

COMPREHENSIVE ANNUAL FINANCIAL REPORT
CITY OF PANAMA CITY, FLORIDA



FISCAL YEAR ENDED SEPTEMBER 30,
2003

The cover photograph of the Panama City Marina store was taken by
Rodney Dobbins, Human Resources/Safety Director

CITY OF PANAMA CITY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2003

Prepared by:

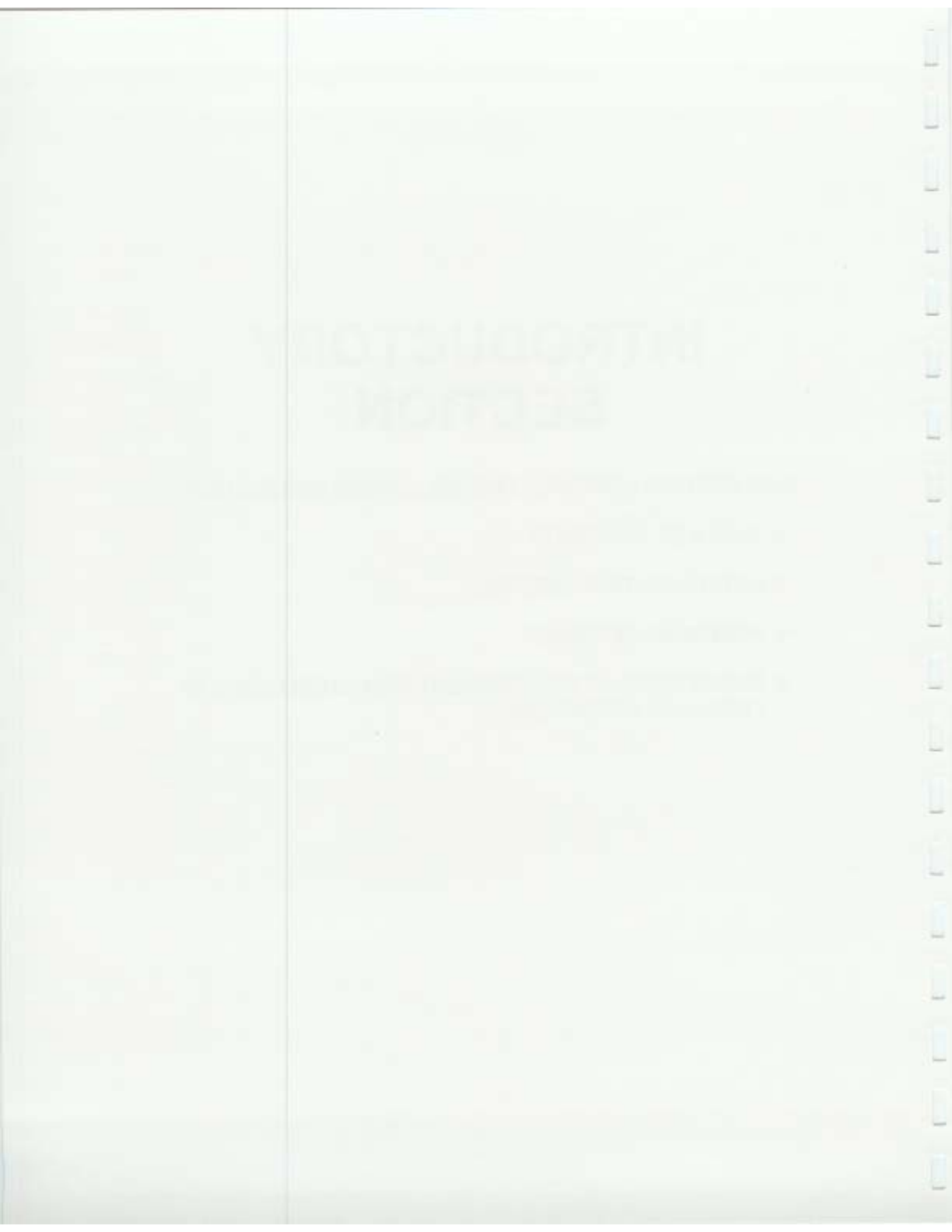
**The City of Panama City
Accounting Division**



INTRODUCTORY SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

- ❖ **TABLE OF CONTENTS**
- ❖ **LETTER OF TRANSMITTAL**
- ❖ **PRINCIPAL OFFICIALS**
- ❖ **CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN
FINANCIAL REPORTING**



**COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE CITY OF PANAMA CITY, FLORIDA
FISCAL YEAR ENDING SEPTEMBER 30, 2003
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*"Dedicated to Excellence . . .
People Serving People"*

February 20, 2004

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

The Comprehensive Annual Financial Report of the City of Panama City (The City) for the fiscal year ended September 30, 2003 is hereby submitted. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data is accurate in all material aspects and is presented in a manner designed to fairly set forth the financial position and the results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

For the September 30, 2003 financial statements, the City implemented the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). The GASB 34 implementation presents a dramatic change in governmental financial reporting. The new format, which provides for government-wide and major fund presentations, expands the alternatives available to review/examine the City and its major activities. Management's Discussion and Analysis beginning on page 3 provides an in-depth explanation of the method of reporting and financial condition of the City.

Independent Audit Chapter 11.45 of the Florida Statutes requires an independent certified public accountant financial audit for fiscal year ended September 30, 2003, and the opinion of the independent auditor has been included in this report on page 1. In addition to meeting the requirements set forth in the Florida State Statutes, the audit was designed to meet the requirements of the Federal Single Audit Act of 1996 and related OMB Circular A-133. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the Single Audit Section beginning on page 117.

The Reporting Entity And Its Services

The City of Panama City was incorporated on March 12, 1926 and covers an area of approximately thirty-four square miles. The population of the City for 2003 was estimated to be 36,541. The City is the county seat of Bay County. The City has a commission-manager form of government and provides a full range of municipal services including general government, public safety, public improvements, planning and zoning, and related general and administrative services. In addition, the City operated three enterprise activities – water and sewer, solid waste, and marina.

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

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

The following component units were included, by discrete presentation for 2003, based upon the criteria noted above:

- Panama City Downtown Improvement Board
- Panama City Port Authority

Economic Condition And Outlook

The City continues to be financially sound and the Bay County area is still experiencing new development and growth. Local business activities continue to be robust and no major business closings have occurred. The two military bases, Tyndall Air Force Base and the Naval Surface Warfare Center Panama City provide approximately 10,000 military and civilian jobs and 9,000 retirees have chosen to remain in the Panama City-Bay County area. The annual economic impact of the two bases totals over \$700 million. Several new multi-family housing developments were built, one of which will provide modern, low-income housing to the elderly.

Major Initiatives

Drainage improvements continue to be a priority. Of the \$2.5 million spent during fiscal year 2003, over \$2 million was for improvements at Posten Bayou, which included the installation of the City's first storm water pumping station. Other drainage improvement projects included those at 9th Street, Watson Bayou, 19th Street and the 5th Street and Beach Drive area.

