594,116	70,469,103
Prepaid items	234,637	180,559	415,196
Restricted assets			
Cash and cash equivalents	91,230,791	48,170,726	139,401,517
Accrued interest receivable	141,299	-	141,299
Due from other governments	304,826	-	304,826
Prepaid items	21,830	-	21,830
Grants receivable	984,658	-	984,658
Investments	18,399,707	-	18,399,707
Capital assets			
Non-depreciable	122,793,247	36,889,241	159,682,488
Depreciable, net	88,552,320	102,930,175	191,482,495
Right-to-use lease assets, net	-	8,301	8,301
Total assets	389,251,179	292,159,913	681,411,092
Deferred Outflows of Resources			
Deferred outflows related to pensions	6,374,408	1,122,547	7,496,955
Deferred outflows related to OPEB	223,143	76,165	299,308
Deferred loss on refunding	1,012,492	1,538,609	2,551,101
Total deferred outflows of resources	7,610,043	2,737,321	10,347,364

(Continued)

The accompanying notes are an integral part of these financial statements.

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

<i>September 30, 2025</i>	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Accounts payable	\$ 4,102,286	\$ 1,094,760	\$ 5,197,046
Accrued expenses and deposits	1,523,030	1,980,827	3,503,857
Accrued interest payable	895,496	116,256	1,011,752
Due to other governments	1,424,464	1,078,420	2,502,884
Internal balances	32,492	(32,492)	-
Unearned revenue	1,678,682	2,496,789	4,175,471
Long-term liabilities			
Due within one year			
Revenue certificates payable	-	1,619,665	1,619,665
Compensated absences	2,123,531	503,955	2,627,486
Net OPEB obligation	63,582	21,700	85,282
Lease liability	-	5,946	5,946
Revenue bonds payable, net	3,106,907	2,435,000	5,541,907
Due in more than one year			
Compensated absences	128,899	31,965	160,864
Net pension liability	7,595,785	646,224	8,242,009
Net OPEB obligation	1,209,565	412,875	1,622,440
Revenue bonds payable, net	59,282,224	21,105,000	80,387,224
Total liabilities	83,166,943	33,516,890	116,683,833
Deferred Inflows of Resources			
Deferred inflows related to lease revenue	-	2,591,815	2,591,815
Deferred inflows related to pensions	5,304,422	1,320,265	6,624,687
Deferred inflows related to OPEB	510,660	174,309	684,969
Total deferred inflows of resources	5,815,082	4,086,389	9,901,471
Net position			
Net investment in capital assets	159,856,059	117,634,055	277,490,114
Restricted for			
Law enforcement	102,320	-	102,320
Beach access public parking	854,328	-	854,328
Impact fees	5,036,744	41,856,142	46,892,886
Reforestation	1,577,663	-	1,577,663
Highways and streets	5,713,090	-	5,713,090
Debt service	5,804,797	811,667	6,616,464
Community redevelopment	66,699,399	-	66,699,399
Storm water	7,633,983	-	7,633,983
Unrestricted	54,600,814	96,992,091	151,592,905
Total net position	\$ 307,879,197	\$ 257,293,955	\$ 565,173,152

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Statement of Activities

<i>For the year ended September 30, 2025</i>					Net (Expenses) Revenues and Changes in Net Position			
Functions / Programs	Expenses	Program Revenues			Primary Government			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 7,501,257	\$ 1,988,123	\$ 4,470,584	\$ 1,771,250	\$ 728,700	\$ -	\$ 728,700	
Public safety	26,380,568	9,795,778	1,847,120	396,990	(14,340,680)	-	(14,340,680)	
Highways and streets	8,230,805	1,624,691	3,048,419	22,902,407	19,344,712	-	19,344,712	
Culture and recreation	6,957,323	678,780	249,725	2,483,236	(3,545,582)	-	(3,545,582)	
Physical environment	2,249,099	4,434,762	-	153,762	2,339,425	-	2,339,425	
Interest on long-term debt	1,922,028	-	-	-	(1,922,028)	-	(1,922,028)	
Total governmental activities	53,241,080	18,522,134	9,615,848	27,707,645	2,604,547	-	2,604,547	
Business-type activities								
Utility								
Water	18,299,659	22,308,705	-	12,198	-	4,021,244	4,021,244	
Waste water	15,244,400	19,779,702	-	12,000	-	4,547,302	4,547,302	
Pier	1,412,470	1,862,503	-	-	-	450,033	450,033	
Aquatic center	1,659,247	558,503	-	-	-	(1,100,744)	(1,100,744)	
Interest on long-term debt	523,291	-	-	-	-	(523,291)	(523,291)	
Total business-type activities	37,139,067	44,509,413	-	24,198	-	7,394,544	7,394,544	
Total primary government	\$ 90,380,147	\$ 63,031,547	\$ 9,615,848	\$ 27,731,843	2,604,547	7,394,544	9,999,091	
General revenues and transfers								
Taxes								
Business taxes					20,219,197	-	20,219,197	
Utility taxes					5,722,627	-	5,722,627	
Franchise fees					3,306,208	-	3,306,208	
Impact fees					1,008,072	8,588,538	9,596,610	
Penalties on delinquent business taxes					81,662	-	81,662	
Investment earnings					3,723,350	4,092,217	7,815,567	
Miscellaneous					420,833	267,705	688,538	
Transfers, net					1,455,000	(1,455,000)	-	
Total general revenues					35,936,949	11,493,460	47,430,409	
Change in net position					38,541,496	18,888,004	57,429,500	
Net position, beginning of year					269,337,701	238,405,951	507,743,652	
Net position, end of year					\$ 307,879,197	\$ 257,293,955	\$ 565,173,152	

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Balance Sheet
Governmental Funds

<i>September 30, 2025</i>	General	Community Redevelopment	Nonmajor Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 38,911,790	\$ 2,151,710	\$ 28,495	\$ 41,091,995
Accounts receivable, net	120,539	34,706	-	155,245
Taxes and fees receivable	806,909	-	-	806,909
Grants receivable	1,257,535	-	-	1,257,535
Accrued interest receivable	86,818	-	46	86,864
Due from other governments	633,767	-	-	633,767
Due from other funds	81,742	5,407	-	87,149
Due from fiduciary funds	1,350	-	-	1,350
Inventory	19,109	-	-	19,109
Investments	21,874,987	-	-	21,874,987
Prepaid items	127,659	5,402	-	133,061
Cash and cash equivalents - restricted	12,738,814	69,949,853	8,542,124	91,230,791
Accounts receivable, net - restricted	-	-	-	-
Investments- restricted	-	18,399,707	-	18,399,707
Grants receivable - restricted	-	842,999	141,659	984,658
Accrued interest receivable - restricted	-	119,987	21,312	141,299
Due from other governments - restricted	256,961	-	47,865	304,826
Due from other funds - restricted	-	-	16,180	16,180
Prepaid items - restricted	-	-	21,830	21,830
Total assets	\$ 76,917,980	\$ 91,509,771	\$ 8,819,511	\$ 177,247,262
Liabilities and fund balances				
Liabilities				
Accounts payable	\$ 1,956,508	\$ 2,011,736	\$ 95,398	\$ 4,063,642
Accrued expenses and deposits	1,427,799	16,681	49,731	1,494,211
Due to other governments	74,198	1,350,266	-	1,424,464
Due to other funds	14,040	10	1,110	15,160
Unearned revenue	1,677,482	1,200	-	1,678,682
Total liabilities	5,150,027	3,379,893	146,239	8,676,159
Fund balances				
Nonspendable	146,768	5,402	21,830	174,000
Restricted	12,593,216	85,951,181	8,625,080	107,169,477
Committed	3,510,463	-	-	3,510,463
Assigned	13,863,978	2,173,295	26,362	16,063,635
Unassigned	41,653,528	-	-	41,653,528
Total fund balances	71,767,953	88,129,878	8,673,272	168,571,103
Total liabilities and fund balances	\$ 76,917,980	\$ 91,509,771	\$ 8,819,511	
Amounts reported for governmental activities in the statement of net position are different because:				
Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds.				465,425
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.				211,042,167
The internal service fund is used by management to charge the costs of IT services to individual funds. The assets, liabilities, deferred outflows, and deferred inflows of the internal service fund is included in governmental activities in the statement of net position.				229,334
Long-term and claim liabilities, including bonds and self-insurance liability, are not due and payable in the current period and, therefore, are not reported in the funds.				(74,250,277)
Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds.				1,821,445
Net position of governmental activities				\$ 307,879,197

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds

<i>For the year ended September 30, 2025</i>	General	Community Redevelopment	Nonmajor Funds	Total Governmental Funds
Revenues				
Taxes				
Business taxes	\$ 20,219,197	\$ -	\$ -	\$ 20,219,197
Utility taxes	5,722,627	-	-	5,722,627
Tax increment funds	-	22,003,249	-	22,003,249
Franchise fees	3,308,350	-	-	3,308,350
Intergovernmental	6,768,549	-	-	6,768,549
Municipal services impact fees	975,903	32,169	-	1,008,072
Permits, fees and special assessments	8,872,497	961,449	4,426,392	14,260,338
Fines and forfeitures	351,247	1,061	15,978	368,286
Contributions and donations	2,096,726	4,500	30,624	2,131,850
Grants	3,192,354	858,885	153,762	4,205,001
Rents	305,172	8,296	-	313,468
Investment earnings	2,022,314	2,238,810	211,678	4,472,802
Other fees and miscellaneous	3,051,687	439,771	8,370	3,499,828
Total revenues	56,886,623	26,548,190	4,846,804	88,281,617
Expenditures				
Current				
General government	6,761,611	715,786	-	7,477,397
Public safety	25,043,519	-	57,560	25,101,079
Highways and streets	2,391,714	2,022,963	-	4,414,677
Culture and recreation	5,424,706	-	-	5,424,706
Physical environment	-	-	1,850,042	1,850,042
Capital outlay				
General government	1,267,553	-	-	1,267,553
Public safety	4,728,101	-	-	4,728,101
Highways and streets	1,403,725	9,094,483	-	10,498,208
Culture and recreation	3,424,949	-	-	3,424,949
Physical environment	-	-	793,907	793,907
Debt service				
Principal	-	2,795,000	-	2,795,000
Interest	-	2,940,598	-	2,940,598
Other debt service costs	-	750	-	750
Total expenditures	50,445,878	17,569,580	2,701,509	70,716,967
Excess of revenues over expenditures	6,440,745	8,978,610	2,145,295	17,564,650
Other Financing Sources (Uses)				
Transfers in	1,744,000	-	100,000	1,844,000
Transfers out	(100,000)	(62,000)	(152,000)	(314,000)
Grants and aid	(175,735)	-	-	(175,735)
Proceeds from disposal of assets	133,528	-	10,165	143,693
Net other financing sources (uses)	1,601,793	(62,000)	(41,835)	1,497,958
Net change in fund balances	8,042,538	8,916,610	2,103,460	19,062,608
Fund balances, beginning of year	63,725,415	79,213,268	6,569,812	149,508,495
Fund balances, end of year	\$ 71,767,953	\$ 88,129,878	\$ 8,673,272	\$ 168,571,103

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities

<i>For the year ended September 30,</i>	2025
Net change in fund balances - total governmental funds	\$ 19,062,608
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 costs of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay expenditures exceeded depreciation expense in the current period.	13,406,586
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position.	2,367,976
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	629,303
Internal service funds are used by management to charge the costs of The net revenue of certain activities of internal service funds is reported with governmental activities.	222,672
Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.	(13,163)
The issuance of long-term debt (i.e. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	2,865,514
Change in net position of governmental activities	\$ 38,541,496

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Statement of Net Position
Proprietary Funds

<i>September 30, 2025</i>	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Utility Fund	Other Proprietary Funds	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 40,059,112	\$ 2,040,579	\$ 42,099,691	\$ 194,678
Accounts receivable, net	8,390,951	36,747	8,427,698	-
Grants receivable	264,158	-	264,158	-
Due from other funds	30,816	4,488	35,304	-
Due from other governments	14,070	-	14,070	-
Inventory	1,762,060	-	1,762,060	-
Investments	47,983,232	610,884	48,594,116	-
Accrued interest receivable	41,726	3,565	45,291	-
Prepaid items	164,596	15,963	180,559	101,576
Total unrestricted current assets	98,710,721	2,712,226	101,422,947	296,254
Restricted current assets				
Cash and cash equivalents	48,170,726	-	48,170,726	-
Total restricted assets	48,170,726	-	48,170,726	-
Total current assets	146,881,447	2,712,226	149,593,673	296,254
Noncurrent assets				
Lease receivable	-	2,773,827	2,773,827	-
Capital assets				
Non-depreciable	36,889,241	-	36,889,241	283,111
Depreciable, net	95,548,438	7,381,737	102,930,175	20,289
Right-to-use lease assets, net	-	8,301	8,301	-
Total capital assets, net	132,437,679	7,390,038	139,827,717	303,400
Total noncurrent assets	132,437,679	10,163,865	142,601,544	303,400
Total assets	\$ 279,319,126	\$ 12,876,091	\$ 292,195,217	\$ 599,654
Deferred Outflows of Resources				
Deferred outflows related to pensions	988,911	133,636	1,122,547	106,909
Deferred outflows related to OPEB	69,113	7,052	76,165	5,940
Deferred loss on refunding	1,538,609	-	1,538,609	-
Total deferred outflows of resources	\$ 2,596,633	\$ 140,688	\$ 2,737,321	\$ 112,849

(Continued)

The accompanying notes are an integral part of these financial statements.

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

<i>September 30, 2025</i>	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Proprietary Funds	Total	Activities - Internal Service Fund
Liabilities				
Current liabilities				
Accounts payable	\$ 1,044,832	\$ 49,928	\$ 1,094,760	\$ 38,644
Accrued expenses and deposits	1,917,187	63,640	1,980,827	28,819
Accrued interest payable	116,256	-	116,256	-
Due to other funds	2,812	-	2,812	120,661
Due to other governments	1,045,770	32,650	1,078,420	-
Unearned revenue	2,454,939	41,850	2,496,789	-
Revenue certificates payable	1,619,665	-	1,619,665	-
Compensated absences	443,306	60,649	503,955	56,660
Net OPEB liability	19,693	2,007	21,700	1,693
Current portion of lease liability	-	5,946	5,946	-
Current portion of revenue bonds payable, net	2,435,000	-	2,435,000	-
Total current liabilities	11,099,460	256,670	11,356,130	246,477
Noncurrent liabilities				
Compensated absences	28,094	3,871	31,965	3,616
Net pension liability	569,293	76,931	646,224	61,545
Net OPEB liability	374,630	38,245	412,875	32,198
Revenue bonds payable, net due after one year	21,105,000	-	21,105,000	-
Total noncurrent liabilities	22,077,017	119,047	22,196,064	97,359
Total liabilities	33,176,477	375,717	33,552,194	343,836
Deferred Inflows of Resources				
Deferred inflows related to lease revenue	-	2,591,815	2,591,815	-
Deferred inflows related to pensions	1,163,090	157,175	1,320,265	125,739
Deferred inflows related to OPEB	158,163	16,146	174,309	13,594
Total deferred inflows of resources	1,321,253	2,765,136	4,086,389	139,333
Net Position				
Net investment in capital	110,244,017	7,390,038	117,634,055	303,400
Restricted for				
Impact fees	41,856,142	-	41,856,142	-
Debt service	811,667	-	811,667	-
Unrestricted	94,506,203	2,485,888	96,992,091	(74,066)
Total net position	\$ 247,418,029	\$ 9,875,926	\$ 257,293,955	\$ 229,334

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds

<i>For the year ended September 30, 2025</i>	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Proprietary Funds	Total	Activities - Internal Service Fund
Operating Revenues				
Charges for services				
Water and waste water sales	\$ 40,337,972	\$ -	\$ 40,337,972	\$ -
Connection and reset fees	879,126	-	879,126	-
Administrative and review fees	53,350	-	53,350	-
Admissions and other fees	-	1,839,789	1,839,789	-
Information technology services				1,702,184
Rent	-	165,459	165,459	-
Miscellaneous	817,959	415,758	1,233,717	-
Total operating revenues	42,088,407	2,421,006	44,509,413	1,702,184
Operating Expenses				
Personal services	8,449,426	1,506,950	9,956,376	795,306
Professional services	1,199,632	84,799	1,284,431	35,555
Office supplies	18,728	912	19,640	1,000
Contractual services	621,116	79,278	700,394	276,680
Insurance	625,529	78,146	703,675	7,161
Repairs and maintenance	1,349,707	144,011	1,493,718	9,404
Operating supplies	2,792,670	291,592	3,084,262	138,197
Communication services	135,024	15,337	150,361	128,387
Public utility services	12,715,045	150,409	12,865,454	6,545
Transportation	60,601	-	60,601	-
Rentals	80,107	90,983	171,090	1,398
Printing and binding	8,925	823	9,748	407
Miscellaneous	76,881	18,173	95,054	574
Depreciation and amortization	5,410,668	610,304	6,020,972	5,891
Total operating expenses	33,544,059	3,071,717	36,615,776	1,406,505
Operating income (loss)	8,544,348	(650,711)	7,893,637	295,679
Nonoperating Revenues (Expenses)				
Investment earnings	3,920,397	72,127	3,992,524	418
Grants and contributions	24,198	-	24,198	-
Gain (loss) on disposal of assets	358,946	5,605	364,551	1,576
Loss on lease modification	-	(96,846)	(96,846)	-
Interest expense	(523,129)	(162)	(523,291)	-
Interest income on lease receivable	-	99,693	99,693	-
Total nonoperating revenues (expenses)	3,780,412	80,417	3,860,829	1,994
Income (Loss) Before Impact Fees and Transfers	12,324,760	(570,294)	11,754,466	297,673
Impact fees	8,588,538	-	8,588,538	-
Transfers out	(1,284,000)	(171,000)	(1,455,000)	(75,000)
Total capital contributions, impact fees and transfers	7,304,538	(171,000)	7,133,538	(75,000)
Change in net position	19,629,298	(741,294)	18,888,004	222,673
Net position, beginning of year	227,788,731	10,617,220	238,405,951	6,661
Net position, end of year	\$ 247,418,029	\$ 9,875,926	\$ 257,293,955	\$ 229,334

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Statement of Cash Flows
Proprietary Funds

