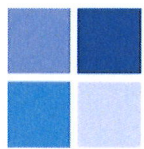


**PANAMA CITY COMMUNITY
REDEVELOPMENT AGENCY**

PANAMA CITY, FLORIDA

COMPONENT UNIT FINANCIAL STATEMENTS

FISCAL YEAR ENDED SEPTEMBER 30, 2016



Tipton, Marler, Garner & Chastain
The CPA Group

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY

PANAMA CITY, FLORIDA

COMPONENT UNIT FINANCIAL STATEMENTS

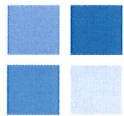
FISCAL YEAR ENDED SEPTEMBER 30, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor, City Commissioners,
and City Manager
Panama City Community Redevelopment Agency
Panama City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities of Panama City Community Redevelopment Agency, component unit of the City of Panama City, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Panama City Community Redevelopment Agency's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Panama City Community Redevelopment Agency, as of September 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 18-21 be presented to supplement the basic financial statements. Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2017, on our consideration of the Panama City Community Redevelopment Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of

laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Panama City Community Redevelopment Agency's internal control over financial reporting and compliance.

A handwritten signature in blue ink, reading "Shylo Martin, Governor of Panama". The signature is fluid and cursive, with the first name "Shylo" being particularly prominent.

Panama City, Florida
February 17, 2017

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 2,110,059
Accounts receivable	53,510
Prepaid items	4,502
Due from other funds	311
Capital assets:	
Non-depreciable	1,960,887
Depreciable, net	<u>3,870,776</u>
Total assets	<u><u>8,000,045</u></u>
LIABILITIES	
Accounts payable	13,511
Due to other funds	15
Accrued salaries	8,348
Non-current liabilities:	
Due within one year:	
Compensated absences	2,366
Due in more than one year:	
Compensated absences	<u>7,100</u>
Total liabilities	<u><u>31,340</u></u>
NET POSITION	
Net investment in capital assets	5,831,663
Restricted for:	
Community redevelopment	<u>2,137,042</u>
Total net position	<u><u>\$ 7,968,705</u></u>

See the accompanying notes.

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	<u>Governmental Activities</u>
EXPENSES	
Current:	
General government:	
Personal services	\$ 257,541
Operating expenditures	<u>1,459,640</u>
Total program expenses	<u>1,717,181</u>
REVENUES	
Taxes	2,306,065
Miscellaneous	<u>54,200</u>
Total general revenues	<u>2,360,265</u>
Excess of revenues over expenses	643,084
OTHER FINANCING SOURCES (USES)	
Transfers - out	<u>(196,515)</u>
Increase in net position	446,569
NET POSITION, BEGINNING OF YEAR	<u>7,522,136</u>
NET POSITION, END OF YEAR	<u><u>\$ 7,968,705</u></u>

See the accompanying notes.

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
BALANCE SHEET – RECONCILIATION OF THE GOVERNMENTAL
FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION**

**GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	Downtown Community Redevelopment Area	Downtown North Community Redevelopment Area	St. Andrews Community Redevelopment Area	Millville Community Redevelopment Area	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 140,816	\$ 1,598,399	\$ 315,697	\$ 55,147	\$ 2,110,059
Accounts receivable	-	53,360	-	150	53,510
Prepaid items	1,085	1,836	1,168	413	4,502
Due from other funds	-	275	30	6	311
Total assets	<u>\$ 141,901</u>	<u>\$ 1,653,870</u>	<u>\$ 316,895</u>	<u>\$ 55,716</u>	<u>\$ 2,168,382</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 938	\$ 5,910	\$ 3,994	\$ 2,669	\$ 13,511
Due to other funds	-	15	-	-	15
Accrued salaries	1,946	2,707	2,466	1,229	8,348
Total liabilities	<u>2,884</u>	<u>8,632</u>	<u>6,460</u>	<u>3,898</u>	<u>21,874</u>
Fund Balances:					
Non-spendable:					
Prepaid items	1,085	1,836	1,168	413	4,502
Spendable:					
Restricted for:					
Community redevelopment	137,932	1,643,402	309,267	51,405	2,142,006
Total fund balances	<u>139,017</u>	<u>1,645,238</u>	<u>310,435</u>	<u>51,818</u>	<u>2,146,508</u>
Total liabilities and fund balances	<u>\$ 141,901</u>	<u>\$ 1,653,870</u>	<u>\$ 316,895</u>	<u>\$ 55,716</u>	

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Capital assets

7,053,046

Less accumulated depreciation

(1,221,383)

5,831,663

Compensated absences are not due and payable in the current period and therefore are not reported in the funds.