Water and sewer revenue refunding bonds were issued in the amount of \$11,440,000. The bonds refunded the outstanding water and sewer 1993 bonds and provided an

additional \$4 million for new construction. Three new sewer force mains will provide the primary trunk line wastewater connection to 6,000 acres of undeveloped land located in north Panama City.

A new Fire/Police Public Safety Facility was acquired in the above-mentioned Panama City North area at Star Avenue in the amount of \$344,960. The main police station underwent another addition to house the City's Code Enforcement personnel. A new fire training "burn building" was purchased in the amount of \$217,341.

Three new pre-fabricated buildings costing \$216,940 were installed at the Public Works Complex. The buildings have provided covered storage for tractors and other equipment, as well as needed storage space for materials.

Streetscaping and improvements to Harrison Avenue downtown were completed. The result has had a positive impact on the merchants downtown and aided in bringing the public to the area to shop, dine and attend special events.

For The Future

Revitalization of the St. Andrews area of Panama City continues. During 2004 construction of a 116-unit luxury condominium will begin on a 3.5 acre parcel on the bay. The project will include 12,000 feet of commercial space and is scheduled to be completed by July 2005. Beck Avenue, the main thoroughfare in St. Andrews, will undergo a major streetscaping project to include new lighting and landscaping. A 2,500 square foot Marina Events Facility will be constructed on the newly-renovated marina, which will be available for rental as well as provide space for an open-air market on weekends.

In conjunction with the downtown Harrison Avenue streetscape completion, the Panama City Downtown Improvement Board will sponsor "Home For The Holidays" between Thanksgiving Day and Christmas Day. Each Friday night, the merchants will open their doors to the public, who will be entertained with horse-drawn carriage rides and musicians.

Park improvements in the amount of \$450,000 are scheduled for fiscal year 2003-2004, including tennis court reconstruction at Oakland Terrace Park. Other culture and recreations projects include Marina Civic Center HVAC work.

During fiscal year 2003-2004 \$1.7 million in drainage projects are scheduled, as well as \$1.5 million in transportation resurfacing projects.

Accounting System And Internal Control

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

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

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

The concept of reasonable assurance recognizes that:

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

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

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

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

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

Budgetary Controls

The City maintains budgetary controls to ensure compliance with the legal provisions embodied in the annual appropriated budget approved by the City Commission. Activities of the General Fund, Utilities Fund, Solid Waste Fund, Marina Fund, Debt Service Fund, Dental and Medical Self-Insurance Funds, Community Planning and Development Fund, and General Grants Fund are included in the appropriated annual budget. The City also maintains an encumbrance accounting system as one technique in accomplishing budgetary controls. Encumbered amounts lapse at the year end. Encumbrances are generally reappropriated as part of the following year's budget.

Cash Management

The City has a banking service agreement with South Trust Bank. Funds are held in a master concentration account and are 100% invested in an interest-bearing account. Funds are disbursed through zero balance accounts when demand for payment is made at the bank. The City utilized controlled disbursement accounts at South Trust Bank to increase float time on disbursements.

Risk Management

Commercial insurance is purchased by the City for all risks of loss except medical and dental claims of the City of Panama City employees and their covered dependents. The Medical and Dental Self-Insurance Funds are accounted for as Internal Service Fund. Medical claims exceeding \$100,000 per insured and aggregate claims exceeding \$2,800,114 are covered through private carriers. Dental claims are limited to \$750 per year for each insured person.

Retirement Plans

The fire and police pension funds are each single-employer defined benefit plans. General employees other than uniformed fire and police who were employed prior to 1996 are members of the Florida Retirement System, a multi-employer defined benefit plan. Those employed after January 1, 1996 are members of the Retirement Plan and Trust for the General Employees of the City of Panama City, which is a defined contribution plan.

The City of Panama City does not provide for postretirement benefits. However, a \$1,000 life insurance policy is provided by the City to all retirees.

Reporting Achievement

The Government Finance Officers' Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Panama City, Florida, for its Comprehensive Annual Financial Report for the fiscal year ended September 30, 2002.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, the contents of which conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program

requirements and we are submitting this report to GFOA to determine its eligibility for another certificate.

Acknowledgments

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

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Michael Bush".

Michael Bush
City Clerk-Treasurer

CITY OF PANAMA CITY, FLORIDA

PRINCIPAL OFFICIALS

COMMISSION-MANAGER FORM OF GOVERNMENT

CITY COMMISSION

Girard L. Clemons, Jr., *Mayor*

Robert F. Barnard
Mayor-Pro Tempore

Kathryn Hanline

Jonathan E. Wilson, Sr.