<i>For the year ended September 30, 2025</i>	Business-type Activities - Enterprise Funds			Governmental
	Utility Fund	Other Proprietary Funds	Total	Activities - Internal Service Fund
Operating Activities				
Cash received from customers and users	\$ 41,289,970	\$ 2,378,643	\$ 43,668,613	\$ 1,888,514
Cash payments to suppliers	(22,052,821)	(1,385,629)	(23,438,450)	(513,485)
Cash payments to employees	(6,267,848)	(1,190,589)	(7,458,437)	(808,601)
Net cash provided by operating activities	12,969,301	(197,575)	12,771,726	566,428
Noncapital Financing Activities				
Repayment of loans to other funds	-	(71,000)	(71,000)	-
Cash transfers (to) from other funds	(1,284,000)	(100,000)	(1,384,000)	(75,000)
Net cash provided by (used in) noncapital financing activities	(1,284,000)	(171,000)	(1,455,000)	(75,000)
Capital and Related Financing Activities				
Impact fees	6,784,028	-	6,784,028	-
Grants and contributions	24,198	-	24,198	-
Principal paid on revenue certificates	(155,291)	-	(155,291)	-
Principal paid on lease liabilities	-	(5,865)	(5,865)	-
Interest paid on lease liabilities	-	(162)	(162)	-
Principal paid on revenue bonds	(2,395,000)	-	(2,395,000)	-
Interest paid on revenue bonds	(383,759)	-	(383,759)	-
Proceeds from sale of assets	361,986	5,605	367,591	1,576
Costs associated with sale of assets	(1,734)	-	(1,734)	-
Purchase of capital assets	(6,287,917)	(54,292)	(6,342,209)	(302,630)
Cash received as lessor - interest	-	99,693	99,693	-
Net cash (used in) capital and related financing activities	(2,053,489)	44,979	(2,008,510)	(301,054)
Investing Activities				
Purchase of investments	(2,093,933)	(26,817)	(2,120,750)	-
Investment earnings	3,925,915	72,127	3,998,042	418
Net cash provided by (used in) investing activities	1,831,982	45,310	1,877,292	418
Net increase in cash and cash equivalents	11,463,794	(278,286)	11,185,508	190,792
Cash and cash equivalents, beginning of year	76,766,044	2,318,865	79,084,909	3,886
Cash and cash equivalents, end of year	\$ 88,229,838	\$ 2,040,579	\$ 90,270,417	\$ 194,678
Classified as				
Current assets - cash and cash equivalents	\$ 40,059,112	\$ 2,040,579	\$ 42,099,691	\$ 194,678
Restricted assets - cash and cash equivalents	48,170,726	-	48,170,726	-
Total	\$ 88,229,838	\$ 2,040,579	\$ 90,270,417	\$ 194,678

(Continued)

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Statement of Cash Flows
Proprietary Funds (Continued)

<i>For the year ended September 30, 2025</i>	Business-type Activities - Enterprise Funds			Governmental Activities - Internal Service Fund
	Utility Fund	Other Proprietary Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities				
Operating income (loss)	\$ 8,544,348	\$ (650,711)	\$ 7,893,637	\$ 295,679
Adjustments to reconcile operating income (loss) to net cash provided by operating activities				
Depreciation	5,410,668	604,444	6,015,112	5,891
Amortization	-	5,860	5,860	-
Bad debts	233,665	-	233,665	-
Change in assets, deferred outflows, liabilities and deferred inflows				
(Increase) decrease in assets and deferred outflows				
Accounts receivable, net	(351,348)	134,636	(216,712)	16
Due from other funds	(30,816)	(4,398)	(35,214)	283,003
Due from other governments	(4,069)	-	(4,069)	-
Lease receivable	-	(31,762)	(31,762)	-
Accrued interest receivable	-	1,086	1,086	-
Inventory	(698,538)	-	(698,538)	-
Prepays	102,401	(15,963)	86,438	(96,689)
Deferred outflows related to pensions	(296,367)	(21,331)	(317,698)	(13,322)
Deferred outflows related to OPEB	9,507	856	10,363	(1,032)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	(26,151)	(60,470)	(86,621)	(28,838)
Accrued expenses and deposits	197,691	11,245	208,936	6,011
Due to other funds	(970)	(10,056)	(11,026)	120,661
Due to fiduciary funds	-	(474)	(474)	-
Due to other governments	151,698	2,573	154,271	-
Unearned revenue	(472,542)	1,346	(471,196)	-
Accrued compensated absences	(32,850)	(5,578)	(38,428)	(2,116)
Net OPEB obligation	(48,287)	(4,266)	(52,553)	6,259
Net pension liability	(34,750)	(21,021)	(55,771)	(20,082)
Deferred inflows related to pensions	260,959	10,882	271,841	3,830
Deferred inflows related to OPEB	55,052	5,777	60,829	7,157
Deferred inflows related to leases	-	(150,250)	(150,250)	-
Total adjustments	4,424,953	453,136	4,878,089	270,749
Net cash provided by operating activities	\$ 12,969,301	\$ (197,575)	\$ 12,771,726	\$ 566,428

The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Statement of Fiduciary Net Position
Fiduciary Funds

<i>September 30, 2025</i>	Pension Trust Funds
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Assets	
Cash and cash equivalents	\$ 25,379
Accounts receivable, net	49,800
Dividends receivable	33,561
Investments, at fair value	
Money market funds	2,459,972
Municipal bonds	2,594,642
Corporate bonds	11,438,603
Equity & securities	48,752,611
Government securities	6,417,136
Real estate investment funds	6,558,401
Real estate investment trusts	5,476,439
Mutual funds	40,388,109
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Total assets	\$ 124,194,653
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Liabilities	
Accounts payable	143,824
Refunds payable	154,896
Due to other funds	1,350
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Total liabilities	\$ 300,070
<hr/>	
Net position	
Restricted for	
Held in trust for pension benefits	\$ 123,894,583
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The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida
Statement of Changes in Fiduciary Net Position
Fiduciary Funds

<i>For the year ended September 30, 2025</i>	Pension Trust Funds
Additions	
Contributions	
Employer	\$ 4,759,301
Plan members	2,282,062
State of Florida	44,502
Insurance premiums	733,075
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Total contributions	7,818,940
Investment income	
Interest	9,036
Dividends	4,157,089
Net increase (decrease) in fair value of investments	7,596,695
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Total investment income	11,762,820
Less investment expenses	(365,920)
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Net investment income	11,396,900
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Total additions	19,215,840
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Deductions	
Benefits paid	5,796,588
Refunds of contributions	512,755
Administrative expenses	99,480
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Total deductions	6,408,823
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Net increase (decrease) in fiduciary net position	12,807,017
Net position, beginning of year	111,087,566
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Net position, end of year	\$ 123,894,583
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The accompanying notes are an integral part of these financial statements.

City of Panama City Beach, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Panama City Beach, Florida (the “City”) was created on August 12, 1970 by Chapter 70-874 of the Constitution of the State of Florida. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: general government, public safety, highways and streets, culture and recreation, and utility services.

Reporting Entity

The City is governed by an elected mayor and four-member governing council (the “Council”). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The accounting policies of the City conform to generally accepted accounting principles (GAAP) as applied to governmental units. The more significant accounting policies used by the City are described below.

Component Unit – Panama City Beach Community Redevelopment Agency

This report includes financial statements of the funds required to account for those financial activities which are related to the City and are controlled by or dependent upon the City's legislative body, the City Council. The City has one component unit, the Panama City Beach Community Redevelopment Agency, as defined by GASB Statement No. 61, *The Financial Reporting Entity* and in publications cited in the State of Florida, Office of the Auditor General Rules, Rule 10.553, which is required to be blended in these financial statements.

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

Due to the nature and significance of the Agency’s relationship with the City, exclusion of the Agency’s financial operations would render the City’s financial statements incomplete or misleading. The Agency’s governing body is the same as the governing body of the City and the Agency provides services specifically to the Front Beach Road and Pier Park Community Redevelopment Areas of the City. The Agency is disclosed using the blended presentation method. The Agency also issues separate financial statements. These may be obtained from the City at 17007 Panama City Beach Parkway, Panama City Beach, Florida 32413-2199.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

City of Panama City Beach, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Government-Wide and Fund Financial Statements (continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. 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 fund and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. 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 and timing requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers grant related revenues to be available if they are collected within 1 year of the end of the current fiscal period and all other 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. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Sales taxes, franchise taxes, licenses, interest, and other revenues 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. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 1 year of year end).

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

The proprietary and pension funds are reported using the *economic resources measurement* focus and the *accrual basis of accounting*.

Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds. 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.

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

Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category—governmental, proprietary, and fiduciary—are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, and internal service funds and fiduciary funds each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. Fiduciary funds are used to report assets held in a trustee or custodial capacity for others that cannot be used to support the government's own programs. Custodial funds are purely custodial and do not involve measurement of results of operations.

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 accounted for in another fund.

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

The City reports the following major enterprise fund:

The *Utility Fund* is used to account for operations and activities related to the water and waste water systems operated by the City.

Additionally, the City reports the following fund types:

Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes other than capital projects.

The *pension trust funds* account for the activities of the General Employees', Police Officers' and Firefighters' Pension Plans, which accumulate resources for pension benefit payments to qualified employees.

City of Panama City Beach, Florida Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Financial Statements (continued)

The *Internal service fund* accounts for information technology services provided to other departments or agencies of the City, on a cost-reimbursement basis.

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Budgetary Information

Budgetary basis of accounting

Annual budgets are adopted on a cash basis for the General Fund, special revenue funds, and proprietary funds. Certain special revenue funds do not have appropriated budgets since other means control the use of these resources (e.g., grant awards and endowment requirements) and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the Council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year.

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance

Cash and cash equivalents

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.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Investments

All investments are recorded at fair value as described in Note 3.

Receivables and payables

Unbilled receivables – An amount for unbilled revenue is recorded in the Utility fund for services rendered, but not yet billed as of the end of the fiscal year. The receivable is derived from the cycle billings generated subsequent to fiscal year end and prorated for usage in September.

Allowance for doubtful accounts – Accounts receivable have been reported net of the allowance for doubtful accounts. The allowance amount is based on accounts sent to collections and evaluated quarterly.

Lease receivables - The City's lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

Unearned revenue – Unearned revenue recorded on the governmental fund balance sheet represents amounts received before eligibility requirements are met.

Interfund Activities and Transactions

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" within the fund financial statements. These amounts are eliminated in the governmental and business-type activities columns of the statement of net position, except for any residual balance outstanding between the governmental and business-type activities at the end of the fiscal year, which are reported in the government-wide financial statements as internal balances.

Interfund transactions are reflected as services provided, reimbursements, or transfers. Services provided, deemed to be at or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when a fund incurs a cost, charges the appropriate benefitting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or business-type funds are funds are netted as part of the reconciliation to the government-wide presentation.

Inventories and Prepaid Items

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

City of Panama City Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Inventories and Prepaid Items (continued)

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Restricted Assets

Certain assets of the City are classified as restricted assets on the statement of net position and the governmental funds balance sheet because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors or laws or regulations of other governments. Special restricted asset accounts have been established to account for the sources and uses of these limited use assets.

Capital Assets

Capital assets, which include property, plant, equipment, right-to-use assets, and infrastructure assets (e.g. roads, bridges, water and waste water distribution systems and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of \$5,000 or more, or \$15,000 or more for improvements, and an estimated useful life in excess of one year.

Land and construction in progress are not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Capital asset classes	Lives
Buildings	10-40 Years
Improvements	3-50 Years
Machinery and equipment	2-25 Years

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

The City has three (3) items that qualify for reporting as deferred outflows of resources, the *deferred loss on refunding*, the *deferred outflows related to pensions*, and the *deferred outflows related to OPEB*, all reported in the government-wide and proprietary funds statements of net position. The deferred loss on refunding results from debt refinancing, whereby the reacquisition price of the funding debt instruments exceed their net carrying amount. The deferred loss on refunding is amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three (3) items that qualify for reporting as deferred inflows of resources, the *deferred inflows related to pensions*, the *deferred inflows related to OPEB*, and the *deferred inflows related to leases*, reported in the government-wide and proprietary funds statements of net position. The *deferred inflows related to pensions* are an aggregate of items related to pensions as calculated in accordance with GASB Codification Section P20: *Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria*. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The *deferred inflows related to leases* are associated with amounts owed to the City, as lessor, by entities leasing the City's capital assets.

Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from government service. For employees hired prior to June 1, 2017, the City's policy permits employees to accumulate earned but unused sick leave benefits, a portion of which is eligible for payment upon separation from government service. For employees hired after June 1, 2017, accumulated sick leave lapses when employees leave the employ of the City and, accordingly upon separation from service, no monetary obligation exists. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements to the extent that the leave is attributable to employees' services already rendered and is more likely than not to be used and paid for while employed or paid for at the end of employment. For the purpose of measuring the liability, the City assumes that leave is used on a first-in-first-out (FIFO) basis, with leave accumulated in prior years used before leave earned during the current year. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

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 position. Bond premiums and discounts are deferred and amortized over the life of the bonds and is recorded as an adjustment to interest expense. Bonds payable are reported net of the applicable bond premium or discount. In accordance with GASB Codification Section 130: *Interest Costs – Imputation*, bond issuance costs are expensed in the period incurred except for prepaid insurance costs.

In the governmental fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized 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.

Leases

Lease contracts that provide the City with control of a non-financial asset, such as land, buildings or equipment, for a period of time in excess of twelve months are reported as a right-to-use lease asset with a related lease liability. The lease liability is recorded at the present value of future lease payments, including fixed payments, variable payments based on an index or fixed rate and reasonably certain residual guarantees. The intangible right-to-use lease asset is recorded for the same amount as the related lease liability plus any prepayments and initial direct costs to place the asset in service. Right-to-use lease assets are amortized over the shorter of the useful life of the asset or the lease term. The lease liability is reduced for lease payments made, less the interest portion of the lease payment.

Pensions

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

Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Categories and Classification of Net Position and Fund Balance

Net position flow assumption – Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

Fund balance flow assumptions – Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund balance policies – Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The provisions of GASBC Section 1800, *Classification and Terminology*, specifies the following classifications:

Nonspendable fund balance – Nonspendable fund balances are amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted fund balance – Restricted fund balances are restricted when constraints placed on the use of resources are either: (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance – The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision-making authority. The governing council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Fund Balance (continued)

Categories and Classification of Net Position and Fund Balance (continued)

Assigned fund balance – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The governing council (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned fund balance – Unassigned fund balance is the residual classification for the General Fund. Unassigned fund balance may also include negative balances for any governmental fund if the nonspendable amount exceeds amounts restricted, committed, or assigned for these specific purposes.

Revenues and Expenditures/Expenses

Program revenues – Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Proprietary funds operating and nonoperating revenues and expenses – 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 Fund are charges to customers for sales and services. The Utility Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for proprietary 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.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make various estimates. Actual results could differ significantly from those estimates. Estimates that are particularly susceptible to significant change in the near term are related to pension liability and OPEB liability.

Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, May 11, 2026 and determined there were no events that occurred that required disclosure.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued and Implemented Accounting Pronouncements

GASB Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. This Statement differs from the prior standards in that governments should recognize a liability for (1) all forms of compensated absences, not just vacation leave, sick leave, and similar types of leave; (2) leave that may be carried forward and used and paid for while still employed, in addition to leave that may be carried forward and paid for at the end of employment; (3) leave that is more likely than not (instead of probable) to be used, paid, or settled; and (4) parental leave, military leave, jury duty leave, and other types of compensated absences that depend upon the occurrence of a sporadic event that affects a relatively small proportion of employees, but not until the leave commences. The potential effect of implementing this Statement is to encompass compensated absences for which long-term liabilities previously were not recognized, including sick leave, which City policy allows to be carried forward and used and paid for while still employed but not paid for at the end of employment. There were no significant impacts of implementing this Statement.

GASB Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide essential information about risks related to a government's vulnerabilities due to certain concentrations (a lack of diversification related to an aspect of a significant revenue source or expense) or constraints (limitations imposed externally or by formal action of a government's highest level of decision-making authority). A government is required to disclose information about such risks if a concentration or constraint (1) is known to the government before the financial statements are available to be issued, (2) makes the government vulnerable to the risk of a substantial impact, and (3) an event or events associated with the concentration or constraint that could cause the substantial impact has occurred, begun to occur, or is more likely than not to begin to occur within 12 months of the date the financial statements are available to be issued. There were no significant impacts of implementing this Statement.

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting blueprint to enhance its effectiveness in providing essential information and to address certain application issues. The Statement requires changes to management's discussion and analysis to make it easier to read and understand and to focus on explaining the reasons why balances and results of operation have changed. The Statement also provides more explicit definitions of operating and nonoperating revenues and expenses and changes the presentation of nonoperating revenues and expenses in the proprietary funds statement of revenues, expenses, and changes in fund net position. The new standards also (1) combine extraordinary items and special items into a single category, unusual or infrequent items, and clarify how they should be reported; (2) limits the reporting of major component unit information to the face of the government-wide financial statements, if it does not reduce their readability, or in combining financial statements following the fund financial statements; and (3) requires that budgetary comparisons be presented as required supplementary information, eliminating the option to present them as basic financial statements.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recently Issued and Implemented Accounting Pronouncements (continued)

GASB Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. In addition to existing requirements regarding the level of detail with which notes to financial statements should disclose intangible right-to-use lease and subscription-based information technology arrangements (SBITA) assets, the Statement requires that (1) intangible right-to-use assets recognized by government operators in a public-public partnership should be disclosed by major class of underlying asset; (2) other types of intangible assets should be disclosed by major class; and (3) right-to-use assets should be disclosed separately from owned assets of the same type. The Statement also establishes that capital assets held for sale are those a government has decided to sell and whose sale within a year of the financial statement date is probable. Capital assets held for sale should be disclosed together with other capital assets of the same class. Governments also should disclose in notes the historical cost and accumulated depreciation (or amortization) of capital assets held for sale, as well as the carrying amount of debt for which they are pledged as collateral, by major class of asset for governmental and business-type activities.

GASB Statement No. 105, *Subsequent Events*. The objective of this Statement is to enhance the consistency with which the standards for reporting subsequent events are applied, thereby better meeting the information needs of financial statement users. The Statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued (that is, when the financial statements are complete in a form and format that complies with generally accepted accounting principles and approvals necessary for issuance have been obtained), rather than the date the financial statements are issued. The date through which subsequent events have been evaluated should be disclosed. A recognized subsequent event provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as of the financial statement date and should be reflected in those estimates. A nonrecognized subsequent event results in a significant effect (favorable or unfavorable) that is recognized or disclosed in the basic financial statements in the reporting period in which the event occurs and is one of the following: a debt-related transaction; government combination or a disposal of government operations; a change to the legally separate entities that compose the financial reporting entity; or a transaction or other event that is of such a nature that disclosure is essential to a user's analysis for making decisions or assessing accountability. Governments will be required to disclose a description of the nonrecognized event and its effect and an estimate of the amount of the effect (or the reason why an estimate cannot be made).