(9,466)

Net position of governmental activities

\$ 7,968,705

See the accompanying notes.

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

GOVERNMENTAL FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Downtown Community Redevelopment Area	Downtown North Community Redevelopment Area	St. Andrews Community Redevelopment Area	Millville Community Redevelopment Area	Total Governmental Funds
REVENUES					
Taxes	\$ 269,050	\$ 1,319,556	\$ 435,422	\$ 282,037	\$ 2,306,065
Miscellaneous	6	54,139	33	22	54,200
Total revenues	<u>269,056</u>	<u>1,373,695</u>	<u>435,455</u>	<u>282,059</u>	<u>2,360,265</u>
EXPENDITURES					
Current:					
General government:					
Personal services	60,299	85,431	72,702	35,053	253,485
Operating expenditures	230,997	771,040	161,747	33,567	1,197,351
Economic environment:					
Community redevelopment improvements	13,500	791,754	21,258	1,200	827,712
Total expenditures	<u>304,796</u>	<u>1,648,225</u>	<u>255,707</u>	<u>69,820</u>	<u>2,278,548</u>
Excess (deficiency) of revenues over (under) expenditures	(35,740)	(274,530)	179,748	212,239	81,717
OTHER FINANCING SOURCES (USES)					
Transfers - out	<u>(9,599)</u>	<u>(11,485)</u>	<u>(13,672)</u>	<u>(161,760)</u>	<u>(196,516)</u>
Net change in fund balances	(45,339)	(286,015)	166,076	50,479	(114,799)
FUND BALANCES					
Beginning of year	184,356	1,931,253	144,359	1,339	
End of year	<u>\$ 139,017</u>	<u>\$ 1,645,238</u>	<u>\$ 310,435</u>	<u>\$ 51,818</u>	

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

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

Expenditures for capital assets	827,712	
Less current year depreciation	<u>(262,289)</u>	565,423

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Accrued compensated absences		<u>(4,055)</u>
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Change in net position of governmental activities	\$	<u>446,569</u>
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See the accompanying notes.

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Reporting Entity

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

The accounting methods and procedures adopted by the Panama City Community Redevelopment Agency (Agency), a component unit of Panama City, Florida, conform to United States generally accepted accounting principles as applied to governmental entities.

Members of the Board are appointed by the City of Panama City, Florida (City), Board of Commissioners. Because of the City's ability to exercise oversight responsibility, the Panama City Community Redevelopment Agency is included in the general purpose financial statements of the City as a blended component unit.

Revenues are derived from the incremental increases in ad valorem taxes levied each year by taxing authorities, except school districts and water management districts, on taxable real property in the project areas using the year each agency was established as its tax base year.

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). GASB is the accepted standard setting body for governmental accounting and financial reporting.

The external statements are prepared from accounts of the Agency that are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts.

Governmental funds are used to account for the Agency's governmental activities, including the collection and disbursement of specific or legally restricted monies, the acquisition of construction of capital assets, and the servicing of general long-term debt.

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency's governmental funds are special revenue funds, which are the Agency's primary operating funds. The special revenue funds account for all financial activities of the Agency, and are included in the preparation of the entity-wide financial statements and the fund financial statements.

Measurement Focus and Basis of Accounting

The basic financial statements of the Agency are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

Government-Wide Financial Statements

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support. The Agency has no business-type activities.

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and agency fund financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditures. Proceeds of long-term debt are recorded as liabilities in the government-wide financial statements, rather than as other financing sources. Amounts paid to reduce long-term indebtedness of the reporting government are reported as reductions of the related liabilities, rather than as expenditures.

Grants, entitlements, and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The statement of activities demonstrates the degree to which the direct expenses of a given function, segment, or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Indirect expenses not allocated to

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

functions are reported separately. Interest on general long-term debt is considered such an indirect expense. 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 entitlement revenues that are restricted to meeting the operational or capital requirements of a particular function or segment. Other items not reported as program revenues are reported as general revenues.