John E. Pilcher, III

CITY MANAGER

Kenneth R. Hammons

CITY CLERK-TREASURER

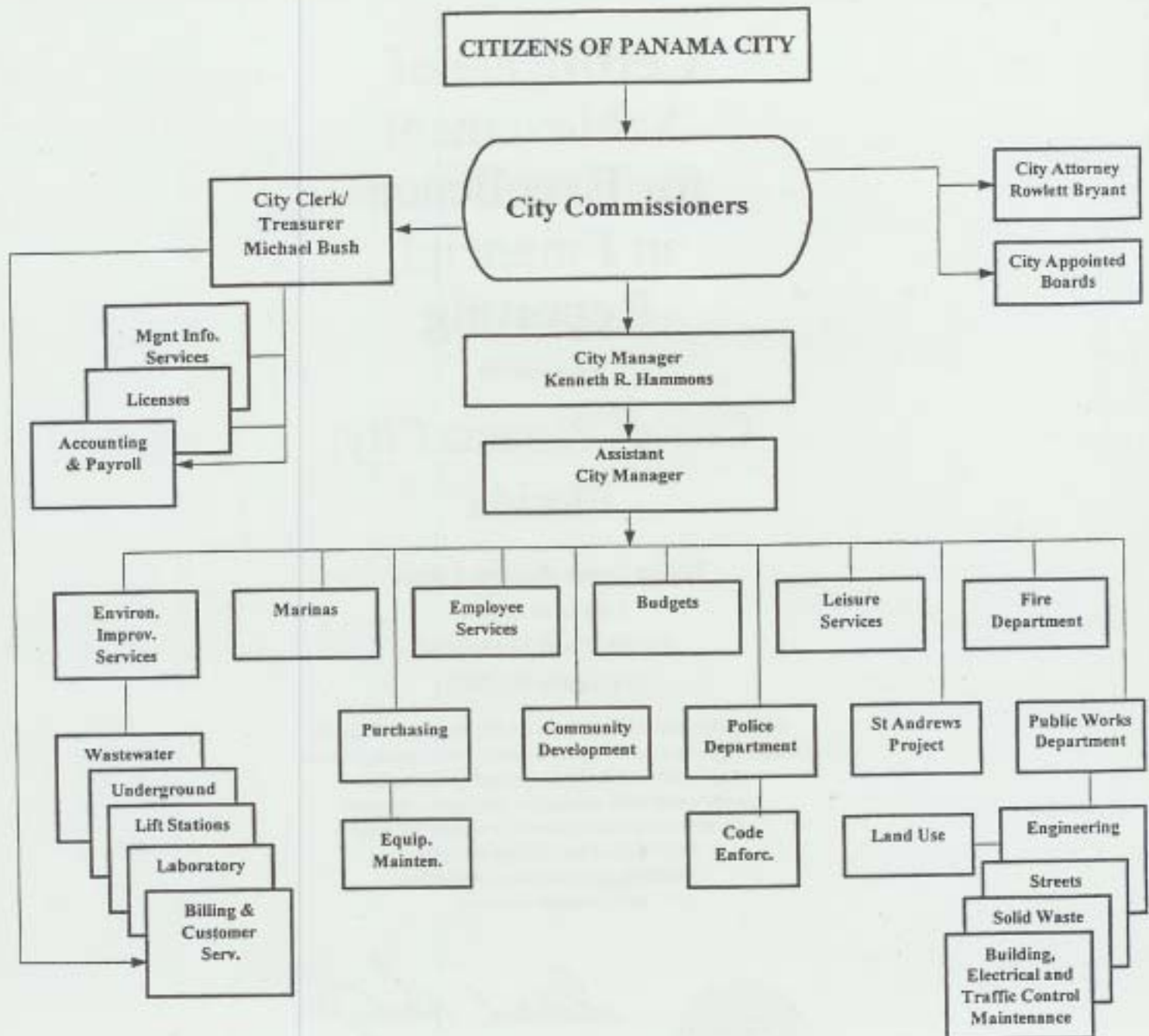
Michael Bush

INDEPENDENT AUDITORS

Saltmarsh, Cleaveland & Gund

ORGANIZATIONAL CHART

Fiscal Year 2003



Dedicated to Excellence ~ People Serving People

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Panama City,
Florida

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2002

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



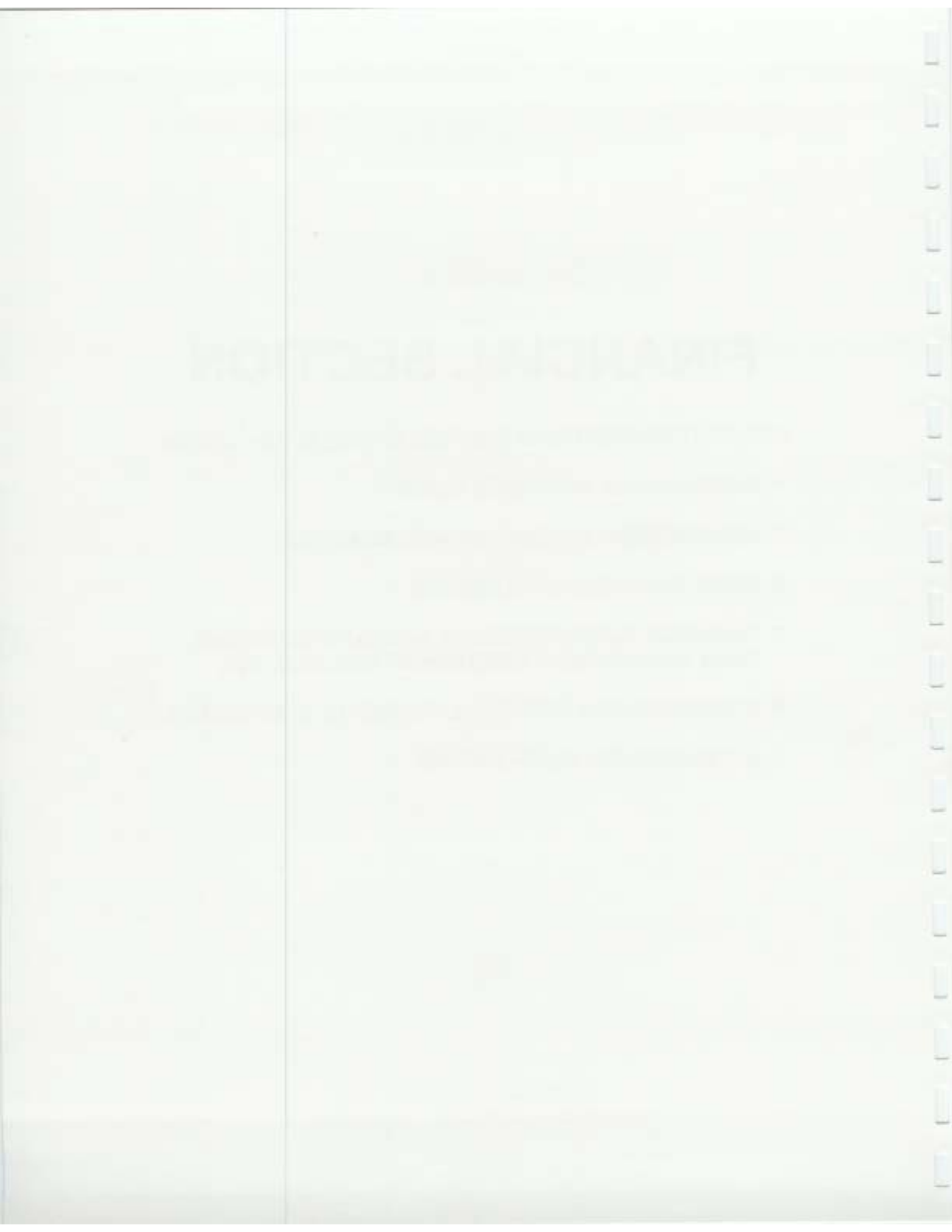
President

Executive Director

FINANCIAL SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

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





Saltmarsh, Cleaveland & Gund
Certified Public Accountants
and Consultants
Since 1944

Florida Institute of
Certified Public Accountants

Alabama Society of
Certified Public Accountants

American Institute of
Certified Public Accountants

AICPA Private
Companies Practice Section

AICPA SEC
Practice Section

Member, Polaris International

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Panama City, Florida, as of and for the year ended September 30, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Panama City, Florida's management. Our responsibility is to express an opinion 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Panama City, Florida, as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of September 30, 2003.

-1-

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Panama City, Florida 32402-1100
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FAX: (850) 785-9590

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2003, on our consideration of the City of Panama City, Florida's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 13, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Panama City, Florida basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, schedule of expenditures of federal awards and statistical tables are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and non-Profit Organizations* and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Panama City, Florida
December 18, 2003



**CITY OF PANAMA CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2003**

The City of Panama City's Management Discussion and Analysis provides an overview of the City's financial activities for the fiscal year ended September 30, 2003. The discussion and analysis focuses on significant financial issues and should be read in conjunction with the Transmittal Letter beginning on page "i" and the City's financial statements beginning on page 14.