The City is evaluating the requirements of the above statements and the impact on reporting.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position of governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation states, "Receivables, on a modified accrual basis are not resources and, therefore, are not reported in the funds." The details of this \$465,425 difference are as follows:

Accounts receivable, net	\$	460,685
Due from other governments		4,740
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	465,425
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Another element of that reconciliation states, "Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds." The details of this \$211,042,167 difference are as follows:

Cost of capital assets	\$	288,562,593
Less: accumulated depreciation		(77,520,426)
<hr/>		
Net adjustment to increase fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	211,042,167
<hr/>		

Another element of that reconciliation states, "Long-term and claim liabilities, including bonds and self-insurance liability, are not due and payable in the current period and, therefore, are not reported in the funds." The details of this \$(74,250,277) difference are as follows:

Revenue bonds payable, net	\$	(56,915,000)
Unamortized premium costs		(5,474,131)
Net OPEB obligation		(1,239,256)
Net pension liability		(7,534,240)
Compensated absences		(2,192,154)
Accrued interest payable		(895,496)
<hr/>		
Net adjustment to decrease fund balances – total governmental funds to arrive at <i>net position of governmental activities</i>	\$	(74,250,277)
<hr/>		

City of Panama City Beach, Florida
Notes to Financial Statements

Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Another element of that reconciliation states, "Deferred outflows and inflows are not financial statement resources, assets or liabilities and, therefore, are not reported in the funds." The details of this \$1,821,445 difference are as follows:

Deferred outflows related to pensions	\$	6,267,499
Deferred inflows related to pensions		(5,178,683)
Deferred outflows related to OPEB		217,203
Deferred inflows related to OPEB		(497,066)
Deferred loss on refunding		1,012,492
<hr/>		
Net adjustment to increase fund balances - total governmental funds to arrive at <i>net position of governmental activities</i>	\$	1,821,445
<hr/> <hr/>		

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

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances - total governmental funds* and *change in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of these assets are allocated over their estimated useful lives and reported as depreciation expense." The details of this \$13,406,586 difference are as follows:

Capital outlay expenditures	\$	20,712,718
Less: depreciation expense		(7,306,132)
<hr/>		
Net adjustment to increase <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	13,406,586
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Another element of that reconciliation states, "The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net position." The details of this \$2,367,976 difference are as follows:

In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from sales increase financial resources. Thus, the change in net position differs from the change in fund balances by the basis of the capital assets sold.	\$	(29,779)
In the statement of activities, non-cash donations of assets donated or received are recognized at fair market value. However, in the governmental funds, the donations are not recognized.		2,397,755
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Net adjustment to decrease <i>net change in fund balances - total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	2,367,976
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City of Panama City Beach, Florida
Notes to Financial Statements

Note 2: RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

Another element of that reconciliation states, "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds." The details of this \$629,303 difference are as follows:

Compensated absences	\$	356,900
Insurance		409,254
Various expenses		(570)
Interest		31,793
Pension expense		(131,020)
OPEB		(37,054)
<hr/>		
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	629,303
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Another element of that reconciliation states, "Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds." The details of this \$(13,163) difference are as follows:

Intergovernmental	\$	(614)
Fines and forfeitures		63,594
Other fees and miscellaneous		(76,143)
<hr/>		
Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	(13,163)
<hr/>		

Another element of that reconciliation states, "The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$2,865,514 difference are as follows:

Principal repayment of bonds	\$	2,795,000
Plus, amortization of bond premium costs		236,907
Less, amortization of deferred loss on advance refunding		(166,393)
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Net adjustment to increase <i>net change in fund balances – total governmental funds</i> to arrive at <i>change in net position of governmental activities</i>	\$	2,865,514
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City of Panama City Beach, Florida Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS

Deposits and Investments

As of September 30, 2025, the City's bank balances are covered by federal depository insurance (FDIC) coverage limits and monies invested in amounts greater than the insurance coverage are secured by the qualified public depositories pledging securities with the State Treasurer in such amounts required by the Florida Security for Public Depositories Act. In the event of a default or insolvency of a qualified public depositor, the State Treasurer will implement procedures for payment of losses according to the validated claims of the City pursuant to Section 280.08, Florida Statutes.

The investment program is established in accordance with the City's investment policy, pertinent bond resolutions and Section 218.45, Florida Statutes, which allows the City to invest in the Florida State Board of Administration intergovernmental investment pool or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, direct obligations of the United States Government, obligations of the different agencies of the Federal Government, registered money market funds and accounts of state qualified public depositories.

Investment Policies (City) – Florida Statutes, Section 218.415, authorizes the City to invest surplus funds in the following:

- The Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969, as provided in Florida Statutes, Section 163.01.
- Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency.
- Interest-bearing time deposits or savings accounts in qualified public depositories as defined in Florida Statutes, Section 280.02.
- Direct obligations of the United States Treasury.

Under GASB Codification 150: *Investments*, if a participant has an investment in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost it should disclose the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in notes to the financial statements. As of September 30, 2025, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit the City's access to 100 percent of their account value in either external investment pool.

Deposits available within various funds, except pension trust funds, were consolidated for investment purposes. The pension trust funds are authorized to invest in cash equivalents, government securities, foreign equities, equities (including publicly traded REITS, infrastructure, and convertibles), corporate bonds and stocks, and money markets funds.

Custodial credit risk – Custodial credit risk for deposits is the risk in the event of the failure of a depository financial institution a government may not be able to recover deposits. Monies placed on deposit with financial institutions in the form of demand deposits, time deposits or certificate of deposits are defined as public deposits. The financial institutions in which the City places its deposits are certified as "qualified public depositories," as required under the Florida Security for Public Deposits Act. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Deposits and Investments (continued)

As of September 30, 2025 the City's pension investments are held in street name in the form of stock, debt securities and U.S. government bonds through a financial brokerage firms segregated out from the assets and investments held by other clients of the investment firm and their own assets.

Interest Rate Risk – Interest rate risk is the possibility that interest rates will rise and reduce the fair value of an investment. The City does not have a policy regarding interest rate risk.

Credit Risk - Section 150: *Investments* of the GASB Codification requires that governments provide information about credit risk associated with their investments by disclosing the credit rating of investments in debt securities as described by nationally recognized statistical rating organizations. The City has no investment policy that would limit its investment choices due to credit risk other than State statutes governing investments listed in Florida Statutes, Section 218.415. The City's investment policy and the investment policy for the pension trust funds limit investments to securities with specific ranking criteria.

Concentration Risk – Section 150: *Investments* of the GASB Codification requires disclosures of investments in any one issuer that represents five percent or more of total investments, excluding investments issued or explicitly guaranteed by the U.S government, investments in mutual funds, external investments pools and other pooled investments. The City's investment policy does not address concentration risk. The fiduciary funds' policy restricts the percentage of assets that may be held in the stock of any one company, the percentage of any one type of security type as a percentage of the total Fund's assets, and the bonds issued by any one issuer.

Fair Value – GASB Codification Section 3100: *Fair Value Measurements* establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under the codification are described as follows:

Level 1 (L1): Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 (L2): Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 (L3): Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Deposits and Investments (continued)

The following table sets forth by level, within the fair value hierarchy, the City's assets at fair value as of September 30, 2025:

	Fair Value	<u>Maturities (in years)</u>	Less than 1	Level
Fiduciary fund				
Money market funds	\$ 2,459,973	\$	2,459,973	L1
Municipal bonds	189,173	\$	189,173	L1
Municipal bonds	2,405,468		2,405,468	L2
Corporate bonds	6,417,136		6,417,136	L1
Common & preferred stocks	55,625,630		55,625,630	L1
Government securities	6,550,646		6,550,646	L1
Government securities	4,887,958		4,887,958	L2
Real estate investment trusts	5,476,439		5,476,439	L1
Mutual funds	33,515,089		33,515,089	L1
<hr/>				
Total investments measured by fair value level	117,527,512	\$	<u>117,527,512</u>	
Investments measured at the net asset value (NAV)				
Real estate investment funds	6,558,401			
<hr/>				
Total fiduciary fund	\$ 124,085,913			
Investments measured at the net asset value (NAV)				
Primary government				
Florida Cooperative Liquid Assets Securities System	6,332,942			
Florida Local Government Investment Trust	33,591,105			
Florida Fixed Income Trust	48,944,763			
<hr/>				
Total primary government	88,868,810			
<hr/>				
Total investments	\$ 212,954,723			

The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at September 30, 2025.

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Deposits and Investments (continued)

Debt and equity securities – Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using quoted prices or yields of similar debt securities.

Mutual Funds, Money Market Funds and Real Estate Investment Trusts – Mutual funds, money market funds and real estate investment trusts classified in Level 1 of the fair value hierarchy are valued using quoted market prices for those investments.

Fair Value of Investments in Entities that Use Net Asset Value (NAV) – Investments in the Florida Fixed Income Trust are in the Florida Fixed Income Trust Cash Pool and Florida Fixed Income Trust Select Cash Pool, with balances of \$30,121,642 and \$18,823,121 and weighted average maturity of 2.83 and 21.60 months, respectively, at September 30, 2025. Both pools are rated AAAs/S1 by Fitch Rating. The Florida Fixed Income Trust Cash Pool investment strategy is a money market alternative that is managed to a dollar in/dollar out strategy. It utilizes a hybrid approach managing current market conditions and portfolio duration, to ensure maximum flexibility in all market conditions. The Cash Pool seeks to preserve principal while seeking to maximize yields, offers same day liquidity and provides an investment option for local governments' short-term funds. The pool consists of commercial paper, certificates of deposit, corporate bonds, money market funds, and other short-term securities. The Florida Fixed Income Trust Select Cash Pool investment strategy offers diversification through multiple asset classes and is designed to minimize volatility while providing next day liquidity, interest income, and preservation of principal. The pool consists of mortgage-backed securities, corporate bonds, municipal bonds, and other short-term securities.

No specific investments are assigned to the City, rather the City's investments are equal to the total fund net asset value times the City's units as a percentage of total units outstanding. Investment earnings are utilized to purchase additional units within the pools. Additionally, the City may withdraw either a portion of or its entire investment at any time. The City's investments in the Florida Fixed Income Trust, at fair value measured at NAV, totaled \$48,944,763 as of September 30, 2025.

Florida Cooperative Liquid Assets Securities System (FLCLASS) is an independent local government investment pool created under the laws of Florida to provide eligible units of local government the option to invest in a fund with an investment portfolio structured to maintain safety of principal, daily liquidity, and a competitive rate of return. The trust is administered by Public Trust Advisors, LLC and an appointed Board of Trustees. This investment pool is measured at the Stable Net Asset Value and is rated AAAM by S&P Global Ratings. The Net Asset Value is \$6,332,942 and the weighted average maturity for the portfolio is 1.41 months as of September 30, 2025.

Florida Local Government Investment Trust (FLGIT) is an external local government investment pool developed through the joint efforts of the Florida Association of Court Clerks and Comptrollers and the Florida Association of Counties. The pool is supervised by an appointed Board of Trustees. The FLGIT Day to Day Fund is a fund with an investment portfolio structured to maintain safety of principal and maximize available yield through a balance of quality and diversification within the investment portfolio. This Fitch rated AAAM Trust invests in securities with effective maturities of less than five years. The Net Asset Value is \$33,591,105 and the weighted average maturity for the portfolio is 1.06 months as of September 30, 2025.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Deposits and Investments (continued)

TA Realty Core Property Fund invests in a related Master Fund which invests in industrial, multifamily, office, retail real estate, and self-storage units. Redemptions are permitted with 45 days' notice prior to quarter-end and to the extent the Fund has liquid assets, redemption requests may be redeemed after quarter-end when that quarter's price per share is published. The Net Asset Value is \$6,558,401 as of September 30, 2025.

Accounts Receivable

For the Utility Fund, operating revenues are generally recognized on the basis of cycle billings rendered monthly. The amount of services delivered for the period from the last billing date to September 30, 2025 (unbilled receivable), is estimated and accrued at year end. The City deems all amounts collectable therefore an allowance for doubtful accounts is not necessary. If payments are not received from customers, services are shut off and deposits are applied against negative balances.

All account receivables are shown net of allowances for uncollectable accounts for governmental funds.

At September 30, 2025, accounts receivable in the governmental activities is summarized as follows:

Total accounts receivable	\$	615,930
Less: allowance for doubtful accounts		-
Accounts receivable, net	\$	615,930

At September 30, 2025, accounts receivable and allowance for uncollectible accounts in the business-type activities is summarized as follows:

Billed accounts receivable	\$	884,159
Unbilled accounts receivable		7,997,140
Other receivables		36,747
Total accounts receivable	8,918,046	
Less: allowance for doubtful accounts		(490,348)
Accounts receivable, net	\$	8,427,698

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Interfund Receivables, Payables, and Transfers

The composition of due from/to other funds' balances as of September 30, 2025 is as follows:

Receivable fund	Payable fund	
General	CRA	\$ 10
General	Stormwater	83
General	Utility	56
General	Law Enforcement Education	1,027
General	Firefighters' Pension Trust	690
General	General Employee's Pension Trust	660
General	IT Internal Service	80,566
CRA	General	1,300
CRA	Utility	2,756
CRA	IT Internal Service	1,351
Law Enforcement Trust	General	10,165
Law Enforcement Education	General	890
DOJ Equitable Sharing	General	1,300
Stormwater	IT Internal Service	3,825
Utility	General	385
Utility	IT Internal Service	30,431
Pier	IT Internal Service	2,618
Aquatic	IT Internal Service	1,870

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

The composition of interfund transfers as of September 30, 2025 is as follows:

Transfers out	Transfers in		
	General fund	Nonmajor governmental funds	Total
General fund	\$ -	\$ 100,000	\$ 100,000
CRA fund	62,000	-	62,000
Nonmajor governmental funds	152,000	-	152,000
Utility fund	1,284,000	-	1,284,000
Nonmajor proprietary funds	171,000	-	171,000
IT internal service	75,000	-	75,000
Total	\$ 1,744,000	\$ 100,000	

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets

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

	September 30, 2024	Increases	Decreases	September 30, 2025
Capital assets, not being depreciated				
Land	\$ 54,845,088	\$ 2,156,759	\$ -	\$ 57,001,847
Construction in progress	63,597,878	14,499,040	(12,365,959)	65,730,959
Total capital assets, not being depreciated	118,442,966	16,655,799	(12,365,959)	122,732,806
Capital assets, being depreciated				
Buildings	22,956,515	855,920	-	23,812,435
Improvements	103,647,986	15,070,362	-	118,718,348
Machinery and equipment	21,096,376	3,117,441	(663,743)	23,550,074
Total capital assets, being depreciated	147,700,877	19,043,723	(663,743)	166,080,857
Accumulated depreciation				
Buildings	(6,334,926)	(606,507)	-	(6,941,433)
Improvements	(53,672,687)	(4,711,895)	-	(58,384,582)
Machinery and equipment	(10,861,963)	(1,993,620)	653,061	(12,202,522)
Total accumulated depreciation	(70,869,576)	(7,312,022)	653,061	(77,528,537)
Total capital assets, being depreciated, net of accumulated depreciation	76,831,301	11,731,701	(10,682)	88,552,320
Total governmental activities' capital assets – net	\$ 195,274,267	\$ 28,387,500	\$ (12,376,641)	\$ 211,285,126

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

<u>Governmental activities</u>	
General government	\$ 296,734
Public safety	1,543,801
Highways and streets	3,608,842
Culture and recreation	1,476,857
Physical environment	379,898
Internal service fund	5,890
Total depreciation expense – governmental activities	\$ 7,312,022

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets (continued)

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

	September 30, 2024	Increases	Decreases	September 30, 2025
Capital assets, not being depreciated				
Land	\$ 10,045,357	\$ 1,653,955	\$ -	\$ 11,699,312
Intangible assets	194,788	-	-	194,788
Construction in progress	23,195,211	1,799,930	-	24,995,141
Total capital assets, not being depreciated	33,435,356	3,453,885	-	36,889,241
Capital assets, being depreciated				
Buildings	37,523,172	1,389,321	-	38,912,493
Improvements	140,983,461	134,902	-	141,118,363
Machinery and equipment	26,986,595	1,293,829	(176,209)	28,104,215
Total capital assets, being depreciated	205,493,228	2,818,052	(176,209)	208,135,071
Accumulated depreciation				
Buildings	(20,260,805)	(1,038,377)	-	(21,299,182)
Improvements	(58,386,540)	(3,866,043)	-	(62,252,583)
Machinery and equipment	(20,718,648)	(1,110,692)	176,209	(21,653,131)
Total accumulated depreciation	(99,365,993)	(6,015,112)	176,209	(105,204,896)
Total capital assets, being depreciated, net of accumulated depreciation	106,127,235	(3,197,060)	-	102,930,175
Right-to-use lease assets, being amortized				
Land	29,299	-	-	29,299
Accumulated amortization				
Land	(15,138)	(5,860)	-	(20,998)
Right-to-use lease assets, being amortized, net of accumulated amortization	14,161	(5,860)	-	8,301
Total business-type activities' capital assets – net	\$ 139,576,752	\$ 250,965	\$ -	\$ 139,827,717

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Capital Assets (continued)

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

<u>Business-type activities</u>	
Utility fund	
Water	\$ 1,288,029
Waste water	4,122,639
Other proprietary funds	610,304
<hr/>	
Total depreciation and amortization expense – business-type activities	<u>\$ 6,020,972</u>

Long Term Debt – Governmental Activities

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

	Balance September 30, 2024	Additions	Deductions	Balance September 30, 2025	Due within One Year
Bonds from direct placement					
Revenue bonds	\$ 59,710,000	\$ -	\$ (2,795,000)	\$ 56,915,000	\$ 2,870,000
Adjusted for deferred amounts on issuance premium	5,711,038	-	(236,907)	\$ 5,474,131	236,905
<hr/>					
Total bonds from direct placement	65,421,038	-	(3,031,907)	62,389,131	3,106,905
Compensated absences	2,611,446	780,862	(1,139,878)	2,252,430	2,123,531
Net pension liability					
General employees	930,549	-	(38,150)	892,399	-
Police officers	3,770,829	-	(587,004)	3,183,825	-
Firefighters	2,907,753	611,808	-	3,519,561	-
Net OPEB obligation	1,431,988	-	(158,841)	1,273,147	63,582
<hr/>					
Total	\$ 77,073,603	\$ 1,392,670	\$ (4,955,780)	\$ 73,510,493	\$ 5,294,018

Compensated absences, other postemployment benefits and the net pension liability will be liquidated in future periods primarily by the General Fund for governmental activities.

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Long Term Debt – Governmental Activities (continued)

Bonds Payable

On March 26, 2015, the City issued \$42,915,000 Capital Improvement Refunding Revenue Bonds, Series 2015 (Front Beach Road Project). The proceeds of the bonds were used to partially refund the outstanding Capital Improvement Revenue Bonds, Series 2006 (Front Beach Road Project) and to pay the costs of issuing the Series 2015 bonds. The principal amount refunded was \$39,965,000, which represented the amounts maturing on or after November 1, 2017. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,762,584. This difference is reported as a deferred loss on the refunding, which is being amortized the life of the new debt. As a result of the refunding the City reduced its debt service payments over a period of seventeen years by \$5,428,743, which resulted in an economic gain of \$4,358,725. The bonds are special obligation bonds of the City payable from a pledge of and first lien upon Front Beach Road CRA tax increment revenue and the CRA assessment. If an event of default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for that purpose shall apply all Redevelopment Trust Fund Revenues as follows and in the following order (A) to the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, registrar and paying agent hereunder; and (B) to the payment of the interest and principal or redemption price, if applicable, then due on the bonds, as follows: (1) to the payment to the persons entitled thereto of all installments of interest then due (2) to the payment to the persons entitled thereto of the unpaid principal of any of the bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (3) the payment of the redemption price of any bonds called for optional redemption pursuant to the provisions of the resolution.