Fund Financial Statements

Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Current financial resources measurement focus generally means that only current assets and current liabilities are included in the balance sheet. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they are “measurable and available”). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

The Agency considers grants, entitlements, and other revenues available if collected within 60 days after year-end. Grants, entitlements, and interest are all considered to be susceptible to accrual and are recognized as revenues of the fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures are recorded when the related fund liability is incurred, except for unmatured principal and interest on general long-term debt which is recognized when due.

Budgetary Data

Formal budgetary accounting is generally employed as a management control for all funds. Annual operating budgets are adopted each year by the Agency and amended as required. The same basis of accounting is used to reflect actual revenues and expenditures/expenses as recognized by generally accepted accounting principles.

Commitments for goods and services at the end of the year are recorded as encumbrances for budgetary control. These encumbrances lapse at the end of the year and become part of the following year’s budgetary amounts. All unencumbered budgeted appropriations, except project budgets, lapse at the end of each fiscal year.

Cash and Cash Equivalents

The Agency pools cash resources of its various funds to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in money market accounts.

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Agency considers all demand accounts and money market funds which are not subjected to withdrawal restrictions to be cash and cash equivalents.

Receivables

Receivables are reported at their gross value. Management considers all receivables as collectible, therefore, no provision for doubtful accounts is provided in these financial statements.

Capital Assets

Capital assets are recorded as expenditures at the time of purchase, and are capitalized at historical cost in the statement of net position. Capital assets are defined typically as assets with an initial, individual cost of \$500 or more and an estimated useful life of more than one operating cycle. Donated assets are recorded at estimated fair market value on the date received. Depreciation is provided using the straight-line method over the estimated useful lives of the related assets. Estimated useful lives are as follows:

Buildings	30 years
Improvements other than buildings	10-40 years
Machinery and equipment	5-10 years
Roads/Infrastructure	40 years

Net Position

Net position is classified in two categories. The general meaning of each is as follows:

Net investment in capital assets – represents the difference between the cost of capital assets, less accumulated depreciation reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets.

Restricted net position is liquid assets (generated from revenues) which are not accessible for general use because of third-party (statutory) limitations.

Fund Balance Reporting

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, has been implemented to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the governmental fund type definitions. The following are the types of fund balances defined:

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Non-spendable – indicates that portion of a fund balance that cannot be spent because they are either:
 - a. not in spendable form (such as inventories and prepaid amounts) or
 - b. legally or contractually required to be maintained intact.
2. Restricted – indicates that portion of a fund balance for which external constraints are placed on the use of resources that are either:
 - a. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws and regulations of other governments; or
 - b. imposed by law through constitutional provisions or enabling legislation.
3. Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the Agency through formal action of the highest level of decision making authority, the Agency Board. Commitments may be changed or lifted only by the Agency Board by taking the same formal action that imposed the original constraint. These commitments must be in place prior to September 30.
4. Assigned – includes spendable fund balance amounts established by management of the Agency, per the Agency's expenditure policy, that are intended to be used for specific purposes that are neither restricted nor committed.
5. Unassigned – residual net resources.

The Agency considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this. Additionally, the Agency would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Compensated Absences

Employees are entitled to certain compensated absences based on their length of employment. With minor exceptions, compensated absences either vest or accumulate and are accrued when they are earned. The amount of accrued vacation for the year ended September 30, 2016 was \$9,466.

Use of Estimates

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

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve the usefulness of information for decisions made by various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The Agency has implemented GASB Statement No. 73 in this report.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The Agency has implemented GASB Statement No. 76 in this report.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units-an Amendment of GASB Statement No. 14*. This statement will enhance the comparability of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The Agency is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In March 2016, the GASB issued Statement No. 82, *Pension Issues*. This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The Agency is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS

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

In accordance with GASB Statement No. 40, the following disclosures are made regarding the Agency's deposit balance as of September 30, 2016:

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 2 – DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

Deposits:

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

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

NOTE 3 – CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance September 30, 2015	Increases	Decreases	Balance September 30, 2016
Capital assets, not being depreciated:				
Land	\$ 1,576,342	\$ 384,545	\$ -	\$ 1,960,887
Capital assets, being depreciated:				
Buildings	624,349	4,990	-	629,339
Improvements other than buildings	1,505,405	425,919	-	1,931,324
Machinery and equipment	95,735	12,258	-	107,993
Roads/Infrastructure	2,423,503	-	-	2,423,503
Total capital assets, being depreciated	4,648,992	443,167	-	5,092,159
Less accumulated depreciation for:				
Buildings	60,121	17,048	-	77,169
Improvements other than buildings	571,546	116,778	-	688,324
Machinery and equipment	66,114	10,469	-	76,583
Roads/Infrastructure	261,313	117,994	-	379,307
Total accumulated depreciation	959,094	262,289	-	1,221,383
Total capital assets being depreciated, net	3,689,898	180,878	-	3,870,776
Total capital assets, net	\$ 5,266,240	\$ 565,423	\$ -	\$ 5,831,663

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 3 – CAPITAL ASSETS (Continued)

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

General government	\$ 262,289
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NOTE 4 – PROPERTY TAX CALENDAR

Panama City Community Redevelopment Agency receives property taxes from the City of Panama City and Bay County, Florida, who assesses and collects the taxes. The property tax revenue calendar is as follows:

Lien date	January 1	Payment due by	March 31
Levy date	October 1	Delinquent date	April 1
Tax bill mailing deadline	November 30	Tax Sale – delinquent property tax	June 1

NOTE 5 – RISK MANAGEMENT

The Agency is exposed to various risks of losses related to torts; thefts of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Agency maintains commercial insurance coverage covering each of the above risks of loss. Management believes that the coverage is adequate to preclude any significant uninsured risk exposure to the Agency.

NOTE 6 – LONG-TERM DEBT

Changes in long-term liability obligations for the year ended September 30, 2016 are as follows:

	Balance September 30, <u>2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance September 30, <u>2016</u>	Due in One <u>Year</u>
Compensated Absences	\$ 5,411	\$ 4,055	\$ -	\$ 9,466	\$ 2,366

NOTE 7 – OPERATING LEASE

On September 30, 2008 an agreement was made between Panama City Community Redevelopment Agency and the City of Panama City, Florida. The City has agreed to purchase park property requested by the CRA for not more than 2.5 million dollars. The Agency agrees to lease the property from the City. The rent will be an amount equal to the difference between any acquisition grants secured and the actual purchase costs of the property in annual amounts amortized over fifteen years. At September 30, 2016, the future rental commitments were not determinable.

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

NOTE 8 – RETIREMENT PLANS

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

- a. *Plan Description* – The Agency participates in the Retirement Plan and Trust for the General Employees of the City of Panama City, Florida (Fund). The Plan is a single-employer defined contribution plan administered by Voya Financial.
- b. *Plan Provisions and Eligibility* – All full-time Agency employees hired after January 1, 1996, are eligible to participate in the Plan. The City ordinances establish these plan provisions. Participants must be 18 years or older with three months of service. The effective date of participation is the first day of the month coinciding with or following ninety days of employment. Members qualify for normal retirement, after obtaining ten years of creditable service, on the first of the month coinciding with or following the participant's 65th birthday.

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

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

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

- c. *Contribution Obligations* – The Agency is required by a resolution of the City of Panama City, Florida to contribute 10% of participants' salaries to the plan. The City Commission has the authority to change contribution amounts. Total pension expense amounted to \$19,598, of which \$1,086 was forfeitures for the fiscal year ended September 30, 2016. This is a noncontributory plan.
- d. A separately issued annual report of the Fund is available from Voya Financial, Plan Number 666935, 1 Orange Way C35, Windsor, CT 06095.

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016**

NOTE 9 – ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2016 is as follows:

Governmental Funds –	
Special Revenue Funds –	
Downtown Community Redevelopment Area	\$ 34,906
Downtown North Community Redevelopment Area	104,186
St. Andrews Community Redevelopment Area	2,830
Millville Community Redevelopment Area	<u>8,100</u>
Total outstanding encumbrances	<u>\$ 150,022</u>

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

NOTE 10 – COMMITMENTS

Construction Commitments:

The amount of outstanding construction commitments as of September 30, 2016 is as follows:

Governmental Funds –	
Special Revenue Funds –	
Downtown Community Redevelopment Area	\$ 34,906
Downtown North Community Redevelopment Area	82,676
St. Andrews Community Redevelopment Area	2,400
Millville Community Redevelopment Area	<u>8,100</u>
Total construction commitments	<u>\$ 128,082</u>

The commitments represent the difference between the contract prices of the various projects and the amounts paid on each contract.