FINANCIAL HIGHLIGHTS

- Total assets exceed total liabilities in the amount of \$108,552,423. Governmental activities include \$24,412,458 in unrestricted net assets and \$16,089,885 in restricted net assets. For business-type activities unrestricted net assets total \$21,530,837 and restricted net assets total \$3,684,438.
- The increase in total net assets of the City is \$1,930,097. The governmental activities increased by \$2,735,387 and the business-type activities decreased by \$805,290. Overall, the City's financial position improved during fiscal year 2003.
- The governmental activities revenue increased by \$1.4 million (5%) and the business-type activities revenue increased by \$533,083 (3%).
- The governmental activities expenses increased by \$3.5 million (13%) and the business-type activities expenses increased by \$1.4 million (11%). The governmental activities increases are comprised of \$1.2 million in public safety, which includes \$498,000 in police and fire pension increases, \$254,843 in payroll and other payroll related expenditures, and \$277,034 in police liability insurance. Transportation projects expenses increased by \$1.6 million, with the remaining amounts of approximately \$350,000 each were in general government and culture/recreation projects.
- Increases in expenses of the business-type activities of \$1.4 million were due largely to increased operating expenses. The marina fund increase of over \$300,000 was due to the purchase of merchandise, which was offset by the associated revenues. Other operating increases were reported in the Solid Waste Fund's other contractual services accounts for the increased cost of tipping fees mandated by the County of Bay, and in the Utilities Fund's other contractual services account.
- At the end of the current fiscal year, unreserved fund balance (the amount available to meet ongoing obligations to citizens and creditors) in the general fund was \$18,528,688, of which \$4 million is scheduled to fund capital projects during 2004.
- The City of Panama City's total debt increased by \$3,020,000 during the current fiscal year. Utilities Fund bonds were issued in the amount of \$11,440,000, of which

\$7,380,000 refunded the outstanding 1993 bonded debt, and the remaining \$4,060,000 will be used for the Panama City North sewer force main construction. Principal payments in the amount of \$1,040,000 were also made during the year.

USING THIS ANNUAL REPORT

This year's annual report is very different from those in prior years due to the implementation of the Governmental Accounting Standards Board's Statement #34. The Management's Discussion and Analysis is intended to serve as an introduction to the City of Panama City's basic financial statements. The financial statements comprise three components: a) *government-wide financial statements* beginning on page 14, b) *fund financial statements* beginning on page 17, and c) *notes to the financial statements* beginning on page 28. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

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

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases and decreases in the net assets are indicators of whether the City's financial position is improving or deteriorating. Assets, liabilities, and net assets are reported separately for *governmental activities* and *business-type activities*. Capital assets and long-term debt of the governmental activities are included in the financial statements for the first time.

The *statement of activities* reports all of the City's revenues, expenses, and changes in net assets for the fiscal year. Both governmental and business-type activities are presented to summarize the gross and net cost of various City functions. Governmental activities include administration, police, fire, public works, parks, and recreation. Costs of governmental activities are principally supported by taxes and intergovernmental revenues. Business-type activities include water and sewer utilities, solid waste, and marina operations. Costs of business-type activities are supported by user charges and fees.

Component units are presented in separate columns in the government-wide financial statements. The Panama City Downtown Improvement Board and the Panama City Port Authority are legally separate entities over which the City, which is the *primary government*, may exercise influence or may be obligated to provide financial subsidy. A complete set of each entity's financial statements may be obtained separately.

Fund Financial Statements

The financial activities of the City are recorded in separate *funds*. Funds are groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City of Panama City can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. Traditional users of governmental financial statements will find the *fund financial statements* presentation more familiar. The focus is on *major funds*, rather than (the previous financial reporting model's) fund types.

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

The City of Panama City maintains ten governmental funds. The General Fund, Community Planning and Development Special Revenue Fund, Capital Improvement Bonds of 2001 Debt Service Fund, and the Capital Projects Fund are considered to be major funds. Therefore, a balance sheet and statement of revenues, expenditures, and changes in fund balances are presented beginning on page 17. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary fund financial statements can be found beginning on page 22. The City of Panama City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. They include the Utilities Fund, Solid Waste Fund, and the Marina Fund. All are considered to be major funds of the City. *Internal service funds* account for the financing of goods or services provided by one department to other departments of the City. The funds maintained by the City include the equipment maintenance, medical, and dental insurance funds. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the governmental activities in the government-wide financial statements.

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

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. They are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Panama City's own programs. The accounting for those funds is much like that used for proprietary funds. The City's fiduciary funds include Police and Fire Pension Funds, and can be found beginning on page 26.

While the total column on the business-type fund financial statement may be the same as the business-type column on the government-wide financial statement, the governmental funds total column requires a reconciliation because of the different measurement focus (current financial resources versus total economic resources) which is reflected on the related reconciliations. The government-wide financial statements include all assets and liabilities of the City in the statement of net assets, and depreciation on capital assets is included in the statement of activities. The governmental fund financial statements, however, do not include capital assets and long term obligations in the statement of net assets. And, rather than depreciation of capital assets in the statement of activities, expenditures for capital assets are reported, as well as principal payment of debt.

The *notes to the financial statements* provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information in addition to the basic financial statements and accompanying notes includes Police and Fire Pension funding obligations in the *required supplementary information* beginning on page 74. The *combining statements* referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information beginning on page 77.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Panama City, assets exceeded liabilities by \$108,552,423 at the close of the most recent fiscal year.

The City's investment in capital assets (39%) includes land, buildings, machinery, equipment, and infrastructure (except for bridges, which will be included in the 2004 report) net of any related outstanding debt used to acquire those assets. The City of Panama City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital

assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Unrestricted net assets, those available to meet the City's ongoing obligations to citizens and creditors, comprised 42% of net assets.

**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF NET ASSETS
AS OF SEPTEMBER 30, 2003**

	Governmental Activities	Business-type Activities	Total
Current and other assets	\$43,302,763	\$26,736,352	\$70,039,115
Capital assets	41,918,737	43,016,068	84,934,805
Unamortized bond issue costs		802,268	802,268
Total assets	85,221,500	70,554,688	155,776,188
Long-term liabilities outstanding	18,868,660	23,844,409	42,713,069
Other liabilities	3,031,760	1,478,936	4,510,696
Total liabilities	21,900,420	25,323,345	47,223,765
Net assets:			
Invested in capital assets, net of related debt	22,818,737	20,016,068	42,834,805
Restricted	16,089,885	3,684,438	19,774,323
Unrestricted	24,412,458	21,530,837	45,943,295
Total net assets	\$63,321,080	\$45,231,343	108,552,423

A comparative analysis of government-wide data will be presented in future years.

An additional portion of the City's net assets (18%) represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities. The same situation held true for the prior fiscal year.

The City's total net assets increased by \$1,930,097 during fiscal year 2003. Governmental activities increased by \$2,735,387 due to operating transfers in from the business-type activities of \$4,221,749. Without the transfers, governmental activities would have experienced a decrease of \$1,486,362 due to expenditures for capital projects. Business-type activities net assets had an increase of \$3,416,459 before operating transfers out. Transfers out to the governmental activities in the amount of \$4,221,749 resulted in a decrease in net assets of \$805,290.