The bonds are payable in annual principal installments ranging from \$350,000 to \$3,370,000 over the life of the bonds beginning November 1, 2015. Semi-annual interest payments at a rate of 2.73% are due each May 1 and November 1. The pledge referenced above remains in effect until extinguishment or maturity of the debt in 2031, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2025, totaled \$23,952,350. Current year principal and interest payments paid on the bond required 15.4% of the pledged revenues. Principal and interest payments paid for the current year were \$2,795,000 and \$633,428, respectively, and the pledged revenues were \$22,251,398.

On October 6, 2020, the City issued \$35,110,000 Capital Improvement Revenue Bonds, Series 2020 (Front Beach Road Project). The proceeds of the bonds were used to fund the design, acquisition of land, rights, and easements, construction, improvement and streetscaping of: (a) Front Beach Road Segment 3 / Hwy 79, (b) Powell Adams Phase 2, (c) Front Beach Road Segment 4.1, and (d) any other project approved by Resolution No. 20-52. The bonds are special obligation bonds of the City payable from a pledge of and lien upon Front Beach Road CRA tax increment revenue. If an event of default shall happen and shall not have been remedied, the Issuer or a trustee or receiver appointed for that purpose shall apply all Redevelopment Trust Fund Revenues as follows and in the following order (A) to the payment of the reasonable and proper charges, expenses and liabilities of the trustee or receiver, registrar and paying agent hereunder; and (B) to the payment of the interest and principal or redemption price, if applicable, then due on the bonds, as follows: (1) to the payment to the persons entitled thereto of all installments of interest then due (2) to the payment to the persons entitled thereto of the unpaid principal of any of the bonds which shall have become due at maturity or upon mandatory redemption prior to maturity (3) the payment of the redemption price of any bonds called for optional redemption pursuant to the provisions of the resolution.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Long Term Debt – Governmental Activities (continued)

Bonds Payable (continued)

The bonds are payable in annual principal installments ranging from \$1,385,000 to \$2,830,000 over the life of the bonds beginning November 1, 2032. Semi-annual interest payments at a rate of 5% are due each May 1 and November 1 beginning May 1, 2021 through May 1, 2041. The interest rate then decreases to 4% through maturity on November 1, 2048. The pledge referenced above remains in effect until extinguishment or maturity of the debt in 2048, whichever occurs first. The remaining principal and interest payments on this debt as of September 30, 2025, totaled \$60,169,050. No principal was paid in the current year. Current year interest payments paid on the bond required 7.0% of the pledged revenues. Interest payments paid for the current year were \$1,557,300 and the pledged revenues were \$22,251,398.

The following is a summary of governmental activities bonds payable for the year ended September 30, 2025:

<i>For the years ending September 30,</i>	Governmental Activities					
	Capital Improvement Revenue Refunding Bonds, Series 2015		Capital Improvement Revenue Bonds, Series 2020		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 2,870,000	\$ 556,101	\$ -	\$ 1,557,300	\$ 2,870,000	\$ 2,113,401
2027	2,950,000	476,658	-	1,557,300	2,950,000	2,033,958
2028	3,025,000	395,099	-	1,557,300	3,025,000	1,952,399
2029	3,110,000	311,357	-	1,557,300	3,110,000	1,868,657
2030	3,195,000	225,293	-	1,557,300	3,195,000	1,782,593
2031-2035	6,655,000	182,842	4,370,000	7,466,000	11,025,000	7,648,842
2036-2040	-	-	8,870,000	5,628,500	8,870,000	5,628,500
2041-2045	-	-	11,185,000	3,302,350	11,185,000	3,302,350
2046-2050	-	-	10,685,000	875,700	10,685,000	875,700
Total	21,805,000	2,147,350	35,110,000	25,059,050	56,915,000	27,206,400
Current Portion	(2,870,000)	(556,101)	-	(1,557,300)	(2,870,000)	(2,113,401)
Payable after one year	\$ 18,935,000	\$ 1,591,249	\$ 35,110,000	\$ 23,501,750	\$ 54,045,000	\$ 25,092,999

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Long Term Debt – Business-Type Activities

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

	Balance September 30, 2024	Additions	Deductions	Balance September 30, 2025	Due within One Year
Bonds from direct placement					
Revenue bonds	\$ 25,935,000	\$ -	\$ (2,395,000)	\$ 23,540,000	\$ 2,435,000
Total bonds from direct placement	25,935,000	-	(2,395,000)	23,540,000	2,435,000
Revenue certificates payable	1,759,119	15,837	(155,291)	1,619,665	1,619,665
Accrued compensated absences	574,348	241,672	(280,100)	535,920	503,955
Lease liability	11,811	-	(5,865)	5,946	5,946
Net pension liability	701,995	-	(55,771)	646,224	-
Net OPEB obligation	487,128	-	(52,553)	434,575	21,700
Total	\$ 29,469,401	\$ 257,509	\$ (2,944,580)	\$ 26,782,330	\$ 4,586,266

Business-type activities compensated absences, other postemployment benefits, and net pension liability will be liquidated by the respective proprietary funds.

Bonds Payable

On November 20, 2020, the City issued \$19,875,000 Utility Revenue Refunding Bond, Series 2020A. The proceeds of the bond were used to refund the outstanding principal amounts of the City's Utility Revenue Refunding Bonds, Series 2016, maturing on and after December 1, 2020, and to pay the costs of issuing the Series 2020A bond. The principal amount refunded was \$22,100,000. As a result of the refunding, the City reduced its debt service payments over a period of sixteen years by \$5,159,672, which resulted in an economic gain of \$2,063,720. Upon the occurrence of an event of default, the interest rate on the bond shall be adjusted to the default rate until such time as the event of default has been cured by the Issuer. Additionally, if an event of default shall occur, the City shall pay all reasonable out of pocket expenses of the Lender in connection with the enforcement of the agreement. Interest is payable semi-annually on June 1 and December 1 at a fixed rate of 1.55%. Principal is payable annually on June 1 beginning June 1, 2021, with a final maturity on June 1, 2036.

The bond is payable from and secured by a lien upon and pledge of (a) net revenues of the systems, (b) sewer system development charges, (c) water system development charges, (d) until released, public service taxes, and (e) the moneys on deposit in the various funds and accounts created pursuant to the loan agreement and the original resolution, with the exception of the rebate fund. The remaining principal and interest payments on this debt as of September 30, 2025 totaled \$15,987,133. Current year principal and interest payments on the bond required 6.2% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$1,210,000 and \$244,978, respectively, and the pledged revenues were \$23,603,226.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Long Term Debt – Business-Type Activities (continued)

Bonds Payable (continued)

On March 3, 2022, the City issued \$12,535,000 Utility Revenue Refunding Bond, Series 2022. The proceeds of the bond were used to refund the outstanding principal amount of the City’s Utility System Revenue Bond, Series 2020B and to pay the costs of issuing the Series 2022 bond. The principal amount refunded was \$12,535,000. As a result of the refunding, the City reduced its debt service payments over a period of 11 years by \$264,129, which resulted in an economic gain of \$220,439. Upon the occurrence of an event of default, the interest rate on the bond shall be adjusted to the default rate until such time as the event of default has been cured by the Issuer. Additionally, if an event of default shall occur, the City shall pay all reasonable out of pocket expenses of the Lender in connection with the enforcement of the agreement. Interest is payable semi-annually on June 1 and December 1 at a fixed rate of 1.37%. Principal is payable annually on June 1 beginning June 1, 2022, with a final maturity on June 1, 2032.

The bond is payable from and secured by a lien upon and pledge of (a) net revenues of the systems, (b) sewer system development charges, (c) water system development charges, (d) until released, public service taxes, and (e) the moneys on deposit in the various funds and accounts created pursuant to the loan agreement and the original resolution, with the exception of the rebate fund. The remaining principal and interest payments on this debt as of September 30, 2025 totaled \$9,443,886. Current year principal and interest payments on the bond required 5.6% of pledged revenues. Current year principal and interest payments paid from pledged revenues were \$1,185,000 and \$138,781, respectively, and the pledged revenues were \$23,603,226.

The following is a summary of business-type activities bonds payable for the year ended September 30, 2025.

<i>For the years ending September 30,</i>	Business-type Activities					
	Water & Sewer Utility Revenue Refunding Bond, Series 2020A		Water & Sewer Utility Revenue Refunding Bond, Series 2022		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2026	\$ 1,225,000	\$ 226,223	\$ 1,210,000	\$ 122,547	\$ 2,435,000	\$ 348,770
2027	1,245,000	207,235	1,230,000	105,970	2,475,000	313,205
2028	1,270,000	187,938	1,250,000	89,119	2,520,000	277,057
2029	1,285,000	168,253	1,285,000	71,994	2,570,000	240,247
2030	1,305,000	148,335	1,305,000	54,389	2,610,000	202,724
2031-2035	6,835,000	431,984	2,665,000	54,867	9,500,000	486,851
2036	1,430,000	22,164	-	-	1,430,000	22,164
Total	14,595,000	1,392,132	8,945,000	498,886	23,540,000	1,891,018
Current Portion	(1,225,000)	(226,223)	(1,210,000)	(122,547)	(2,435,000)	(348,770)
Payable after one year	\$ 13,370,000	\$ 1,165,909	\$ 7,735,000	\$ 376,339	\$ 21,105,000	\$ 1,542,248

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Long Term Debt – Business-Type Activities (continued)

Leases – Lessee

The City accounts for leases in accordance with GASBC Section L20, *Leases*. The City has entered into a lease agreement with the State of Florida Department of Environmental Protection to obtain the right-to-use a parcel of submerged land in order to operate a municipal fishing pier. The lease has a 5 year term and the annual fee is adjusted pursuant to Rule 18-21.011, Florida Administrative Code. The lease fee is the greater of the base fee or 6% of the annual income derived from the use of the submerged land. The base fee is a rate per square foot that is calculated each year based on changes to the Consumer Price Index figures established for the previous 5 years by the Bureau of Labor Statistics. For the fiscal year ended September 30, 2025, the base rate of the submerged land lease was \$6,027 and the total annual rent that the City paid was \$83,326.

The following is a schedule of minimum future lease payments from lease agreements as of September 30, 2025:

<i>For the years ending September 30,</i>	Principal Payments	Interest Expense	Total
2026	\$ 5,946	\$ 81	\$ 6,027
Total	\$ 5,946	\$ 81	\$ 6,027

Leases - Lessor

The City's operations consist of an agreement for the use of the improved real property located adjacent to the Russell-Fields Pier. The agreement is non-cancelable and expires on January 1, 2043. The City recognized no lease revenue principal and \$99,693 of lease interest for the year ended September 30, 2025.

The following is a schedule by years of minimum future revenues from non-cancelable agreements as of September 30, 2025:

<i>For the years ending September 30,</i>	Principal	Interest	Future Minimum Lease Payments
2026	\$ -	\$ 110,287	\$ 110,287
2027	111,771	108,229	220,000
2028	116,267	103,733	220,000
2029	120,943	99,057	220,000
2030	125,808	94,192	220,000
2031-2035	733,498	389,889	1,123,387
2036-2040	1,013,777	219,413	1,233,190
2041-2043	551,763	26,765	578,528
Total	\$ 2,773,827	\$ 1,151,565	\$ 3,925,392

City of Panama City Beach, Florida
Notes to Financial Statements

Note 3: DETAILED NOTES ON ALL FUNDS (continued)

Long Term Debt – Business-Type Activities (continued)

Leases – Lessor (continued)

Minimum future revenues do not include contingent revenues, which may be received under the agreement on the basis of gross sales. No contingent revenues were received for the year ended September 30, 2025. The lease was modified in FY25 due to a fire on the property. The base rent was reduced until reconstruction is completed, which the City estimates to be 24 months.

Revenue Certificates

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

	Original Amount of Certificate	Balance at September 30, 2024	Net Changes During the Year	Balance at September 30, 2025
Magnolia Beach	\$ 100,000	\$ 58,534	\$ (9,730)	\$ 48,804
TW Olson-Magnolia	490,500	287,089	(47,728)	239,361
St. Andrews Land Company	670,414	392,383	(65,236)	327,147
St. Andrews Land Company	212,496	189,556	(18,059)	171,497
Ocean Park Pavilion	68,494	64,496	-	64,496
Ocean Park Pavilion	239,795	149,582	-	149,582
Antigua Developers	143,950	21,461	-	21,461
Shores of Panama	250,626	229,093	(5,930)	223,163
360 Panama Flats	428,608	321,456	-	321,456
Individual citizens	109,045	45,469	7,229	52,698
Total	\$ 2,713,928	\$ 1,759,119	\$ (139,454)	\$ 1,619,665

Payments on these revenue certificates are due 10 to 45 days after connections are made as specified in each revenue certificate.

Note 4: RETIREMENT PLANS

Description of Plans

The City maintains three contributory single-employer defined benefit pension plans (Plans) that provide for retirement, disability and death benefits as described below. These Plans are:

- City of Panama City Beach, Florida General Employees' Retirement Plan (General Employees)
- City of Panama City Beach, Florida Police Employees' Retirement Plan (Police Employees)
- City of Panama City Beach, Florida Fire Employees' Retirement Plan (Fire Employees)

Each plan is administered by a separate board of trustees comprised of five members, two of whom are appointed by the City Council, two of whom are full-time participants of the respective employee group (General, Police, or Fire) and one is chosen by a majority of the previous four members. Each board of trustees is empowered to hire its own attorneys and consultants at the pension fund's expense, and to bring and defend lawsuits.

Summary of Significant Accounting Policies (All Plans)

Basis of Accounting

The Plans' financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits, refunds, and administrative costs are recognized when due and payable in accordance with the terms of each plan. On-behalf payments, made by the state totaling \$454,372 and \$323,205 for the Fire Employees and Police Employees plans, respectively, were recognized as revenues and expenditures in the General Fund during the year ended September 30, 2025.

Method Used to Value Investments

Investments are reported as disclosed in Note 3.

Presentation of Financial Statements

The Plans do not issue stand-alone financial reports and are not included in the reports of any other entity.

Funding Requirements

The City uses the entry age normal actuarial cost method (EAN) to determine required contributions. This method provides a stable pattern of minimum required contributions at a level dollar amount (for each plan) and allows a more transparent analysis of the changes experienced from one year to the next.

The General Employees plan requires employee contributions at 8.7% of basic compensation. City contributions are actuarially determined sufficient to pay current costs and amortize unfunded past service costs, if any, as provided in Chapter 112, Florida Statutes. For 2025, employee contributions to the plan totaled \$1,350,838, while City contributions were \$2,484,474 or 16% of covered payroll.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Funding Requirements (continued)

Florida Statutes, Chapters 175 and 185, require members to contribute not less than .5% of their annual salary. The Police Employees plan, as approved by the City Council, requires members to contribute 11% of their basic compensation except for those police officers who elect the “20 & out” tier. These members are required to contribute 13% of their annual covered salary. The Fire Employees plan, as approved by the City Council, requires members to contribute 4.10% of their basic compensation except for those firefighters who elect the “20 & out” tier or the “25 & out” tier. These members are required to contribute 10.50% or 7.5% of their annual covered salary respectively. The City is required to contribute at an actuarially determined rate, which includes the state’s premium tax proceeds. Employer contributions for police officers and firefighters include on-behalf payments from the state of Florida related to state excise taxes collected on homeowners’ insurance policies.

The current required employer contribution rate is 23.32% of annual covered payroll for police officers and 23.74% of covered payroll for firefighters. Employee contributions were \$617,473 and \$313,751 while City contributions were \$1,226,003 and \$1,048,824 for Police Employees and Fire Employees plans, respectively, for the year ended September 30, 2025. Municipalities that have established pension plans complying with the provisions of Chapters 175 and 185, Florida Statutes, and that have enacted appropriate taxing legislation are eligible to receive revenues generated from excise taxes on gross receipts of certain insurance premiums from policyholders covering property within the City limits.

These state premium tax proceeds are the Firefighters’ Pension Fund Excise Tax, which is imposed on the gross receipts of property insurance policy premiums, and the Police Officers’ Pension Fund Excise Tax, which is imposed on the gross receipts of casualty insurance policy premiums. These revenues, taken as a whole, amounted to \$777,577 for the year ended September 30, 2025.

Plan Membership and Benefits

The makeup of plan participants as of the September 30, 2025, valuation was as follows:

Plan Membership	General Employees	Police Employees	Fire Employees
Inactive plan members or beneficiaries currently receiving benefits	117	39	20
Inactive plan members entitled to, but not yet receiving benefits	11	3	3
Active plan members	235	66	56
Total plan membership	363	108	79

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Plan Membership and Benefits (continued)

All three plans provide retirement, termination, disability, and death benefits. A summary of those benefits, by plan, is outlined below.

	General Employees	Police Employees	Fire Employees
Normal Retirement:	<p>The earlier of age 50 and 20 years of service or age 55 and 10 years of service.</p> <p>Benefit equals 2.5% x Avg Monthly Comp x credited service prior to 10/1/2005, plus 3.0% x Avg Monthly Comp x credited service after 9/30/2005, but the total not more than 100% of average final compensation (excluding COLA's).</p>	<p>The earlier of age 50 and 20 years of service, age 55 and 10 years of service, or 25 years of service regardless of age.</p> <p>Benefit equals 3.5% x Avg Monthly Comp x credited service, but not more than 100% of average final compensation (excluding COLA's).</p>	<p>The earlier of age 50 and 20 years of service, age 55 and 10 years of service, or if elected the 25 & Out Tier, 25 years of service regardless of age.</p> <p>Benefit equals 3.35% x Avg Monthly Comp x credited service, but not more than 100% of average final compensation (excluding COLA's).</p>
Early Retirement:	<p>Age 48 and 10 years of service, reduced at 1/15 per year first 5 years and 1/30 per year for each of the next 2 years by which the benefit commencement date precedes his Normal Retirement Date.</p>	<p>Age 50 and 10 years of service, reduced at 3% per year (.25% per month) for each period by which the benefit commencement date precedes his Normal Retirement Date.</p>	<p>Age 50 and 10 years of service, reduced at 3% per year (.25% per month) for each period by which the benefit commencement date precedes his Normal Retirement Date.</p>

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Plan Membership and Benefits (continued)

	General Employees	Police Employees	Fire Employees
Termination of Employment:	Employees who terminate their employment after completing 10 years of Credited Service for reason other than death, disability, or retirement shall be entitled to a vested deferred monthly benefit commencing at their Normal Retirement Date equal to their Accrued Benefit. If a participant terminates after completing 10 years but prior to being eligible for retirement then with less than 20 years of credited service, his annuity can begin unreduced at age 55 or reduced (1/15, 1/30 per year) between ages 48-55. With 20 or more years of Credited Service, his annuity can begin unreduced at age 50 or reduced (1/15 per year) between ages 48-50.	Employees who terminate their employment after completing 10 years of Credited Service for reason other than death, disability, or retirement shall be entitled to a vested deferred monthly benefit commencing at their Normal Retirement Date equal to their Accrued Benefit. If a participant terminates after completing 10 years but prior to being eligible for retirement then with less than 20 years of credited service, his annuity can begin unreduced at age 55 or reduced (3% per year) between ages 50-55. With 20 or more years of Credited Service, his annuity can begin unreduced at age 50.	Employees who terminate their employment after completing 10 years of Credited Service for reason other than death, disability, or retirement shall be entitled to a vested deferred monthly benefit commencing at their Normal Retirement Date equal to their Accrued Benefit. If a participant terminates after completing 10 years but prior to being eligible for retirement then with less than 20 years of credited service, his annuity can begin unreduced at age 55 or reduced (3% per year) between ages 50-55. With 20 or more years of Credited Service, his annuity can begin unreduced at age 50.
Disability Benefits:	Job-related disability benefit equal to the greater of the Accrued Benefit or 42% of Avg Final Comp as of the date of disability.	Job-related disability benefit equal to the greater of the Accrued Benefit or 42% of Avg Final Comp as of the date of disability.	Job-related disability benefit equal to the greater of the Accrued Benefit or 42% of Avg Final Comp as of the date of disability.