NOTE 11 – SUBSEQUENT EVENTS

The Agency did not have any subsequent events requiring disclosure or recording in these financial statements through February 17, 2017, which is the date these financial statements were issued.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (GAAP BASIS) AND ACTUAL – DOWNTOWN CRA
FISCAL YEAR ENDED SEPTEMBER 30, 2016

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 262,952	\$ 262,952	\$ 269,050	\$ 6,098
Miscellaneous	-	-	6	6
Total revenues	<u>262,952</u>	<u>262,952</u>	<u>269,056</u>	<u>6,104</u>
EXPENDITURES				
Current:				
General government:				
Personal services	63,207	63,207	60,299	2,908
Operating expenditures	319,250	311,196	230,997	80,199
Economic environment:				
Community redevelopment improvements	<u>3,000</u>	<u>3,000</u>	<u>13,500</u>	<u>(10,500)</u>
Total expenditures	<u>385,457</u>	<u>377,403</u>	<u>304,796</u>	<u>72,607</u>
Excess (deficiency) of revenues over (under) expenditures	(122,505)	(114,451)	(35,740)	78,711
OTHER FINANCING SOURCES (USES)				
Transfers - out	<u>(12,495)</u>	<u>(12,495)</u>	<u>(9,599)</u>	<u>2,896</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (135,000)</u>	<u>\$ (126,946)</u>	<u>(45,339)</u>	<u>\$ 81,607</u>
FUND BALANCES				
Beginning of year			<u>184,356</u>	
End of year			<u>\$ 139,017</u>	

See independent auditor's report.

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (GAAP BASIS) AND ACTUAL – DOWNTOWN NORTH CRA
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 1,320,040	\$ 1,320,040	\$ 1,319,556	\$ (484)
Miscellaneous	-	-	54,139	54,139
Total revenues	<u>1,320,040</u>	<u>1,320,040</u>	<u>1,373,695</u>	<u>53,655</u>
EXPENDITURES				
Current:				
General government:				
Personal services	107,697	107,697	85,430	22,267
Operating expenditures	1,908,602	1,223,477	771,040	452,437
Economic environment:				
Community redevelopment improvements	<u>761,352</u>	<u>755,614</u>	<u>791,754</u>	<u>(36,140)</u>
Total expenditures	<u>2,777,651</u>	<u>2,086,788</u>	<u>1,648,224</u>	<u>438,564</u>
Excess (deficiency) of revenues over (under) expenditures	(1,457,611)	(766,748)	(274,529)	492,219
OTHER FINANCING SOURCES (USES)				
Transfers - out	<u>(21,239)</u>	<u>(21,239)</u>	<u>(11,486)</u>	<u>9,753</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (1,478,850)</u>	<u>\$ (787,987)</u>	(286,015)	<u>\$ 501,972</u>
FUND BALANCES				
Beginning of year			<u>1,931,253</u>	
End of year			<u>\$ 1,645,238</u>	

See independent auditor's report.

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (GAAP BASIS) AND ACTUAL – ST. ANDREWS CRA
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

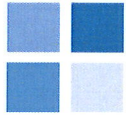
	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 424,915	\$ 424,915	\$ 435,422	\$ 10,507
Miscellaneous	-	-	33	33
Total revenues	<u>424,915</u>	<u>424,915</u>	<u>435,455</u>	<u>10,540</u>
EXPENDITURES				
Current:				
General government:				
Personal services	80,775	80,775	72,702	8,073
Operating expenditures	318,409	289,571	161,747	127,824
Economic environment:				
Community redevelopment improvements	81,531	(36,345)	21,258	(57,603)
Total expenditures	<u>480,715</u>	<u>334,001</u>	<u>255,707</u>	<u>78,294</u>
Excess (deficiency) of revenues over (under) expenditures	(55,800)	90,914	179,748	88,834
OTHER FINANCING SOURCES (USES)				
Transfers - out	<u>(19,200)</u>	<u>(19,200)</u>	<u>(13,672)</u>	<u>5,528</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ (75,000)</u>	<u>\$ 71,714</u>	166,076	<u>\$ 94,362</u>
FUND BALANCES				
Beginning of year			<u>144,359</u>	
End of year			<u>\$ 310,435</u>	

See independent auditor's report.