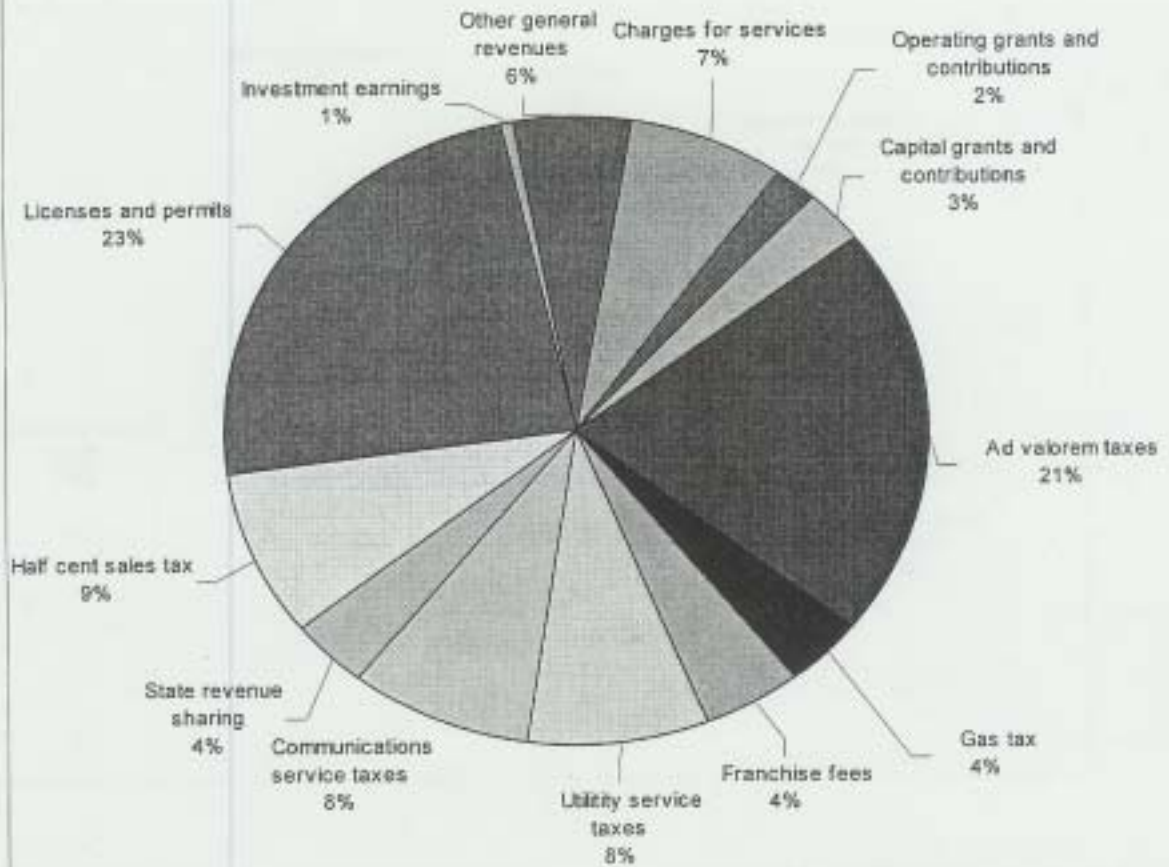
Key elements of the increases and decreases are as follows:

**CITY OF PANAMA CITY, FLORIDA
CHANGES IN NET ASSETS
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

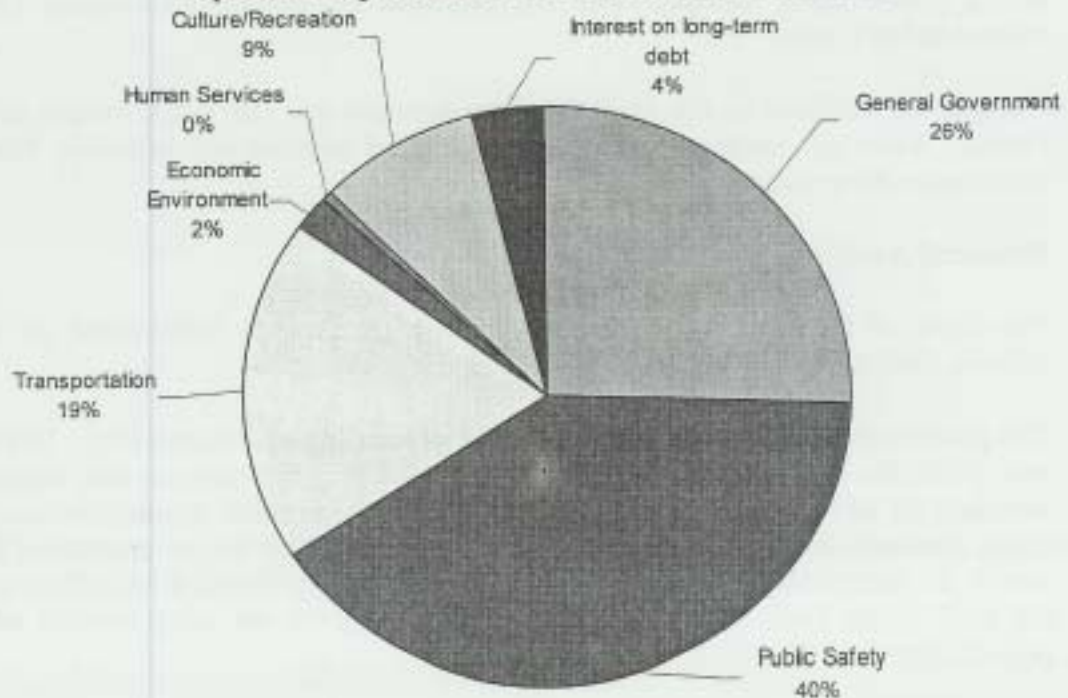
	Governmental Activities	Business-type Activities	Total
Program Revenues:			
Charges for services-governmental	\$2,280,280		\$2,280,280
Charges for services-utilities		\$10,852,751	10,852,751
Charges for services-solid waste		4,937,081	4,937,081
Charges for services-marinas		2,476,396	2,476,396
Operating grants and contributions	639,338		639,338
Capital grants and contributions	920,795		920,795
General Revenues:			
Taxes:			
Ad valorem taxes	6,700,104		6,700,104
Gas tax	1,151,270		1,151,270
Franchise fees	1,374,503		1,374,503
Utility service taxes	2,671,193		2,671,193
Communications service taxes	2,691,777		2,691,777
Licenses and permits	7,557,776		7,557,776
State revenue sharing	1,115,624		1,115,624
Half cent sales tax	2,739,453		2,739,453
Impact fees		412,070	412,070
Investment earnings	194,730	335,334	530,064
Other general revenues	1,784,642		1,784,642
Total Revenues	31,821,485	19,013,632	50,835,117
Expenses			
General Government	8,485,056		8,485,056
Public Safety	13,257,184		13,257,184
Transportation	6,360,082		6,360,082
Economic Environment	688,504		688,504
Human Services	142,356		142,356
Culture/Recreation	2,883,670		2,883,670
Interest on long-term debt	1,292,359		1,292,359
Other	198,636		198,636
Utilities		9,605,329	9,605,329
Solid waste operations		3,747,750	3,747,750
Marinas operations		2,244,094	2,244,094
Total Expenses	33,307,847	15,597,173	48,905,020
Increase (decrease) in net assets before transfers	-1,486,362	3,416,459	1,930,097
Transfers	4,221,749	-4,221,749	
Increase (decrease) in net assets	2,735,387	-805,290	1,930,097
Net assets October 1, 2002	60,585,693	46,036,633	106,622,326
Net assets September 30, 2003	\$63,321,080	\$45,231,343	\$108,552,423

A comparative analysis of government-wide data will be presented in future years.