Note 4: RETIREMENT PLANS (Continued)

Plan Membership and Benefits (continued)

Disability Benefits (continued):	Non-job-related disability with ten or more years of Credited Service will receive a benefit equal to the participant's Accrued Benefit as of the date of disability.	Non-job-related disability with ten or more years of Credited Service will receive a benefit equal to the participant's Accrued Benefit as of the date of disability.	Non-job-related disability with ten or more years of Credited Service will receive a benefit equal to the participant's Accrued Benefit as of the date of disability.
Pre-retirement Death Benefits:	Survivor benefit is equal to 100 x plan member's monthly Accrued Benefit based on Credited Service & Avg Final Comp at time of death.	Survivor benefit is equal to 100 x plan member's monthly Accrued Benefit based on Credited Service & Avg Final Comp at time of death.	Survivor benefit is equal to 100 x plan member's monthly Accrued Benefit based on Credited Service & Avg Final Comp at time of death.
Deferred Retirement Option (DROP):	Employees eligible at normal retirement date. Accrued benefit frozen but earns interest plus cost-of-living adjustments, if any, until DROP exit (no more than 5 years later).	Employees eligible at normal retirement date. Accrued benefit frozen but earns interest plus cost-of-living adjustments, if any, until DROP exit (no more than 5 years later).	Employees eligible at normal retirement date. Accrued benefit frozen but earns interest plus cost-of-living adjustments, if any, until DROP exit (no more than 5 years later).

Pension Plan Investments

Each plan's investment policy was adopted by the respective Pension Board of Trustees, which has the authority for establishing and amending investment policy decisions for each of the plans that they administer. The policy outlines suitable, authorized investments along with asset allocations.

Independent investment managers and an independent custodian handle all pension investments and disbursements.

In order to provide for a diversified portfolio, several investment management firms are selected to be responsible for the assets and allocation of the Trustees' mandate only, and are provided specific performance objectives and investment criteria. In order to maintain a balanced portfolio, the allocation of assets are targeted at no more than 5% in common stock, capital stock, or convertible stock of any one issuing company. Fixed income investments issued to any single corporation shall not exceed 5% of the total fund and all investments, and shall have a minimum rating of investment grade (Baa2/Mid BBB) or higher by at least one major credit rating agency. The plans did not hold investments in any one organization that represent 5% or more of the plans' fiduciary net position.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Pension Plan Investments (continued)

For the year ended September 30, 2025, the annual money-weighted rate of return on the plans' investments, net of pension investment expense, was as follows:

	General Employees	Police Employees	Fire Employees
Annual money-weighted rate of return net of investment expenses	10.60%	10.60%	10.60%

Net Pension Liability, Significant Assumptions, And Discount Rate

The components of the net pension liability of the City as of September 30, 2025, were as follows:

General employees		
Total pension liability		\$ 61,907,615
Plan fiduciary net position		(60,368,992)
<hr/>		
City's net pension liability		\$ 1,538,623
<hr/>		
Plan fiduciary net position as a percentage of the total pension liability		97.51%
Police employees		
Total pension liability		\$ 38,912,251
Plan fiduciary net position		(35,728,426)
<hr/>		
City's net pension liability		\$ 3,183,825
<hr/>		
Plan fiduciary net position as a percentage of the total pension liability		91.82%
Fire employees		
Total pension liability		\$ 31,316,726
Plan fiduciary net position		(27,797,165)
<hr/>		
City's net pension liability		\$ 3,519,561
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Plan fiduciary net position as a percentage of the total pension liability		88.76%

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Net Pension Liability, Significant Assumptions, And Discount Rate (continued)

The total pension liability was determined by an actuarial valuation as of October 1, 2023 using the following actuarial assumptions applied to all measurement periods for each plan.

	General Employees	Police Employees	Fire Employees
Inflation	2.50%	2.50%	2.50%
Salary increases (including inflation)	5.00%	5.00%	5.00%
Investment rate of return (net of investment expense, including inflation)	7.00%	7.00%	7.00%
Discount rate	7.00%	7.00%	7.00%

Mortality rates were based on the PUB 2010 adjusted for the safety classification, set forward one year, projected generationally using scale MP 2018 (Florida Retirement System Special Risk mortality) for the Police and Fire Employees plans. The PUB 2010 adjusted for the below median general classification, set back on year for males, projected generationally using scale MP 2018 (Florida Retirement System Regular Risk mortality) was used for the General Employees plan. Disabled tables were used for disabled lives.

For all three plans, actuarial assumptions, with the exception of the investment return and mortality, used in the October 1, 2024 valuation were selected as a result of an experience study, and are reviewed annually for reasonableness.

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 plans' target asset allocation as of September 30, 2025, are summarized in the following table:

Asset Class	General Employees		Police Employees		Fire Employees	
	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return	Target Allocation	Long-term Expected Real Rate of Return
Large cap equity	30.00%	4.50%	30.00%	4.50%	30.00%	4.50%
Small cap equity	20.00%	5.00%	20.00%	5.00%	20.00%	5.00%
International (Non-U.S.) equity (developed)	15.00%	4.70%	15.00%	4.70%	15.00%	4.70%
Emerging markets equity	0.00%	4.60%	0.00%	4.60%	0.00%	4.60%
Fixed income	25.00%	2.50%	25.00%	2.50%	25.00%	2.50%
Real estate	5.00%	3.50%	5.00%	3.50%	5.00%	3.50%
Cash	5.00%	N/A	5.00%	N/A	5.00%	N/A

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Net Pension Liability, Significant Assumptions, And Discount Rate (continued)

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, each 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 net pension liability.

Pension Expense and Deferred Inflows/Outflows of Resources Related to Pensions

For the year ended September 30, 2025, the City recognized a pension expense of \$2,294,863 for the General Employees plan; \$1,536,021 for the Police Employees plan; and \$1,705,817 for the Fire Employees plan. On September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	General Employees		Police Employees		Fire Employees	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 2,672,731	\$ 269,240	\$ 2,259,190	\$ -	\$ 2,323,648	\$ -
Changes of assumptions	-	-	-	-	241,386	-
Net difference between projected and actual earnings	-	2,874,256	-	1,923,297	-	1,557,894
Contributions made subsequent to the measurement date	-	-	-	-	-	-
Total	\$ 2,672,731	\$ 3,143,496	\$ 2,259,190	\$ 1,923,297	\$ 2,565,034	\$ 1,557,894

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

<i>For the years ending September 30,</i>	General Employees	Police Employees	Fire Employees
2026	\$ 1,492,517	\$ 1,126,518	\$ 1,096,963
2027	(963,279)	(530,558)	(320,686)
2028	(917,197)	(487,895)	(347,067)
2029	(82,806)	127,319	213,823
2030	-	100,509	353,632
Total Thereafter	-	-	10,475
Total	\$ (470,765)	\$ 335,893	\$ 1,007,140

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate

General Employees

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2024	\$ 55,647,302	\$ 54,014,758	\$ 1,632,544
Changes for the year			
Service cost	2,503,178	-	2,503,178
Interest	3,984,852	-	3,984,852
Differences between expected and actual experience	2,262,416	-	2,262,416
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - employer	-	2,484,474	(2,484,474)
Contributions - employee	-	1,350,838	(1,350,838)
Net investment income	-	5,210,976	(5,210,976)
Benefit payments, including refunds of employee contributions	(2,490,133)	(2,490,133)	-
Administrative expense	-	(201,921)	201,921
Net changes	6,260,313	6,354,234	(93,921)
Balances at September 30, 2025	\$ 61,907,615	\$ 60,368,992	\$ 1,538,623

The sensitivity of the net pension liability to changes in the discount rate is shown below.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's net pension liability - General Employees	\$ 9,019,121	\$ 1,538,623	\$ (4,662,011)

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate (continued)

Police Employees

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2024	\$ 36,273,592	\$ 32,502,763	\$ 3,770,829
Changes for the year			
Service cost	1,024,011	-	1,024,011
Interest	2,534,982	-	2,534,982
Differences between expected and actual experience	1,284,094	-	1,284,094
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - employer	-	1,226,003	(1,226,003)
Contributions - state	-	617,473	(617,473)
Contributions - employee	-	323,205	(323,205)
Net investment income	-	3,405,358	(3,405,358)
Benefit payments, including refunds of employee contributions	(2,204,428)	(2,204,428)	-
Administrative expense	-	(141,948)	141,948
Net changes	2,638,659	3,225,663	(587,004)
Balances at September 30, 2025	\$ 38,912,251	\$ 35,728,426	\$ 3,183,825

The sensitivity of the net pension liability to changes in the discount rate is shown below.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's net pension liability - Police Employees	\$ 8,136,652	\$ 3,183,825	\$ (895,078)

City of Panama City Beach, Florida
Notes to Financial Statements

Note 4: RETIREMENT PLANS (Continued)

Changes in Net Pension Liability and Sensitivity to Changes in Discount Rate (continued)

Fire Employees

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2024	\$ 27,477,798	\$ 24,570,045	\$ 2,907,753
Changes for the year			
Service cost	953,067	-	953,067
Interest	1,950,136	-	1,950,136
Differences between expected and actual experience	2,098,973	-	2,098,973
Changes of assumptions	-	-	-
Changes of benefit terms	-	-	-
Contributions - employer	-	1,048,824	(1,048,824)
Contributions - state	-	313,751	(313,751)
Contributions - employee	-	454,372	(454,372)
Net investment income	-	2,694,952	(2,694,952)
Benefit payments, including refunds of employee contributions	(1,163,248)	(1,163,248)	-
Administrative expense	-	(121,531)	121,531
Net changes	3,838,928	3,227,120	611,808
Balances at September 30, 2025	\$ 31,316,726	\$ 27,797,165	\$ 3,519,561

The sensitivity of the net pension liability to changes in the discount rate is shown below.

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
City's net pension liability - Fire Employees	\$ 7,893,034	\$ 3,519,561	\$ (22,716)

Pension Plan Financial Statements

The City does not issue separate financial statements for the General Employees, Police Employees or the Fire Employees pension plans. The basic financial statements of the City include a statement of net position and a statement of changes in fiduciary net position that presents a single column for each fund type for all pension trust funds.

Note 5: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the City is required to provide eligible retirees (as defined in the City’s pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees. The City does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the City’s basic financial statements.

Funding Policy

The City is funding the post employee benefits on a pay-as-you-go basis. Contribution rates for the Plan are established by City Council annually during the budget process. The City does not pay for health insurance premiums for retirees. Blended premium rates for active and retired employees combined provide an implicit subsidy for retirees because on an actual basis, their current and future claims are expected to result in higher costs to the Plan than those of active employees. The current year contributions are determined as annualized claims incurred based on the retiree age at the beginning of the fiscal year and the claims table used for liability determination offset by the annual premium paid by the retiree for such coverage. City contributions are assumed to be equal to benefits paid.

Plan Membership:

At the valuation date October 1, 2023, OPEB membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	36
Active members	358
Total	394

Actuarial Assumptions and Other Inputs

At the September 30, 2025 measurement date, the actuarial assumptions and other inputs, applied include the following:

Salary increases	2.5% per annum
Discount rate	4.90% per annum
Health care cost trend rates	4.50%

The discount rate was selected based on a 20-year tax-exempt high-quality general obligation municipal bond yield of index. The Bond Buyer 20-Bond General Obligation Index is the average rating of 20 bonds that are grade ‘Aa2’ (Moody’s) or grade ‘AA’ (S&P 500). The Bond Buyer 20-Bond General Obligation Index at September 30, 2025 was 4.09%.

Mortality rates were based on the RP-2014 Mortality Tables, base year 2006, for Males and Females as appropriate with both rates, fully generational with adjustments for mortality improvements based on Scale MP-2021.

The actuarial assumptions used in the October 1, 2023 valuation were not based on the results of an actuarial experience study.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 5: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

Actuarial Assumptions and Other Inputs (continued)

At September 30, 2025, the City reported a total OPEB liability of \$1,707,722. The information has been provided as of the September 30, 2025 measurement date.

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Total OPEB Liability
	(a)	(b)	(a) - (b)
Balance as of October 1, 2024	\$ 1,919,116	\$ -	\$ 1,919,116
Changes for the year			
Service cost	68,337	-	68,337
Interest	97,385	-	97,385
Change of assumptions	-	-	-
Difference between expected and actual experience	(301,353)	-	(301,353)
Changes in benefit terms	-	-	-
Contributions - employer (Implicit rate subsidy)	(75,763)	75,763	(151,526)
Net investment income	-	-	-
Benefit payments	-	(75,763)	75,763
Administrative expenses	-	-	-
Net changes	(211,394)	-	(211,394)
Balance as of September 30, 2025	\$ 1,707,722	\$ -	\$ 1,707,722

The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated October 1, 2023, and these calculations are based on the Entry Age Normal cost method required by GASB P52: *Postemployment Benefits Other Than Pensions*.

Sensitivity of the Net OPEB Liability

The following table represents the City's total and net OPEB liability calculated using the discount rate of 4.90%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.90%) or one percentage point higher (5.90%) than the current rate:

	Current Discount Rate		
	1% Decrease (3.90%)	(4.90%)	1% Increase (5.90%)
Net OPEB liability	\$ 1,999,195	\$ 1,707,722	\$ 1,480,485

The following table represents the City's total and net OPEB liability calculated using the health care cost trend rate of 4.50 %, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (3.50%) or one percentage point higher (5.50%) than the current rate:

	Ultimate Trend		
	1% Decrease (3.50%)	(4.50%)	1% Increase (5.50%)
Net OPEB liability	\$ 1,449,779	\$ 1,707,722	\$ 2,036,354

City of Panama City Beach, Florida
Notes to Financial Statements

Note 5: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal year ended September 30, 2025, the City recognized an OPEB expense of \$68,077. In addition, the City reported deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 299,308	\$ 684,969
Total	\$ 299,308	\$ 684,969

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

For the years ending September 30,

2025		\$ (21,882)
2026		(21,882)
2027		(21,882)
2028		(21,882)
2029		(21,882)
Thereafter		(276,251)
Total		\$ (385,661)

Note 6: COMMITMENTS AND CONTINGENCIES

During the ordinary course of its operation, the City is party to various claims, legal actions, and complaints. While the ultimate effect of such litigation cannot be ascertained at this time, in the opinion of counsel for the City, the liabilities which may arise from such actions would not result in losses which would exceed the liability insurance limits in effect at the time the claim arose or otherwise materially affect the financial condition of the City or results of activities.

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal and state governments. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable fund(s). The amount, if any, of expenditures from current or prior years which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts not recorded, if any, to be immaterial.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 6: COMMITMENTS AND CONTINGENCIES (continued)

On November 30, 1999, the City entered into a contract to purchase water from Bay County. The terms of the contract require that the City must purchase a minimum of five billion, three hundred ninety-five million (5,395,000,000) gallons of water each fiscal year. During 2002, the minimum purchase amount was amended to five billion, eighty-two million, one hundred thousand (5,082,100,000) gallons. In the event of a shortfall, the City is required to pay Bay County an amount equal to the number of gallons short, at an agreed upon amount (\$.335 per thousand gallons). During the year ended September 30, 2025, the City's cost of water purchased from Bay County was \$10,684,718. The City met its minimum purchase obligation for 2025 and as a result there was no liability due to Bay County under the "take or pay" contract at September 30, 2025.

At September 30, 2025, the City had open construction contract commitments of approximately \$3,510,463.

Note 7: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City purchases separate commercial insurance coverage for workers' compensation, liability, and property damage. Coverage for workers' compensation and automobile claims are limited to the maximum liability exposure the City faces under Florida statutes. Coverage for general liability claims is a maximum of \$1,000,000 per occurrence.

The commercial insurance carried is a claims incurred policy for which the City is covered for claims originating against the City during the policy period. The amount of coverage is dependent on the date of the liability-imposing event. The City has maintained continuous coverage and does not believe it has any exposure to events which occurred prior to the year ended September 30, 2025.

Note 8: SELF INSURANCE FOR EMPLOYEE MEDICAL BENEFITS

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

The plan provides coverage up to a maximum of \$100,000 per contract and approximately \$1,000,000 for the aggregate of contracts.

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

City of Panama City Beach, Florida
Notes to Financial Statements

Note 8: SELF INSURANCE FOR EMPLOYEE MEDICAL BENEFITS (continued)

Monthly invoices are submitted by Blue Cross/Blue Shield of Florida representing claims paid on the City's behalf. The invoices are paid from the claims account previously referenced. The balance in the claims liability account at year end represents claims incurred prior to year-end and paid subsequent to September 30, 2025, and a provision for incurred but not yet reported claims, as well as a provision for potential future claims in excess of the re-insurance coverage limits.

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

Funding for health insurance premiums is derived from three sources:

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

For the fiscal year ended September 30, 2025, the change in the claims liability was as follows:

Claims liability, October 1, 2024	\$	712,219
Total transfers to the claims account from premiums, rebates, and other		4,585,811
Total transfers out of the claims account for claims, reinsurance fees, and other		(5,045,315)
<u>Claims liability, September 30, 2025</u>	<u>\$</u>	<u>252,715</u>

Note 9: PIER PARK

The City entered into an agreement in late 2001, with the Panama City Beach Community Redevelopment Agency (the CRA), the Pier Park Community Development District (the CDD) and the St. Joe Company (St. Joe) titled the "Public Improvement Partnership Agreement" (the PIPA). This agreement provided for the construction of improvements in the Pier Park Redevelopment Area and the transfer of properties between the parties to facilitate the development of this area.

The CDD was authorized to issue debt to provide funds for public improvements constructed in the Pier Park Redevelopment Area. The City has pledged tax increment revenue collected within Pier Park to the CDD to be applied to the payment of interest and principal on the debt obligations. For the year ended September 30, 2025, tax increment funds remitted by Bay County to the City for the Pier Park CRA were \$713,300. These funds were subsequently paid to the CDD by the City.