**PANAMA CITY COMMUNITY REDEVELOPMENT AGENCY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET (GAAP BASIS) AND ACTUAL – MILLVILLE CRA
FISCAL YEAR ENDED SEPTEMBER 30, 2016**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Taxes	\$ 279,140	\$ 279,140	\$ 282,037	\$ 2,897
Investment earnings	200	200	-	(200)
Miscellaneous	-	-	22	22
Total revenues	<u>279,340</u>	<u>279,340</u>	<u>282,059</u>	<u>2,719</u>
EXPENDITURES				
Current:				
General government:				
Personal services	35,220	35,220	35,053	167
Operating expenditures	33,862	24,362	33,567	(9,205)
Economic environment:				
Community redevelopment improvements	<u>42,688</u>	<u>69,128</u>	<u>1,200</u>	<u>67,928</u>
Total expenditures	<u>111,770</u>	<u>128,710</u>	<u>69,820</u>	<u>58,890</u>
Excess of revenues over expenditures	167,570	150,630	212,239	61,609
OTHER FINANCING SOURCES (USES)				
Transfers - out	<u>(167,570)</u>	<u>(167,570)</u>	<u>(161,760)</u>	<u>5,810</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>\$ -</u>	<u>\$ (16,940)</u>	50,479	<u>\$ 67,419</u>
FUND BALANCES				
Beginning of year			<u>1,339</u>	
End of year			<u>\$ 51,818</u>	

See independent auditor's report.



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF COMPONENT UNIT FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor, City Commissioners,
and City Manager
Panama City Community Redevelopment Agency
Panama City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities of the Panama City Community Redevelopment Agency, component unit of the City of Panama City, Florida, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise the Panama City Community Redevelopment Agency's basic financial statements, and have issued our report thereon dated February 17, 2017.

Internal Control over Financial Reporting

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

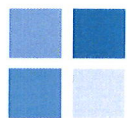
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination 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.

Compliance and Other Matters

Purpose of this Report

St. Marks, Lane & Charter

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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Honorable Mayor, City Commissioners,
and City Manager
Panama City Community Redevelopment Agency
Panama City, Florida

Report on the Financial Statements

We have audited the financial statements of the Panama City Community Redevelopment Agency, component unit of the City of Panama City, Florida, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated February 17, 2017.

Auditor's Responsibility

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

Other Reports

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Component Unit Financial Statements Performed in Accordance with *Government Auditing Standards* and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports, which are dated February 17, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made to the Agency in the preceding 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 Panama City Community Redevelopment Agency was established on November 22, 1983 through the City's adoption of Ordinance No. 1153 designating the Agency as the Community Redevelopment Agency under Statute 163.357(3).

Financial Condition

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not Panama City Community Redevelopment Agency has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Panama City Community Redevelopment Agency did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Panama City Community Redevelopment Agency for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided 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 determined that all special district component units provided the necessary information for proper recording in accordance with Section 218.39(3)(b), Florida Statutes.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

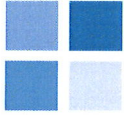
Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Honorable Mayor, City Commissioners, the City Manager, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink, appearing to read "J. Mark Carter". The signature is fluid and cursive, with a large initial "J" and "M".

Panama City, Florida
February 17, 2017



INDEPENDENT ACCOUNTANT'S REPORT

To the Honorable Mayor, City Commissioners,
and City Manager
Panama City Community Redevelopment Agency
Panama City, Florida

We have examined Panama City Community Redevelopment Agency's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2016. Management of Panama City Community Redevelopment Agency is responsible for Panama City Community Redevelopment Agency's compliance with the specified requirements. Our responsibility is to express an opinion on Panama City Community Redevelopment Agency's compliance with the specified requirements based on our examination.

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

Our examination does not provide a legal determination on Panama City Community Redevelopment Agency's compliance with specified requirements.

In our opinion, Panama City Community Redevelopment Agency complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2016.

This report is intended solely for the information and use of Panama City Community Redevelopment Agency and the Florida Auditor and is not intended to be and should not be used by anyone other than these specified parties.

Panama City, Florida
February 17, 2017

501 West 19th Street
Panama City, Florida 32405
(850) 769-9491 ■ Fax: (850) 785-9590
www.cpagroup.com

600 Grand Panama Blvd., Suite 360
Panama City Beach, Florida 32407
(850) 233-1360 ■ Fax: (850) 233-1941
www.cpagroup.com