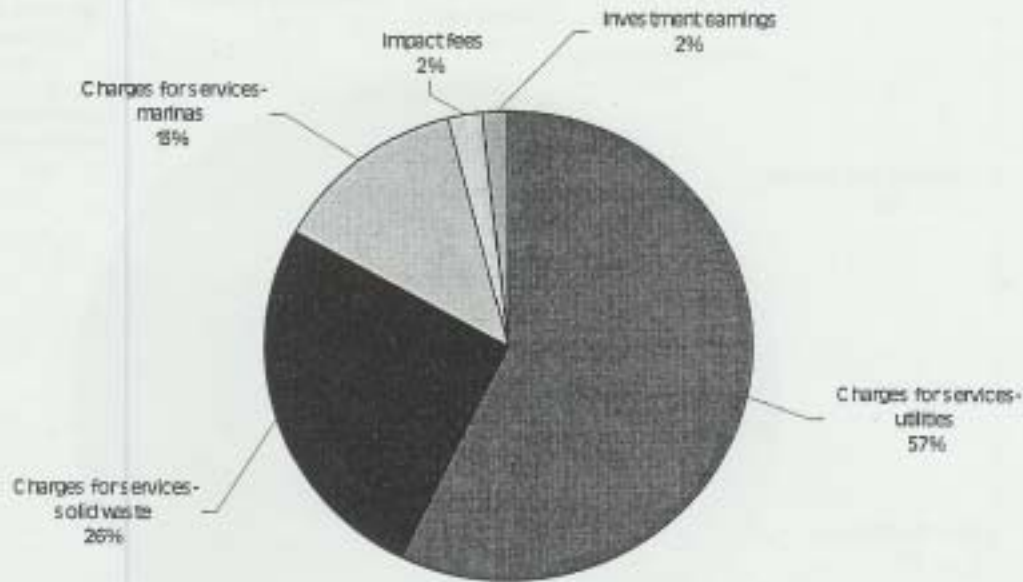
Revenues by Source - Governmental Activities



Expenses by Source - Governmental Activities



Revenues by Source- Business-type Activities



Licenses and permits are the largest revenue source in the governmental activities (23%), followed by ad valorem taxes (21%). Expenses in the government activities are highest in the public safety category (40 %), followed by general government (26%) and transportation (19%).

Charges for services in the business-type activities are the major source of revenue (96%). Water and sewer utilities have the highest revenue and expenses, followed by solid waste, then marina operations.

Financial Analysis of the City's Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources.

The *general fund* is the chief operating fund of the City of Panama City. During fiscal year 2003, the fund balance increased by \$4,409,236. The increase was largely due to increases in ad valorem taxes, electric utility services taxes, communication services taxes, merchant license fees, and half cent sales taxes. The largest increase of \$500,000 was in the communication services taxes. Expenditures, although \$1.8 million more than the prior fiscal year, were lower than expected due to the carry-forward of various projects into the 2004 fiscal year.

During fiscal year 2003, the Community Planning and Development fund balance

increased by \$133,243. This special revenue fund accounts for revenues received from the U.S. Department of Housing and Urban Development and the State Housing Initiatives Partnership Program. Revenues are restricted to accomplishing the various objectives of the Community Planning and Development Program.

Debt services funds are used to account for the accumulation of resources for and the payment of general long-term principal and interest for the City's general bonded debt. Only the 2001 A & B Bond Debt Service Fund is considered a major fund due to the balance of \$9 million of cash, of which \$8.7 is held in escrow for repayment of the refunded bonds. The total of the debt service funds' balances remained essentially the same as fiscal year ended 2002 and all principal and interest payment obligations were met in a timely manner. Payments for general bonded debt are funded by transfers from the City's general fund.

The City utilizes a Capital Projects fund to account for projects in the governmental activities costing over \$25,000. During the 2003 fiscal year, the fund balance decreased by \$3,227,437. The City carried forward \$4.4 million of projects into fiscal year 2004 and budgeted an additional \$3 million for a total of \$7.4 million for fiscal year 2004. Transportation and drainage improvement projects of \$4.3 million top the list, followed by \$1.2 million in general government that includes renovations to City Hall. Capital projects are funded by transfers from the general fund. A budgeted transfer from the General Fund to the Capital Projects fund is scheduled for fiscal year 2004 in the amount of \$4 million.

The City of Panama City's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets of the Utilities Fund, the Solid Waste Fund, and the Marina fund were \$16,033,129, \$3,973,636, and \$1,524,072 respectively. The Utilities fund experienced an increase in net assets of \$1 million. However, the Solid Waste Fund net assets decreased by \$1.6. During the fiscal year \$2 million was transferred to the capital project fund to fund a storm debris removal contingency account. The Marina Fund also experienced a decrease in net assets of \$170,645.

General Fund Budgetary Highlights

The difference between revenues in the general fund original budget and the final amended budget was a \$2,000 increase. The amended budget contained an additional \$1,907,613 in expenditures from the original budget. The majority of the expenditures were encumbrances carried forward from fiscal year 2002 in the amount of \$1,116,681. Another \$207,726 provided a bonus for City employees termed "gain-sharing", based on the amount of budgeted funds saved during the previous fiscal year. Other major amendments included \$204,129 in additional costs for the police pension fund, \$190,693 in additional costs for the fire pension fund, \$112,000 for workers compensation insurance, \$94,610 for supplies to be offset by corresponding grant revenues, \$40,000 for the General Employees Pension Fund, \$50,000 for a storm water project, \$30,000 for beautification of the entrance to the airport, \$128,215 for purchases of land and/or related costs, such as appraisals and taxes, and \$35,000 in attorney fees. Other than the \$94,610 funded by grants, the amounts were budgeted from available fund balance. During the

year, however, revenues exceeded budgetary estimates and expenditures were less than budgetary estimates, thus eliminating the need to draw upon existing fund balance.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2003, amount to \$84,934,805 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and drainage systems. Bridges will be included in the fiscal year 2004 report. Additional information regarding the City's capital assets may be found in the notes to the financial statements on page 41.

CITY OF PANAMA CITY, FLORIDA CAPITAL ASSETS (net of depreciation) SEPTEMBER 30, 2003

	Governmental Activities	Business-type Activities	Total
Land	\$6,003,288	\$212,263	\$6,215,551
Buildings	10,729,406	29,326	10,758,732
Improvements other than buildings	2,799,748	39,704,185	42,503,933
Machinery and equipment	4,309,012	3,070,294	7,379,306
Infrastructure, excluding bridges	18,077,283		18,077,283
Total	<u>\$41,918,737</u>	<u>\$43,016,068</u>	<u>\$84,934,805</u>

Debt Management

At the end of the fiscal year, the City had total bonded debt outstanding of \$42,100,000. This debt amount represents bonds secured solely by specified revenue sources. All of the City's debt maintains a "AAA" rating from Standards & Poor's and a "Aaa" rating from Moody's Investors Services. Additional information regarding the activities of the City's bonded debt during fiscal year 2003 may be found in the notes to the financial statements on beginning on page 46.