In February 2024, the City passed resolution 24-97 which amended the PIPA including the method of computing and paying the annual reinvestment amount. Under the amendment, the City is required to pay to the CDD, by the 31st of January each fiscal year, the amount of the Pier Park Occupational License Tax Revenue required to ensure the annual reinvestment for the current fiscal year has been paid in full.

The total amount of business taxes collected within the Pier Park Redevelopment Area in the fiscal year ended September 30, 2025 were \$2,664,396. Under the terms of the amended PIPA, the entire amount was remitted to the CDD. A copy of the agreement is available at City Hall, located at 17007 Panama City Beach Pkwy, Panama City Beach, Florida 32413.

City of Panama City Beach, Florida
Notes to Financial Statements

Note 10: FUND BALANCE CONSTRAINTS

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

Fund Balances	General Fund	Community Redevelopment Fund	Other Governmental Funds	Total
Nonspendable				
Prepays	\$ 127,659	\$ 5,402	\$ 21,830	\$ 154,891
Inventory	19,109	-	-	19,109
Total nonspendable	146,768	5,402	21,830	174,000
Restricted				
Highways and streets	\$ 5,713,090	\$ -	\$ -	\$ 5,713,090
Public safety	286,960	-	109,986	396,946
Parks and recreation	36,167	-	-	36,167
Debt service	-	8,079,954	-	8,079,954
Community redevelopment	-	67,070,786	-	67,070,786
Reforestation	5,381	-	-	5,381
Impact fees	5,036,744	260,478	-	5,297,222
Building permits	1,514,874	-	-	1,514,874
Public parking	-	-	854,328	854,328
Storm water	-	-	7,660,766	7,660,766
Construction	-	10,539,963	-	10,539,963
Total restricted	12,593,216	85,951,181	8,625,080	107,169,477
Committed				
Construction	3,510,463	-	-	3,510,463
Total committed	3,510,463	-	-	3,510,463
Assigned				
Compensated absences	500,000	-	-	500,000
Road maintenance	1,000,000	-	-	1,000,000
Building renewal and replacement	1,000,000	-	-	1,000,000
Future capital projects	11,363,978	-	-	11,363,978
Community redevelopment	-	2,173,295	-	2,173,295
Public safety	-	-	26,362	26,362
Total assigned	13,863,978	2,173,295	26,362	16,063,635
Unassigned	41,653,528	-	-	41,653,528
Total fund balances	\$ 71,767,953	\$ 88,129,878	\$ 8,673,272	\$ 168,571,103

Required Supplementary Information

City of Panama City Beach, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – General Fund

<i>For the year ended September 30, 2025</i>	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Taxes						
Business taxes	\$ 20,329,000	\$ 19,740,000	\$ 479,197	\$ 20,219,197	-	20,219,197
Utility taxes	5,757,000	5,610,000	57,484	5,667,484	55,143	5,722,627
Franchise fees	3,430,000	3,248,000	66,352	3,314,352	(6,002)	3,308,350
Intergovernmental	6,708,355	6,582,055	246,477	6,828,532	(59,983)	6,768,549
Municipal services impact fees	892,000	1,190,000	(214,097)	975,903	-	975,903
Permits, fees and special assessments	8,481,891	8,829,300	43,197	8,872,497	-	8,872,497
Fines and forfeitures	142,000	282,500	72,030	354,530	(3,283)	351,247
Contributions and donations	1,420,150	2,000,600	344,595	2,345,195	(248,469)	2,096,726
Grants	5,566,590	2,623,548	(1,242,935)	1,380,613	1,811,741	3,192,354
Rents	315,600	267,900	60,086	327,986	(22,814)	305,172
Investment earnings	1,406,000	1,740,000	280,888	2,020,888	1,426	2,022,314
Other fees and miscellaneous	1,432,700	2,732,850	295,398	3,028,248	23,439	3,051,687
Total revenues	55,881,286	54,846,753	488,672	55,335,425	1,551,198	56,886,623
Expenditures						
Current						
General government						
Executive	1,009,700	1,024,000	47,308	976,692	10,563	987,255
Legislative	483,150	474,750	49,875	424,875	1,482	426,357
Administration	2,913,300	2,879,300	442,154	2,437,146	33,455	2,470,601
Legal	644,000	595,000	198,381	396,619	60,571	457,190
Comprehensive planning	541,240	536,740	122,906	413,834	4,892	418,726
Protective services	2,418,200	2,412,300	442,853	1,969,447	32,035	2,001,482
Total general government	8,009,590	7,922,090	1,303,477	6,618,613	142,998	6,761,611
Public safety						
Police	15,614,250	15,638,450	1,837,044	13,801,406	259,807	14,061,213
Fire	12,311,450	12,513,750	1,672,616	10,841,134	141,172	10,982,306
Total public safety	27,925,700	28,152,200	3,509,660	24,642,540	400,979	25,043,519
Highways and streets	3,583,700	3,068,700	729,115	2,339,585	52,129	2,391,714
Culture and recreation						
Library	330,800	349,800	40,975	308,825	(1,396)	307,429
Recreation	5,650,600	5,571,560	499,180	5,072,380	44,897	5,117,277
Total culture and recreation	5,981,400	5,921,360	540,155	5,381,205	43,501	5,424,706
Total current	45,500,390	45,064,350	6,082,407	38,981,943	639,607	39,621,550 (Continued)

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

<i>For the year ended September 30, 2025</i>	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
Expenditures (continued)						
Capital outlay						
General government						
Executive	\$ 41,000	\$ 37,000	\$ 37,018	\$ (18)	\$ 280	\$ 262
Administration	728,000	1,025,000	(10,489)	1,035,489	2,643	1,038,132
Comprehensive planning	1,500	700	(305)	1,005	69	1,074
Protective services	23,400	246,200	18,118	228,082	3	228,085
Total general government	793,900	1,308,900	44,342	1,264,558	2,995	1,267,553
Public safety						
Police	4,903,000	2,831,128	1,338,393	1,492,735	30,087	1,522,822
Fire	335,000	5,013,450	1,336,848	3,676,602	(471,323)	3,205,279
Total public safety	5,238,000	7,844,578	2,675,241	5,169,337	(441,236)	4,728,101
Highways and streets	5,698,275	2,746,875	1,812,419	934,456	469,269	1,403,725
Culture and recreation						
Recreation	10,816,000	5,039,000	1,474,401	3,564,599	(139,650)	3,424,949
Total culture and recreation	10,916,000	5,039,000	1,474,401	3,564,599	(139,650)	3,424,949
Total capital outlay	22,646,175	16,939,353	6,006,403	10,932,950	(108,622)	10,824,328
Total expenditures	68,146,565	62,003,703	12,088,810	49,914,893	530,985	50,445,878
Excess (deficiency) of revenues over (under) expenditures	(12,265,279)	(7,156,950)	12,577,482	5,420,532	1,020,213	6,440,745
Other Financing Sources (Uses)						
Transfers in	1,607,000	1,744,000	-	1,744,000	-	1,744,000
Transfers out	(200,000)	(100,000)	-	(100,000)	-	(100,000)
Grants and aid	(175,735)	(175,735)	-	(175,735)	-	(175,735)
Proceeds from disposal of assets	50,000	100,000	(83,793)	16,207	(117,321)	133,528
Total other financing sources (uses)	1,281,265	1,568,265	(83,793)	1,484,472	(117,321)	1,601,793
Net change in fund balance	(10,984,014)	(5,588,685)	12,493,689	6,905,004	1,137,534	8,042,538
Fund balance, beginning of year	51,148,748	66,086,832	(23,107,407)	42,979,425	20,745,990	63,725,415
Fund balance, end of year	\$ 40,164,734	\$ 60,498,147	\$ (10,613,718)	\$ 49,884,429	\$ 21,883,524	\$ 71,767,953

City of Panama City Beach, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Community Redevelopment Fund

<i>For the year ended September 30, 2025</i>	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Tax increment funds	\$ 22,094,775	\$ 22,003,249	\$ -	\$ 22,003,249	\$ -	22,003,249
Municipal services impact fees	219,000	100,000	(67,831)	32,169	-	32,169
Permits, fees and special assessments	953,919	961,000	449	961,449	-	961,449
Fines and forfeitures	-	-	894	894	167	1,061
Contributions and donations	-	-	4,500	4,500	-	4,500
Grants	7,871,000	6,326,310	(2,670,808)	3,655,502	(2,796,617)	858,885
Rents	6,800	7,000	(4)	6,996	1,300	8,296
Investment earnings	1,650,606	1,940,761	290,376	2,231,137	7,673	2,238,810
Other fees and miscellaneous	464,000	400,000	17,199	417,199	22,572	439,771
Total revenues	33,260,100	31,738,320	(2,425,225)	29,313,095	(2,764,905)	26,548,190
Expenditures						
Current						
General government	713,300	713,461	(2,325)	715,786	-	715,786
Highways and streets	3,604,350	3,169,950	1,265,257	1,904,693	118,270	2,022,963
Total current	4,317,650	3,883,411	1,262,932	2,620,479	118,270	2,738,749
Capital outlay						
Highways and streets	46,161,400	24,732,510	15,347,543	9,384,967	(290,484)	9,094,483
Total capital outlay	46,161,400	24,732,510	15,347,543	9,384,967	(290,484)	9,094,483
Debt service						
Principal	2,795,000	2,795,000	-	2,795,000	-	2,795,000
Interest	4,127,230	2,190,730	2	2,190,728	749,870	2,940,598
Other debt service costs	400,000	750	-	750	-	750
Total debt service	7,322,230	4,986,480	2	4,986,478	749,870	5,736,348
Total expenditures	57,801,280	33,602,401	16,610,477	16,991,924	577,656	17,569,580
Excess (deficiency) of revenues over (under) expenditures	(24,541,180)	(1,864,081)	14,185,252	12,321,171	(3,342,561)	8,978,610
Other Financing Sources (Uses)						
Transfers in	100,000	-	-	-	-	-
Transfers out	(58,000)	(62,000)	5,469,616	5,407,616	5,469,616	(62,000)
Issuance of debt	40,000,000	-	-	-	-	-
Total other financing sources (uses)	40,042,000	(62,000)	5,469,616	5,407,616	5,469,616	(62,000)
Net change in fund balances	15,500,820	(1,926,081)	19,654,868	17,728,787	(8,812,177)	8,916,610
Fund balance, beginning of year	58,833,735	78,381,911	(35,402,486)	42,979,425	36,233,843	79,213,268
Fund balance, end of year	\$ 74,334,555	\$ 76,455,830	\$ (15,747,618)	\$ 60,708,212	\$ 27,421,666	\$ 88,129,878

City of Panama City Beach, Florida Required Pension Supplementary Information

**Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years
General Employees**

<i>As of and for the year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 2,503,178	\$ 2,031,499	\$ 1,944,015	\$ 1,736,456	\$ 1,352,512	\$ 1,294,270	\$ 1,144,923	\$ 1,098,483	\$ 1,081,152	\$ 1,015,477
Interest	3,984,852	3,644,387	3,531,967	3,261,345	3,206,254	3,272,081	3,156,029	3,134,812	2,878,833	2,715,866
Changes of benefit terms		-	-	-	174,867	-	-	-	-	-
Differences between expected and actual experiences	2,262,416	1,596,537	(923,798)	1,410,824	(1,046,563)	(1,187,680)	(420,235)	(1,670,609)	(982,721)	(642,786)
Changes of assumptions		-	-	-	3,665,054	430,656	-	-	486,743	-
Benefit payments, including refunds of member contributions	(2,490,133)	(3,257,494)	(2,817,394)	(2,685,047)	(1,828,524)	(1,843,785)	(2,334,202)	(2,340,677)	(967,953)	(1,067,418)
DROP adjustment		-	-	-	-	-	-	-	-	-
Net change in total pension liability	6,260,313	4,014,929	1,734,790	3,723,578	5,523,600	1,965,542	1,546,515	222,009	2,496,054	2,021,139
Total pension liability - beginning	55,647,302	51,632,373	49,897,583	46,174,005	40,650,404	38,684,860	37,138,346	36,916,337	34,420,283	32,399,144
Total pension liability - ending (a)	61,907,615	55,647,302	51,632,373	49,897,583	46,174,004	40,650,402	38,684,861	37,138,346	36,916,337	34,420,283
Plan Fiduciary Net Position										
Contributions - employer	2,484,474	1,896,194	1,706,087	1,334,190	1,097,316	659,426	805,890	745,847	809,369	892,284
Contributions - member	1,350,838	1,205,156	1,018,633	892,818	808,227	717,126	686,294	631,150	571,937	563,913
Contributions - Buy back of service		-	-	-	-	-	-	6,433	-	-
Net investment income (loss)	5,210,976	9,343,361	4,167,760	(9,156,543)	7,910,521	4,098,315	1,564,559	2,939,347	4,128,258	2,525,763
Benefit payments, including refunds of member contributions	(2,490,133)	(3,257,494)	(2,817,394)	(2,685,047)	(1,828,524)	(1,843,785)	(2,334,202)	(2,340,677)	(967,953)	(1,067,418)
Administrative expense	(201,921)	(187,942)	(192,711)	(151,334)	(105,086)	(106,296)	(84,853)	(31,038)	(20,903)	(24,884)
DROP adjustment		-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	6,354,234	8,999,275	3,882,375	(9,765,916)	7,882,454	3,524,786	637,688	1,951,062	4,520,708	2,889,658
Plan fiduciary net position - beginning	54,014,758	45,015,483	41,133,108	50,899,024	43,016,572	39,491,786	38,854,099	36,903,037	32,382,329	29,492,671
Plan fiduciary net position - ending (b)	60,368,992	54,014,758	45,015,483	41,133,108	50,899,026	43,016,572	39,491,787	38,854,099	36,903,037	32,382,329
Net pension liability (asset) - ending (a) - (b)	\$ 1,538,623	\$ 1,632,544	\$ 6,616,890	\$ 8,764,475	\$ (4,725,022)	\$ (2,366,170)	\$ (806,926)	\$ (1,715,753)	\$ 13,300	\$ 2,037,954
Plan fiduciary net position as a percentage of the total pension liability	97.51%	97.07%	87.18%	82.44%	110.23%	105.82%	102.09%	104.62%	99.96%	94.08%
Covered payroll	\$ 15,527,462	\$ 13,852,377	\$ 11,708,435	\$ 10,262,278	\$ 9,289,961	\$ 8,392,421	\$ 7,888,434	\$ 7,254,593	\$ 6,573,994	\$ 6,483,319
Net pension liability (asset) as a percentage of covered payroll	9.91%	11.79%	56.51%	85.40%	-50.86%	-28.19%	-10.23%	-23.65%	0.20%	31.43%

City of Panama City Beach, Florida Required Pension Supplementary Information

Schedule of Contributions
Last Ten Fiscal Years
General Employees

<i>As of and for the year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 2,450,233	\$ 1,889,464	\$ 1,403,841	\$ 1,233,526	\$ 1,092,499	\$ 224,917	\$ 474,884	\$ 657,992	\$ 642,937	\$ 672,608
Contributions made in relation to the actuarially determined contribution	2,484,474	1,896,194	1,706,087	1,334,190	1,097,316	659,426	805,890	745,847	809,369	892,284
Contribution deficiency (excess)	\$ (34,241)	\$ (6,730)	\$ (302,246)	\$ (100,664)	\$ (4,817)	\$ (434,509)	\$ (331,006)	\$ (87,855)	\$ (166,432)	\$ (219,676)
Covered payroll	\$ 15,527,462	\$ 13,852,377	\$ 11,708,435	\$ 10,262,278	\$ 9,289,961	\$ 8,392,421	\$ 7,888,434	\$ 7,254,593	\$ 6,573,994	\$ 6,483,319
Contributions as a percentage of covered payroll	16.00%	13.69%	14.57%	13.00%	11.81%	7.86%	10.22%	10.28%	12.31%	13.76%

Notes to Schedule:

Valuation Date: 10/1/24

Note 1: Valuation date: 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.

City of Panama City Beach, Florida Required Pension Supplementary Information

**Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years
Police Employees**

<i>As of and for the year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 1,024,011	\$ 1,013,352	\$ 962,035	\$ 786,640	\$ 728,008	\$ 557,073	\$ 614,104	\$ 621,201	\$ 609,635	\$ 546,733
Interest	2,534,982	2,340,139	2,186,757	2,022,526	2,059,834	1,895,622	1,827,811	1,760,885	1,650,451	1,528,848
Changes of benefit terms		-	-	-	65,485	-	-	-	-	-
Differences between expected and actual experiences	1,284,094	1,296,950	579,129	882,716	(1,719,285)	604,375	295,905	(516,658)	(53,433)	317,692
Changes of assumptions		-	-	-	2,307,322	-	69,958	-	174,190	-
Benefit payments, including refunds of member contributions	(2,204,428)	(1,561,680)	(1,613,586)	(1,431,722)	(945,403)	(1,290,489)	(987,025)	(1,056,520)	(967,438)	(904,815)
Net change in total pension liability	2,638,659	3,088,761	2,114,335	2,260,160	2,495,961	1,766,581	1,820,753	808,908	1,413,405	1,488,458
Total pension liability - beginning	36,273,592	33,184,831	31,070,496	28,810,336	26,314,379	24,547,798	22,727,044	21,918,136	20,504,731	19,016,273
Total pension liability - ending (a)	38,912,251	36,273,592	33,184,831	31,070,496	28,810,340	26,314,379	24,547,797	22,727,044	21,918,136	20,504,731
Plan Fiduciary Net Position										
Contributions - employer	1,226,003	1,099,816	908,395	543,011	442,591	514,218	720,133	577,269	580,095	590,606
Contributions - member	617,473	582,617	542,270	516,569	466,762	422,039	502,866	373,527	344,327	338,561
Contributions - state	323,205	304,650	241,944	210,100	191,852	185,075	170,055	155,114	142,663	137,097
Net investment income (loss)	3,405,358	5,553,680	2,455,909	(5,442,351)	4,735,706	2,420,688	904,516	1,596,109	2,226,214	1,355,563
Benefit payments, including refunds of member contributions	(2,204,428)	(1,561,680)	(1,613,586)	(1,431,722)	(945,403)	(1,290,489)	(987,025)	(1,056,520)	(967,438)	(904,815)
Administrative expense	(141,948)	(133,707)	(136,001)	(108,338)	(83,393)	(86,951)	(64,615)	(36,961)	(24,921)	(18,136)
Net change in plan fiduciary net position	3,225,663	5,845,376	2,398,931	(5,712,731)	4,808,115	2,164,580	1,245,930	1,608,538	2,300,940	1,498,876
Plan fiduciary net position - beginning	32,502,763	26,657,387	24,258,456	29,971,187	25,163,072	22,998,492	21,752,561	20,144,023	17,843,083	16,344,207
Plan fiduciary net position - ending (b)	35,728,426	32,502,763	26,657,387	24,258,456	29,971,187	25,163,072	22,998,491	21,752,561	20,144,023	17,843,083
Net pension liability - ending (a) - (b)	\$ 3,183,825	\$ 3,770,829	\$ 6,527,444	\$ 6,812,040	\$ (1,160,847)	\$ 1,151,307	\$ 1,549,306	\$ 974,483	\$ 1,774,113	\$ 2,661,648
Plan fiduciary net position as a percentage of the total pension liability	91.82%	89.60%	80.33%	78.08%	104.03%	95.62%	93.69%	95.71%	91.91%	87.02%
Covered payroll	\$ 5,246,533	\$ 4,960,924	\$ 4,631,402	\$ 4,525,089	\$ 4,023,558	\$ 3,895,753	\$ 4,175,768	\$ 3,395,701	\$ 3,130,244	\$ 3,078,788
Net pension liability as a percentage of covered payroll	60.68%	76.01%	140.94%	150.54%	-28.85%	29.55%	37.10%	28.70%	56.68%	86.45%

City of Panama City Beach, Florida
Required Pension Supplementary Information

Schedule of Contributions
Last Ten Fiscal Years
Police Employees

<i>As of and for the year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,223,258	\$ 1,092,892	\$ 883,671	\$ 529,435	\$ 256,703	\$ 405,548	\$ 529,487	\$ 522,598	\$ 536,211	\$ 626,841
Contributions made in relation to the actuarially determined contribution	1,226,003	1,099,816	908,389	543,011	466,762	514,218	720,133	577,269	580,095	590,606
Contribution deficiency (excess)	\$ (2,745)	\$ (6,924)	\$ (24,718)	\$ (13,576)	\$ (210,059)	\$ (108,670)	\$ (190,646)	\$ (54,671)	\$ (43,884)	\$ 36,235
Covered payroll	\$ 4,960,924	\$ 4,960,924	\$ 4,631,402	\$ 4,525,089	\$ 4,023,558	\$ 3,895,753	\$ 4,175,768	\$ 3,395,701	\$ 3,130,244	\$ 3,078,788
Contributions as a percentage of covered payroll	24.71%	22.17%	19.61%	12.00%	11.60%	13.20%	17.25%	17.00%	18.53%	19.18%

Notes to Schedule:

Valuation Date: 10/1/24

Note 1: Valuation date: 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.

City of Panama City Beach, Florida Required Pension Supplementary Information

**Schedule of Changes in Net Pension Liability and Related Ratios
Last Ten Fiscal Years
Firefighter Employees**

<i>As of and for the year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 953,067	\$ 849,970	\$ 832,396	\$ 716,814	\$ 494,293	\$ 365,093	\$ 298,547	\$ 270,658	\$ 262,044	\$ 261,854
Interest	1,950,136	1,811,427	1,705,601	1,565,410	1,464,010	1,532,827	1,350,842	1,431,146	1,351,472	1,297,175
Changes of benefit terms		-	-	-	17,190	-	-	-	-	-
Differences between expected and actual experiences	2,098,973	350,579	12,676	811,908	510,002	(464,518)	1,499,596	(706,386)	(157,157)	(380,401)
Changes of assumptions		-	-	-	1,907,051	-	-	-	(70,012)	-
Benefit payments, including refunds of member contributions	(1,163,248)	(1,104,779)	(1,009,718)	(1,397,716)	(894,301)	(1,341,145)	(662,160)	(1,572,119)	(790,069)	(596,757)
DROP adjustment					-	-	-	-	-	-
Net change in total pension liability	3,838,928	1,907,197	1,540,955	1,696,416	3,498,245	92,257	2,486,825	(576,701)	596,278	581,871
Total pension liability - beginning	27,477,798	25,570,601	24,029,646	22,333,230	18,834,985	18,742,728	16,255,904	16,832,605	16,236,327	15,654,456
Total pension liability - ending (a)	31,316,726	27,477,798	25,570,601	24,029,646	22,333,230	18,834,985	18,742,729	16,255,904	16,832,605	16,236,327
Plan Fiduciary Net Position										
Contributions - employer	1,048,824	997,618	856,137	644,790	582,057	460,777	400,000	190,555	266,409	383,158
Contributions - member	313,751	292,034	193,598	165,632	155,931	127,721	109,254	96,798	80,110	78,955
Contributions - state	454,372	426,778	366,540	294,279	263,022	226,180	210,227	174,833	176,633	193,237
Net investment income (loss)	2,694,952	4,215,039	1,767,747	(3,988,600)	3,840,600	1,759,510	694,128	1,229,872	1,812,924	1,124,888
Benefit payments, including refunds of member contributions	(1,163,248)	(1,104,779)	(1,009,718)	(1,397,716)	(894,301)	(1,341,145)	(662,160)	(1,572,119)	(790,069)	(596,757)
Administrative expense	(121,531)	(113,657)	(118,564)	(100,369)	(72,356)	(77,610)	(56,496)	(21,424)	(21,738)	(21,443)
DROP adjustment					-	-	-	-	-	-
Net change in plan fiduciary net position	3,227,120	4,713,033	2,055,740	(4,381,984)	3,874,953	1,155,433	694,953	98,515	1,524,269	1,162,038
Plan fiduciary net position - beginning	24,570,045	19,857,012	17,801,272	22,183,256	18,308,303	17,152,870	16,457,918	16,359,403	14,835,134	13,673,096
Plan fiduciary net position - ending (b)	27,797,165	24,570,045	19,857,012	17,801,272	22,183,256	18,308,303	17,152,871	16,457,918	16,359,403	14,835,134
Net pension liability (asset) - ending (a) - (b)	\$ 3,519,561	\$ 2,907,753	\$ 5,713,589	\$ 6,228,374	\$ 149,974	\$ 526,682	\$ 1,589,858	\$ (202,014)	\$ 473,202	\$ 1,401,193
Plan fiduciary net position as a percentage of the total pension liability	88.76%	89.42%	77.66%	74.08%	99.33%	97.20%	91.52%	101.24%	97.19%	91.37%
Covered payroll	\$ 4,243,904	\$ 4,007,082	\$ 3,584,244	\$ 3,223,950	\$ 3,127,063	\$ 2,595,638	\$ 2,221,325	\$ 1,905,548	\$ 1,584,980	\$ 1,524,460
Net pension liability (asset) as a percentage of covered payroll	82.93%	72.57%	159.41%	193.19%	4.80%	20.29%	71.57%	-10.60%	29.86%	91.91%

City of Panama City Beach, Florida
Required Pension Supplementary Information

Schedule of Contributions
Last Ten Fiscal Years
Firefighter Employees

<i>As of and for the year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	\$ 1,007,503	\$ 994,958	\$ 851,975	\$ 618,676	\$ 576,630	\$ 421,532	\$ 359,855	\$ 176,073	\$ 125,213	\$ 223,668
Contributions made in relation to the actuarially determined contribution	1,048,824	997,618	856,137	644,790	582,057	460,777	400,000	190,555	266,409	383,158
Contribution deficiency (excess)	\$ (41,321)	\$ (2,660)	\$ (4,162)	\$ (26,114)	\$ (5,427)	\$ (39,245)	\$ (40,145)	\$ (14,482)	\$ (141,196)	\$ (159,490)
Covered payroll	\$ 4,243,904	\$ 4,007,082	\$ 3,584,244	\$ 3,223,950	\$ 3,127,063	\$ 2,595,638	\$ 2,221,325	\$ 1,905,548	\$ 1,584,980	\$ 1,524,460
Contributions as a percentage of covered payroll	24.71%	24.90%	23.89%	20.00%	18.61%	17.75%	18.01%	10.00%	16.81%	25.13%

Notes to Schedule:

Valuation Date: 10/1/24

**Note 1: Valuation date: Actuarially determined contribution rates are calculated as of October 1, one year
Schedule of Contributions**

City of Panama City Beach, Florida
Required Pension Supplementary Information

NOTES TO REQUIRED PENSION SUPPLEMENTARY INFORMATION:

Note 1: PLAN CHANGES IN BENEFIT TERMS

There have been no changes in benefits since the prior valuation of all three pension plans.

Note 2: CHANGES OF ASSUMPTIONS

There have been no changes in assumptions since the prior valuation of all three pension plans.

City of Panama City Beach, Florida
Required Pension Supplementary Information

Note 3: METHODS AND ASSUMPTIONS USED TO DETERMINE CONTRIBUTION RATES

	General Employees	Police Employees	Fire Employees
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Amortized as a % of payroll over 20 years	Amortized as a % of payroll over 20 years	Amortized as a % of payroll over 20 years
Remaining amortization period	15 Years (as of 10/1/2024)	10 Years (as of 10/1/2024)	15 Years (as of 10/1/2024)
Asset valuation method	5 Year smoothed market	5 Year smoothed market	5 Year smoothed market
Inflation	2.5%	2.5%	2.5%
Payroll increases	5% per year	5% per year	5% per year
Salary increases	5% per year	5% per year	5% per year
*Interest rate	7.00%	7.00%	7.00%
Retirement age	Age 55 and 10 years of service or age 50 and 20 years of service.	Age 55 and 10 years of service, age 50 and 20 years of service or 25 years of service regardless of age.	Age 55 and 10 years of service, age 50 and 20 years of service or if elected 25 and out 25 years of service regardless of age.
Early retirement	Age 48 and 10 years of service, reduced at 1/15 per year first 5 years and 1/30 per year for each of the next 2 years by which the benefit commencement date precedes his Normal Retirement Date.	Age 50 and 10 years of service, reduced at 3% per year (.25% per month) for each period by which the benefit commencement date precedes his Normal Retirement Date.	Age 50 and 10 years of service, reduced at 3% per year (.25% per month) for each period by which the benefit commencement date precedes his Normal Retirement Date.
Mortality	PUB 2010 using scale MP 2018 (FRS regular risk mortality)	PUB 2010 using scale MP 2018 (FRS special risk mortality)	PUB 2010 using scale MP 2018 (FRS special risk mortality)

*Interest rate is net of investment-related expenses, including inflation.

City of Panama City Beach, Florida
Required Pension Supplementary Information

Note 4: MONEY-WEIGHTED RATE OF RETURN

This schedule is intended to provide information about the actual performance of the pension plan's investment portfolio because it takes into account the effects of transactions that increase the amount of pension plan investments (such as contributions from employers, non-employer contributing entities, and plan members) and those that decrease the amount of pension plan investments (such as benefit payments).

General Employees									
2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
10.6%	20.8%	9.9%	-18.1%	21.2%	10.5%	4.1%	8.3%	12.9%	8.7%
Police Employees									
2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
10.6%	21.0%	9.9%	-18.20%	18.80%	10.60%	4.10%	8.20%	12.70%	8.60%
Fire Employees									
2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
10.6%	21.1%	9.9%	-18.1%	21.0%	10.4%	4.2%	8.0%	12.7%	8.5%

City of Panama City Beach, Florida Required Other Postemployment Benefits Supplementary Information

<i>As of and for the year ended September 30,</i>	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 68,337	\$ 64,877	\$ 16,648	\$ 97,899	\$ 69,750	\$ 63,930	\$ 50,983	\$ 37,880
Interest	97,385	75,310	76,274	56,749	48,087	51,684	60,862	55,707
Changes of benefit term		-	-	-	-	-	-	-
Difference between expected and actual experience	(301,353)	(38,095)	(15,806)	(363,448)	(15,528)	84,837	499,640	(169,229)
Changes of assumptions or other inputs		-	-	-	-	-	-	-
Implicit Rate Subsidy	(75,763)	(75,763)	(65,037)	(65,349)	(53,593)	(53,593)	(36,656)	(36,656)
Net change in total OPEB liability	(211,394)	26,329	12,079	(274,149)	48,716	146,858	574,829	(112,298)
Total OPEB liability - beginning	1,919,116	1,892,787	1,880,708	2,154,857	2,106,141	1,959,283	1,384,454	1,496,752
Total OPEB liability - ending	1,707,722	1,919,116	1,892,787	1,880,708	2,154,857	2,106,141	1,959,283	1,384,454
Plan Fiduciary Net Position								
Contributions - employer (implicit rate subsidy)	75,763	75,763	65,037	65,349	53,593	53,593	36,656	36,656
Contributions - employee					-	-	-	-
Net investment income					-	-	-	-
Benefit payments	(75,763)	(75,763)	(65,037)	(65,349)	(53,593)	(53,593)	(36,656)	(36,656)
Administrative expense					-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-	-	-	-
Plan fiduciary net position - ending	-	-	-	-	-	-	-	-
Total OPEB liability	\$ 1,707,722	\$ 1,919,116	\$ 1,892,787	\$ 1,880,708	\$ 2,154,857	\$ 2,106,141	\$ 1,959,283	\$ 1,384,454
Plan fiduciary net position as a percentage of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	\$ 29,189,771	\$ 26,809,342	\$ 23,384,004	\$ 21,119,099	\$ 19,002,213	\$ 17,396,290	\$ 16,234,970	\$ 15,838,042
Total OPEB liability as a percentage of covered payroll	5.85%	7.16%	8.09%	8.91%	11.34%	12.11%	12.07%	8.74%

* GASB Codification P52 requires an employer to disclose a 10-year history. However, until a full 10-year trend is compiled, information will be presented only for those years which information is available.

* The following discount rate changes:

9/30/2019 - 2.66%
9/30/2020 - 2.21%
9/30/2021 - 2.26%
9/30/2022 - 4.02%
9/30/2023 - 4.09%
9/30/2024 - 4.90%

**Combining and Individual Fund
Statements and Schedules**

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

	Special Revenue Funds							
	Stormwater Fund	Law Enforcement Trust Fund	Law Enforcement Education Fund	Department of Justice Equitable Sharing Fund	Cops and Kids Fund	Beach Access Public Parking Fund	Total Nonmajor Governmental Funds	Total Nonmajor Governmental Funds
<i>September 30, 2025</i>								
Assets								
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 28,495	\$ -	\$ 28,495	\$ 28,495
Accrued interest receivable	-	-	-	-	46	-	46	46
Cash and cash equivalents - restricted	7,590,638	29,561	41,111	27,986	-	852,828	8,542,124	8,542,124
Grants receivable, restricted	141,659	-	-	-	-	-	141,659	141,659
Accrued interest receivable - restricted	19,812	-	-	-	-	1,500	21,312	21,312
Due from other governments - restricted	47,865	-	-	-	-	-	47,865	47,865
Due from other funds - restricted	3,825	10,165	890	1,300	-	-	16,180	16,180
Prepaid items - restricted	21,830	-	-	-	-	-	21,830	21,830
Total assets	\$ 7,825,629	\$ 39,726	\$ 42,001	\$ 29,286	\$ 28,541	\$ 854,328	\$ 8,819,511	\$ 8,819,511
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 93,219	\$ -	\$ -	\$ -	\$ 2,179	\$ -	\$ 95,398	\$ 95,398
Accrued expenses	49,731	-	-	-	-	-	49,731	49,731
Due to other funds	83	-	1,027	-	-	-	1,110	1,110
Total liabilities	143,033	-	1,027	-	2,179	-	146,239	146,239
Fund balances								
Nonspendable	21,830	-	-	-	-	-	21,830	21,830
Restricted	7,660,766	39,726	40,974	29,286	-	854,328	8,625,080	8,625,080
Assigned	-	-	-	-	26,362	-	26,362	26,362
Total fund balances	7,682,596	39,726	40,974	29,286	26,362	854,328	8,673,272	8,673,272
Total liabilities and fund balances	\$ 7,825,629	\$ 39,726	\$ 42,001	\$ 29,286	\$ 28,541	\$ 854,328	\$ 8,819,511	\$ 8,819,511

City of Panama City Beach, Florida
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Stormwater Fund	Law Enforcement Trust Fund	Law Enforcement Education Fund	Department of Justice Equitable Sharing Fund	Cops and Kids Fund	Beach Access Public Parking Fund		
<i>For the year ended September 30, 2025</i>								
Revenues								
Permits, fees and special assessments	\$ 4,426,392	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	4,426,392
Fines and forfeitures	-	3,857	10,821	1,300	-	-	-	15,978
Contributions and donations	-	-	-	-	30,624	-	-	30,624
Grants	153,762	-	-	-	-	-	-	153,762
Interest and other	191,093	158	178	142	623	19,484	-	211,678
Miscellaneous revenue	8,370	-	-	-	-	-	-	8,370
Total revenues	4,779,617	4,015	10,999	1,442	31,247	19,484		4,846,804
Expenditures								
Current								
Public safety	-	6,795	10,416	5,451	34,898	-	-	57,560
Physical environment	1,850,042	-	-	-	-	-	-	1,850,042
Capital outlay								
Physical environment	793,907	-	-	-	-	-	-	793,907
Total expenditures	2,643,949	6,795	10,416	5,451	34,898	-		2,701,509
Excess (deficiency) of revenues over (under) expenditures	2,135,668	(2,780)	583	(4,009)	(3,651)	19,484		2,145,295
Other Financing Sources (Uses)								
Transfers in	100,000	-	-	-	-	-	-	100,000
Transfers out	(152,000)	-	-	-	-	-	-	(152,000)
Proceeds from disposal of assets	-	10,165	-	-	-	-	-	10,165
Net other financing sources (uses)	(52,000)	10,165	-	-	-	-		(41,835)
Net change in fund balances	2,083,668	7,385	583	(4,009)	(3,651)	19,484		2,103,460
Fund balances, beginning of year	5,598,928	32,341	40,391	33,295	30,013	834,844		6,569,812
Fund balances, end of year	\$ 7,682,596	\$ 39,726	\$ 40,974	\$ 29,286	\$ 26,362	\$ 854,328		\$ 8,673,272

City of Panama City Beach, Florida
Statement of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual – Stormwater Fund

<i>For the year ended September 30, 2025</i>	Budgeted Amounts		Variance with Final Budget- Actual Amounts Budget Basis	Actual Amounts Budget Basis	Budget to GAAP Difference	Actual Amounts GAAP Basis
	Original	Final				
Revenues						
Permits, fees and special assessments	\$ 4,404,636	\$ 4,426,000	\$ 392	\$ 4,426,392	\$ -	4,426,392
Grants	23,368,150	220,000	(748)	219,252	(65,490)	153,762
Interest and other	98,000	196,000	(6,323)	189,677	1,416	191,093
Miscellaneous revenue	19,200	9,000	(1,110)	7,890	480	8,370
Total revenues	27,889,986	4,851,000	(7,789)	4,843,211	(63,594)	4,779,617
Expenditures						
Current						
Physical Environment	5,341,200	2,622,900	770,795	1,852,105	(2,063)	1,850,042
Capital outlay						
Physical Environment	23,191,000	1,079,000	265,546	813,454	(19,547)	793,907
Total expenditures	28,532,200	3,701,900	1,036,341	2,665,559	(21,610)	2,643,949
Excess (deficiency) of revenues over (under) expenditures	(642,214)	1,149,100	1,028,552	2,177,652	(41,984)	2,135,668
Other Financing Sources (Uses)						
Transfers in	100,000	100,000	-	100,000	-	100,000
Transfers out	(146,000)	(152,000)	-	(152,000)	-	(152,000)
Net other financing sources (uses)	(46,000)	(52,000)	-	(52,000)	-	(52,000)
Net change in fund balance	(688,214)	1,097,100	1,028,552	2,125,652	(41,984)	2,083,668
Fund balance, beginning of year	3,242,251	5,454,204	(81,782)	5,372,422	226,506	5,598,928
Fund balance, end of year	\$ 2,554,037	\$ 6,551,304	\$ 946,770	\$ 7,498,074	\$ 184,522	\$ 7,682,596