Outstanding Bonded Debt As Of September 30, 2003

Governmental Activities	Business-type Activities	Total
\$19,100,000	\$23,000,000	\$42,100,000

Other Information

The unemployment rate for the Bay County area was 6.2%, which is higher than the state of Florida's average rate of 4.7%. This is largely due to the seasonal nature of the tourist local economy. New business openings and expansion of existing businesses are scheduled for the coming year and are expected to have a positive impact on the area's employment rate.

This report was prepared by the Accounting Division of the City of Panama City under the direction of the City Clerk-Treasurer. Questions concerning this report or requests for additional information should be addressed to Michael Bush, City Clerk-Treasurer, P.O. Box 1100, Panama City, Florida 32402-1880.

BASIC FINANCIAL STATEMENTS

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

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

CITY OF PANAMA CITY, FLORIDA
Statement of Net Assets
September 30, 2003

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Board	Panama City Port Authority
ASSETS					
Cash and cash equivalents	\$ 37,549,889	\$ 15,886,158	\$ 53,436,047	\$ 793,331	\$ 4,449,364
Investments	20,503		20,503		2,000,016
Receivables (net)					
Accounts	13,099	1,791,810	1,804,909	269	479,391
Special assessments	127,264	36,508	163,772		
Internal balances	133	(133)	0		
Prepaid expenses	87,432		87,432		32,953
Due from other governmental unit	598,457		598,457		5,386
Inventories	78,252	119,706	197,958	716	
Deposits				900	
Restricted assets:					
Cash and cash equivalents		8,902,303	8,902,303		123,100
Investments					61,660
Notes receivable	4,827,734		4,827,734		43,311
Capital assets, net					
Non-depreciable	6,003,288	212,263	6,215,551	906,172	11,641,970
Depreciable	35,915,449	42,803,805	78,719,254	2,963,937	27,990,702
Unamortized bond issue costs		802,268	802,268		
Total Assets	85,221,500	70,554,688	155,776,188	4,665,325	46,827,853
LIABILITIES					
Accounts payable	867,107	812,504	1,679,611	1,647	1,675,808
Due to other governmental entities	409,850		409,850		
Accrued salaries	54,293	14,691	68,984		
Accrued taxes payable		7,572	7,572		
Deferred revenue		22,281	22,281		
Deposits	3,071	2,363	5,434		213,129
Accrued interest payable				122,074	
Accrued other liabilities	282,389		282,389	678	
Liabilities payable from restricted assets		516,214	516,214		
Noncurrent liabilities					
Due within one year					
Compensated absences	295,050	103,311	398,361	13,345	
Bonds, notes and loans payable	1,120,000		1,120,000		96,268
Due in more than one year					
Deposits		634,475	634,475		
Compensated absences	888,660	309,934	1,198,594		
Bonds, notes and loans payable	17,980,000	22,900,000	40,880,000		4,511,222
Total Liabilities	21,900,420	25,323,345	47,223,765	137,744	6,496,427
NET ASSETS					
Invested in capital assets, net of related debt	22,818,737	20,016,068	42,834,805	3,870,109	35,025,182
Restricted for:					
Capital projects	78,719		78,719		
Debt service	9,926,738	3,684,438	13,611,176	13,345	16,660
Self-insurance	1,322,570		1,322,570		
Noncurrent loans receivable	4,761,858		4,761,858		
Unrestricted	24,412,458	21,530,837	45,943,295	644,127	5,289,584
Total net assets	\$ 63,321,080	\$ 45,231,343	\$ 108,552,423	\$ 4,527,581	\$ 40,331,426

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
Statement of Activities
Fiscal Year Ended September 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Government activities:				
General government	\$ 8,485,056	\$ 1,540,002		
Public safety	13,257,184	175,468	\$ 106,357	\$ 4,464
Transportation	6,360,082	322,555		
Economic environment	688,504	137,970		916,331
Culture and recreation	2,883,670		198,292	
Human services	142,356	13,085	275,000	
Other	198,636	91,200	59,689	
Interest on long-term debt	1,292,359			
Total governmental activities	<u>33,307,847</u>	<u>2,280,280</u>	<u>639,338</u>	<u>920,795</u>
Business-type activities:				
Utilities	9,605,329	10,852,751		
Solid Waste	3,747,750	4,937,081		
Marina	2,244,094	2,476,396		
Total business-type activities	<u>15,597,173</u>	<u>18,266,228</u>	<u>0</u>	<u>0</u>
Total primary government	<u>48,905,020</u>	<u>20,546,508</u>	<u>639,338</u>	<u>920,795</u>
Component units:				
Downtown Improvement Board	\$ 774,700	\$ 539,120		
Panama City Port Authority	4,354,594	5,291,466	\$ 874,809	\$ 3,131,951
Total component units	<u>\$ 5,129,294</u>	<u>\$ 5,830,586</u>	<u>\$ 874,809</u>	<u>\$ 3,131,951</u>

General revenues:

Taxes:

Ad valorem taxes
Gas tax
Franchise fees
Utility service tax
Communications service tax
State revenue sharing
Half-cent sales tax
Licenses and permits
Impact fees
Investment earnings
Miscellaneous

Transfers

Total general revenues and transfers

Change in net assets

Net assets -- beginning of year

Net assets -- end of year

See the accompanying notes.

Net (Expense) Revenue and
Changes in Net Assets

Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Downtown Improvement Board	Panama City Port Authority
\$ (6,945,054)		\$ (6,945,054)		
(12,970,895)		(12,970,895)		
(6,037,527)		(6,037,527)		
365,797		365,797		
(2,685,378)		(2,685,378)		
145,729		145,729		
(47,747)		(47,747)		
(1,292,359)		(1,292,359)		
(29,467,434)	\$ 0	(29,467,434)	\$ 0	\$ 0
	1,247,422	1,247,422		
	1,189,331	1,189,331		
	232,302	232,302		
0	2,669,055	2,669,055	0	0
(29,467,434)	2,669,055	(26,798,379)	0	0
			\$ (235,580)	\$ 4,943,632
			\$ (235,580)	\$ 4,943,632
6,700,104		6,700,104	508,692	
1,151,270		1,151,270		
1,374,503		1,374,503		
2,671,193		2,671,193		
2,691,777		2,691,777		
1,115,624		1,115,624		
2,739,453		2,739,453		
7,557,776		7,557,776		
	412,070	412,070		
194,730	335,334	530,064		74,499
1,784,642		1,784,642		
4,221,749	(4,221,749)	0		
32,202,821	(3,474,345)	28,728,476	508,692	74,499
2,735,387	(805,290)	1,930,097	273,112	5,018,131
60,585,693	46,036,633	106,622,326	4,254,469	35,313,295
\$ 63,321,080	\$ 45,231,343	\$ 108,552,423	\$ 4,527,581	\$ 40,331,426