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

<i>September 30, 2025</i>	Business-type Activities - Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,707,774	\$ 332,805	\$ 2,040,579
Accounts receivable, net	425	36,322	36,747
Accrued interest receivable	2,929	636	3,565
Due from other funds	2,618	1,870	4,488
Investments	610,884	-	610,884
Prepaid items	-	15,963	15,963
Total current assets	2,324,630	387,596	2,712,226
Noncurrent assets			
Lease receivable	2,773,827	-	2,773,827
Capital assets			
Depreciable, net	4,856,878	2,524,859	7,381,737
Right-to-use lease assets, net	8,301	-	8,301
Total capital assets, net	4,865,179	2,524,859	7,390,038
Total noncurrent assets	7,639,006	2,524,859	10,163,865
Total assets	\$ 9,963,636	\$ 2,912,455	\$ 12,876,091
Deferred Outflows of Resources			
Deferred outflows related to pensions	80,182	53,454	133,636
Deferred outflows related to OPEB	5,153	1,899	7,052
Total deferred outflows of resources	\$ 85,335	\$ 55,353	\$ 140,688
Liabilities			
Current liabilities			
Accounts payable	10,832	39,096	49,928
Accrued expenses and deposits	32,635	31,005	63,640
Due to other governments	30,932	1,718	32,650
Unearned revenue	10,918	30,932	41,850
Compensated absences	31,904	28,745	60,649
Net OPEB liability	1,468	539	2,007
Current portion of lease liability	5,946	-	5,946
Total current liabilities	124,635	132,035	256,670
Noncurrent liabilities			
Compensated absences	2,036	1,835	3,871
Net pension liability	46,159	30,772	76,931
Net OPEB liability	27,933	10,312	38,245
Total noncurrent liabilities	76,128	42,919	119,047
Total liabilities	200,763	174,954	375,717
Deferred Inflows of Resources			
Deferred inflows related to lease revenue	2,591,815	-	2,591,815
Deferred inflows related to pensions	94,306	62,869	157,175
Deferred inflows related to OPEB	11,793	4,353	16,146
Total deferred inflows of resources	2,697,914	67,222	2,765,136
Net position			
Net investment in capital assets	4,865,179	2,524,859	7,390,038
Unrestricted	2,285,115	200,773	2,485,888
Total net position	\$ 7,150,294	\$ 2,725,632	\$ 9,875,926

City of Panama City Beach, Florida
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Proprietary Funds

<i>For the year ended September 30, 2025</i>	Business-type Activities/Enterprise Funds		Total
	Pier Fund	Aquatic Center Fund	
Operating Revenues			
Charges for services			
Admissions and other fees	\$ 1,360,220	\$ 479,569	\$ 1,839,789
Rent	165,459	-	165,459
Miscellaneous	336,824	78,934	415,758
Total operating revenues	1,862,503	558,503	2,421,006
Operating Expenses			
Personal services	668,783	838,167	1,506,950
Professional services	48,138	36,661	84,799
Office supplies	551	361	912
Contractual services	35,404	43,874	79,278
Insurance	32,146	46,000	78,146
Repairs and maintenance	85,192	58,819	144,011
Operating supplies	65,457	226,135	291,592
Communication services	10,190	5,147	15,337
Public utility services	15,648	134,761	150,409
Rentals	78,916	12,067	90,983
Printing and binding	127	696	823
Miscellaneous	619	17,554	18,173
Depreciation and amortization	371,299	239,005	610,304
Total operating expenses	1,412,470	1,659,247	3,071,717
Operating income (loss)	450,033	(1,100,744)	(650,711)
Nonoperating Revenues (Expenses)			
Investment earnings	59,989	12,138	72,127
Gain (loss) on disposal of assets	5,605	-	5,605
Loss on lease modification	(96,846)	-	(96,846)
Interest expense	(162)	-	(162)
Interest income on lease receivable	99,693	-	99,693
Total nonoperating revenues (expenses)	68,279	12,138	80,417
Income (Loss) Before Transfers	518,312	(1,088,606)	(570,294)
Transfers in	-	1,000,000	1,000,000
Transfers out	(1,100,000)	(71,000)	(1,171,000)
Total transfers	(1,100,000)	929,000	(171,000)
Change in net position	(581,688)	(159,606)	(741,294)
Net position, beginning of year	7,731,982	2,885,238	10,617,220
Net position, end of year	\$ 7,150,294	\$ 2,725,632	\$ 9,875,926

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds

	Business-type Activities - Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
<i>For the year ended September 30, 2025</i>			
Operating Activities			
Cash receipts from customers and users	\$ 1,850,752	\$ 527,891	\$ 2,378,643
Cash payments to suppliers	(607,281)	(778,348)	(1,385,629)
Cash payments to employees	(480,882)	(709,707)	(1,190,589)
Net cash provided by (used in) operating activities	762,589	(960,164)	(197,575)
Noncapital Financing Activities			
Repayments of loans to other funds	-	(71,000)	(71,000)
Transfers (to) from other funds	(1,100,000)	1,000,000	(100,000)
Net cash provided by (used in) noncapital financing activities	(1,100,000)	929,000	(171,000)
Capital and Related Financing Activities			
Principal paid on lease liabilities	(5,865)	-	(5,865)
Interest paid on lease liabilities	(162)	-	(162)
Proceeds from sale of assets	5,605	-	5,605
Purchase of capital assets	(45,725)	(8,567)	(54,292)
Cash received as lessor - interest	99,693	-	99,693
Net cash provided by (used in) capital and related financing activities	53,546	(8,567)	44,979
Investing Activities			
Purchase of investments	(26,817)	-	(26,817)
Investment earnings	59,989	12,138	72,127
Net cash provided by investing activities	33,172	12,138	45,310
Net increase (decrease) in cash and cash equivalents	(250,693)	(27,593)	(278,286)
Cash and cash equivalents, beginning of year	1,958,467	360,398	2,318,865
Cash and cash equivalents, end of year	\$ 1,707,774	\$ 332,805	\$ 2,040,579
Classified as			
Current assets - cash and cash equivalents	\$ 1,707,774	\$ 332,805	\$ 2,040,579
Total	\$ 1,707,774	\$ 332,805	\$ 2,040,579

(Continued)

City of Panama City Beach, Florida
Combining Statement of Cash Flows
Nonmajor Proprietary Funds (Continued)

<i>For the year ended September 30, 2025</i>	Business-type Activities - Enterprise Funds		
	Pier Fund	Aquatic Center Fund	Total
Reconciliation of Net Operating Income (Loss) to Net Cash Provided by (used in) Operating Activities			
Operating income (loss)	\$ 450,033	\$ (1,100,744)	\$ (650,711)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities			
Depreciation	365,439	239,005	604,444
Amortization	5,860	-	5,860
Change in assets, deferred outflows, liabilities and deferred inflows			
(Increase) decrease in assets and deferred outflows			
Accounts receivable, net	167,234	(32,598)	134,636
Due from other funds	(2,528)	(1,870)	(4,398)
Lease receivable	(31,762)	-	(31,762)
Accrued interest receivable	999	87	1,086
Prepays	-	(15,963)	(15,963)
Deferred outflows related to pensions	(24,029)	2,698	(21,331)
Deferred outflows related to OPEB	690	166	856
Increase (decrease) in liabilities and deferred inflows			
Accounts payable	(45,603)	(14,867)	(60,470)
Accrued expenses and deposits	4,073	7,172	11,245
Due to other funds	(5,290)	(4,766)	(10,056)
Due to fiduciary funds	(271)	(203)	(474)
Due to other governments	1,898	675	2,573
Unearned revenue	129	1,217	1,346
Accrued compensated absences	6,990	(12,568)	(5,578)
Net OPEB obligation	(3,495)	(771)	(4,266)
Net pension liability	(2,817)	(18,204)	(21,021)
Deferred inflows related to pensions	21,159	(10,277)	10,882
Deferred inflows related to OPEB	4,130	1,647	5,777
Deferred inflows related to leases	(150,250)	-	(150,250)
Total adjustments	312,556	140,580	453,136
Net cash provided by (used in) operating activities	\$ 762,589	\$ (960,164)	\$ (197,575)

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

<i>September 30, 2025</i>	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
Assets				
Cash and cash equivalents	\$ 9,076	\$ 10,067	\$ 6,236	\$ 25,379
Accounts receivable, net	2,577	1,570	45,653	49,800
Dividends receivable	16,700	9,373	7,488	33,561
Investments, at fair value				
Money market funds	1,187,529	626,218	646,225	2,459,972
Municipal bonds	1,288,448	730,194	576,000	2,594,642
Corporate bonds	5,296,892	3,485,950	2,655,761	11,438,603
Common & preferred stocks	20,227,330	16,119,063	12,406,218	48,752,611
Government securities	3,107,639	1,841,674	1,467,823	6,417,136
Real estate investment funds	3,234,280	1,886,663	1,437,458	6,558,401
Real estate investment trusts	2,655,215	1,604,988	1,216,236	5,476,439
Mutual funds	23,451,955	9,553,163	7,382,991	40,388,109
Total assets	\$ 60,477,641	\$ 35,868,923	\$ 27,848,089	\$ 124,194,653
Liabilities				
Accounts payable	62,744	42,804	38,276	143,824
Refunds payable	45,245	97,693	11,958	154,896
Due to other funds	660	-	690	1,350
Total liabilities	\$ 108,649	\$ 140,497	\$ 50,924	\$ 300,070
Net position				
Restricted for				
Held in trust for pension benefits	\$ 60,368,992	\$ 35,728,426	\$ 27,797,165	\$ 123,894,583

City of Panama City Beach, Florida
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds

<i>For the year ended September 30, 2025</i>	General Employees' Pension Trust Fund	Police Officers' Pension Trust Fund	Firefighters' Pension Trust Fund	Total
Additions				
Contributions				
Employer	\$ 2,484,474	\$ 1,226,003	\$ 1,048,824	\$ 4,759,301
Plan members	1,350,838	617,473	313,751	2,282,062
State of Florida	-	-	44,502	44,502
Insurance premiums	-	323,205	409,870	733,075
Total contributions	3,835,312	2,166,681	1,816,947	7,818,940
Investment income				
Interest	4,220	2,715	2,101	9,036
Dividends	2,032,445	1,205,351	919,293	4,157,089
Net increase in fair value of investments	3,715,986	2,197,152	1,683,557	7,596,695
Total investment income	5,752,651	3,405,218	2,604,951	11,762,820
Less investment expenses	(163,882)	(110,582)	(91,456)	(365,920)
Net investment income	5,588,769	3,294,636	2,513,495	11,396,900
Total additions	9,424,081	5,461,317	4,330,442	19,215,840
Deductions				
Benefits paid	2,801,259	1,985,834	1,009,495	5,796,588
Refunds of contributions	230,549	218,454	63,752	512,755
Administrative expenses	38,039	31,366	30,075	99,480
Total deductions	3,069,847	2,235,654	1,103,322	6,408,823
Net increase (decrease) in fiduciary net position	6,354,234	3,225,663	3,227,120	12,807,017
Net position, beginning of year	54,014,758	32,502,763	24,570,045	111,087,566
Net position, end of year	\$ 60,368,992	\$ 35,728,426	\$ 27,797,165	\$ 123,894,583

Compliance Section



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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

Report on the Financial Statements

We have audited the financial statements of the City of Panama City Beach, Florida, (the City), as of and for the fiscal year ended September 30, 2025, and have issued our report thereon dated May 11, 2026.

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; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); 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 the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Reports 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 May 11, 2026, 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 financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The City was established by Chapter 70-874 of the Constitution of the State of Florida. The City included the following component unit: Panama City Beach Community Redevelopment Agency (Agency). The Agency was established by City Resolution 00-23 pursuant to Florida Statute 163.356. The Agency is operated by the City of Panama City Beach, Florida.

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 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 did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

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 not have any such recommendations.

Property Assessed Clean Energy (PACE) Programs

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement as to whether a PACE program authorized pursuant to Section 163.081 or Section 163.082, Florida Statutes, operated within the City's geographical boundaries during the fiscal year under audit. A PACE program did not operate within the City's geographical boundaries during the fiscal year under audit.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

Special District Specific Information – Community Redevelopment Agency

The required reporting items in accordance with Section 218.39(3)(c), Florida Statutes for the Community Redevelopment Agency of the City of Panama City Beach (the CRA) have been reported in the separately-issued audited financial statements of the CRA.

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 fraud, waste, or abuse, that has occurred, or is likely to have occurred, that have an effect on the financial statements that is less than material but 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, Council Members and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

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

Panama City Beach, Florida
May 11, 2026



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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Panama City Beach, Florida (the City), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 11, 2026.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Purpose of this Report

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

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

Panama City Beach, Florida

May 11, 2026



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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Panama City Beach, Florida’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of City of Panama City Beach, Florida’s major federal programs for the year ended September 30, 2025. City of Panama City Beach, Florida’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Panama City Beach, Florida complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Panama City Beach, Florida and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Panama City Beach, Florida’s compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to City of Panama City Beach, Florida’s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Panama City Beach, Florida's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Panama City Beach, Florida's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Panama City Beach, Florida's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Panama City Beach, Florida's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Panama City Beach, Florida's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

Panama City Beach, Florida

May 11, 2026



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INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the City of Panama City Beach, Florida's (the City) compliance with the requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, during the year ended September 30, 2025. 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 AICPA. 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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 requirements of Section 218.415, Florida Statutes, *Local Government Investment Policies*, for the year ended September 30, 2025.

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

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

Panama City Beach, Florida
May 11, 2026

City of Panama City Beach, Florida
Schedule of Findings and Questioned Costs
Federal Awards
Year Ended September 30, 2025

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major federal programs		
Material weaknesses identified?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> no
Significant deficiency identified not considered to be material weaknesses?	<input type="checkbox"/> yes	<input checked="" type="checkbox"/> none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified	

Identification of major federal programs:

<u>ALN Number</u>	<u>Name of Federal Program</u>
21.027	COVID-19 Coronavirus State and Local Fiscal Recovery Funds

Dollar threshold used to distinguish between Type A and Type B programs:	<u>Federal</u> \$1,000,000
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Auditee qualified as low-risk auditee for federal purposes ? No

(Continued)

City of Panama City Beach, Florida
Schedule of Findings and Questioned Costs (Continued)
Year Ended September 30, 2025

Section II – Financial Statement Findings

There were no findings.

Section III – Findings and Questioned Costs – Major Federal Award Programs

There were no findings.

City of Panama City Beach, Florida
Summary of Schedule of Prior Year Audit Findings
Year Ended September 30, 2025

Prior year audit findings 2024-001 and 2024-002 were corrected for the year ending September 30, 2025.

City of Panama City Beach, Florida
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2025

Federal Agency Pass-through Entity Federal Program	ALN	Contract/ Grant Number	Passed Through to Subrecipients	Total Expenditures
Highway Safety Cluster				
Passed through the Florida Department of Transportation				
State and Community Highway Safety				
State and Community Highway Safety	20.600	G3822	\$ -	\$ 43,530
Total State and Community Highway Safety			-	43,530
Total Passed through Florida Department of Transportation			-	43,530
Total Department of Transportation			-	43,530
Total Highway Safety Cluster			-	43,530
Other Programs				
Department of Homeland Security				
Passed through State of Florida Division of Emergency Management				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	Z0895	-	63,879
Total Disaster Grants - Public Assistance (Presidentially Declared Disasters)			-	63,879
Hazard Mitigation Grant				
Hazard Mitigation Grant	97.039	HO738	-	12,000
Hazard Mitigation Grant	97.039	HO762	-	46,796
Hazard Mitigation Grant	97.039	HO716	-	1,508
Hazard Mitigation Grant	97.039	HO785	-	49,407
Hazard Mitigation Grant	97.039	HO784	-	212,772
Total Hazard Mitigation Grant			-	322,483
Assistance to Firefighters Grant				
Assistance to Firefighters Grant	97.044	EMW-2023-FG-07683	-	144,776
Total Assistance to Firefighters Grant			-	144,776
Total Passed through State of Florida Division of Emergency Management			-	531,138
Total Department of Homeland Security			-	531,138

(Continued)

U.S. Department of Justice

City of Panama City Beach, Florida
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2025

Federal Agency Pass-through Entity Federal Program	ALN	Contract/ Grant Number	Passed Through to Subrecipients	Total Expenditures
Public Safety Partnership and Community Policing Grants				
Public Safety Partnership and Community Policing Grants	16.710	15JCOPS-23GG-02560-P	\$ -	\$ 199,200
Total Public Safety Partnership and Community Policing Grants			-	199,200
Edward Bryne Memorial Justice Assistance Grant Program				
Edward Bryne Memorial Justice Assistance Grant Program	16.738	15PJA-24-GG-04778-J	-	10,128
Total Edward Bryne Justice Memorial Assistance Grant Program			-	10,128
Total U.S. Department of Justice			-	209,328
U.S. Department of Transportation				
Passed through Florida Department of Transportation				
Highway Planning and Construction				
Highway Planning and Construction	20.205	G2V05	-	828,097
Highway Planning and Construction	20.205	G1L12	-	360,787
Highway Planning and Construction	20.205	LAP-D25007B	-	35,350
Total Highway Planning and Construction			-	1,224,234
Total Passed through Florida Department of Transportation			-	1,224,234
Total U.S. Department of Transportation			-	1,224,234

(Continued)

U.S. Department of Housing and Urban Development

City of Panama City Beach, Florida
Schedule of Expenditures of Federal Awards (Continued)
Year Ended September 30, 2025

Federal Agency Pass-through Entity Federal Program	ALN	Contract/ Grant Number	Passed Through to Subrecipients	Total Expenditures
Passed through Florida Department of Commerce				
Community Development Block Grants				
Community Development Block Grants	14.228	M0008	\$ -	\$ 64,757
Community Development Block Grants	14.228	M0048	-	92,437
Total Community Development Block Grants			-	157,194
Total Passed through Florida Department of Commerce			-	157,194
Total U.S. Department of Housing and Urban Development			-	157,194
U.S. Department of Treasury				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	COVID-19 Y5258	-	1,771,250
Total COVID-19 Coronavirus State and Local Fiscal Recovery Funds			-	1,771,250
Total U.S. Department of Treasury			-	1,771,250
Total Other Programs			-	3,893,144
Total Federal Awards			\$ -	\$ 3,936,674

Notes to Schedule

1. The City follows the modified accrual basis of accounting in preparing this schedule. This method is consistent with the preparation of the City's financial statements.
2. The City has not elected to use the de minimis cost rate allowed under the Uniform Guidance.
3. There are \$63,879 and \$81,895 in prior year expenses included in the current year schedule of expenditures of federal awards for ALN 97.036 grant number Z0895 and ALN 21.027 COVID-19 Y5258 respectively.