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
Balance Sheet
Governmental Funds
September 30, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
		<u>Community Planning and Development</u>	<u>Capital Improvement Bonds of 2001</u>
ASSETS			
Cash and cash equivalents	\$ 18,234,621	\$ 1,465,213	\$ 9,023,455
Investments	20,503		
Receivables, net			
Accounts	11,397		
Special Assessments	105,126	22,138	
Due from other funds	70,508		
Receivables from other governments	594,493		
Prepaid expenses	87,432		
Inventories	59,640		
Notes receivable	4,321	4,823,413	
Total assets	<u>\$ 19,188,041</u>	<u>\$ 6,310,764</u>	<u>\$ 9,023,455</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 318,492	\$ 74	
Due to other funds	17,631		
Due to other governmental entities		409,850	
Accrued wages payable	53,292		
Accrued other liabilities	266,867		
Deposits	3,071		
Total liabilities	<u>659,353</u>	<u>409,924</u>	<u>\$ 0</u>
Fund balances:			
Reserved for:			
Noncurrent loans receivable		4,761,858	
Capital projects			
Debt service			8,765,882
Unreserved, reported in:			
General Fund	18,528,688		
Special revenue funds		1,138,982	
Debt service funds			257,573
Capital projects funds			
Total fund balances	<u>18,528,688</u>	<u>5,900,840</u>	<u>9,023,455</u>
Total liabilities and fund balances	<u>\$ 19,188,041</u>	<u>\$ 6,310,764</u>	<u>\$ 9,023,455</u>

See the accompanying notes.

<u>Capital Projects</u>	<u>Non-Major</u>	
<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 5,516,733	\$ 1,601,915	\$ 35,841,937
		20,503
		11,397
		127,264
		70,508
		594,493
		87,432
		59,640
		<u>4,827,734</u>
<u>\$ 5,516,733</u>	<u>\$ 1,601,915</u>	<u>\$ 41,640,908</u>
\$ 139,951		458,517
		17,631
		409,850
		53,292
	\$ 15,522	282,389
		3,071
<u>139,951</u>	<u>15,522</u>	<u>1,224,750</u>
		4,761,858
	78,719	78,719
	1,160,856	9,926,738
		18,528,688
	346,818	1,138,982
<u>5,376,782</u>		604,391
<u>5,376,782</u>	<u>1,586,393</u>	<u>5,376,782</u>
<u>\$ 5,516,733</u>	<u>\$ 1,601,915</u>	<u>40,416,158</u>

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

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

Governmental capital assets	80,465,579
Less accumulated depreciation	(38,566,731)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment maintenance, to individual funds.

The assets and liabilities of the internal service funds are included in the governmental activities in the statement of net assets.	1,268,792
--	-----------

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Governmental Bonds Payable	(19,100,000)
Compensated Absences	(1,162,718)

Net assets of governmental activities

\$ 63,321,080

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Fiscal Year Ended September 30, 2003

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
		<u>Community Planning and Development</u>	<u>Capital Improvement Bonds of 2001</u>
REVENUES	General		
Taxes	\$ 14,588,847		
Licenses and permits	7,557,776		
Intergovernmental	4,113,530	\$ 916,331	
Charges for services	1,144,868		
Investment earnings		18,131	\$ 3,039
Miscellaneous	593,495	1,444	
Total revenues	<u>27,998,516</u>	<u>935,906</u>	<u>3,039</u>
EXPENDITURES			
Current:			
General government	4,104,122		
Public safety	12,072,872		
Transportation	4,033,301	55,045	
Economic environment	371,618	316,886	
Human services	142,356		
Culture and recreation	2,291,001	47,000	
Debt service:			
Principal			
Interest and other charges			363,754
Capital outlay			
Total expenditures	<u>23,015,270</u>	<u>418,931</u>	<u>363,754</u>
Excess (deficiency) of revenues over expenditures	<u>4,983,246</u>	<u>516,975</u>	<u>(360,715)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,421,734		362,643
Transfers out	(2,995,744)	(383,732)	
Contribution to other government			
Total other financing sources and uses	<u>(574,010)</u>	<u>(383,732)</u>	<u>362,643</u>
Net change in fund balances	4,409,236	133,243	1,928
Fund Balances:			
Beginning of year	<u>14,119,452</u>	<u>5,767,597</u>	<u>9,021,527</u>
End of year	<u>\$ 18,528,688</u>	<u>\$ 5,900,840</u>	<u>\$ 9,023,455</u>

See the accompanying notes.

<u>Capital Projects</u>	<u>Non-Major</u>	
<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
		\$ 14,588,847
		7,557,776
	\$ 494,624	5,524,485
	40,716	1,185,584
\$ 157,741	5,101	184,012
13,685	86,102	694,726
<u>171,426</u>	<u>626,543</u>	<u>29,735,430</u>
		4,104,122
		12,072,872
989,825		5,078,171
		688,504
		142,356
		2,338,001
	1,040,000	1,040,000
	928,605	1,292,359
4,552,482		4,552,482
<u>5,542,307</u>	<u>1,968,605</u>	<u>31,308,867</u>
<u>(5,370,881)</u>	<u>(1,342,062)</u>	<u>(1,573,437)</u>
2,314,083	1,832,016	6,930,476
(170,639)	(1,006,189)	(4,556,304)
	(198,636)	(198,636)
<u>2,143,444</u>	<u>627,191</u>	<u>2,175,536</u>
(3,227,437)	(714,871)	602,099
<u>8,604,219</u>	<u>2,301,264</u>	<u>39,814,059</u>
<u>\$ 5,376,782</u>	<u>\$ 1,586,393</u>	<u>\$ 40,416,158</u>

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
Reconciliation of the Statement of Revenues, Expenditures,
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
Fiscal Year Ended September 30, 2003

Net change in fund balances - total governmental funds \$ 602,099

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

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

Expenditures for capital assets	4,552,482	
Less current year depreciation	<u>(3,101,816)</u>	1,450,666

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Principal payments	1,040,000
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Change in long-term compensated absences	(354,746)
Transfer of capital assets	503

Internal service funds are used by management to charge the costs of certain activities, such as insurance and equipment maintenance, to individual funds. The net revenue (expense) of the internal service funds is reported with governmental activities.

(3,135)

Change in net assets of governmental activities	<u>\$ 2,735,387</u>
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CITY OF PANAMA CITY, FLORIDA
Statement of Net Assets
Proprietary Funds
September 30, 2003

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 10,501,052	\$ 3,863,896	\$ 1,521,210	\$ 15,886,158	\$ 1,707,952
Due from other governmental unit					3,964
Receivables, net					
Accounts	1,164,470	558,493	68,847	1,791,810	1,702
Special assessments		36,508		36,508	
Due from other funds	11,754	5,877		17,631	
Inventories			119,706	119,706	18,612
Total current assets	11,677,276	4,464,774	1,709,763	17,851,813	1,732,230
Noncurrent assets:					
Restricted cash and cash equivalents:					
Impact fee account	2,613,681			2,613,681	
Cash with fiscal agent	494,694			494,694	
Revenue bond - future debt reserve accounts	588,521			588,521	
Revenue bond contingency (renewal and replacement) account	3,095,917			3,095,917	
Construction account	2,109,490			2,109,490	
Capital assets:					
Land	1,023	211,240		212,263	
Buildings			39,990	39,990	
Improvements other than buildings		11,538	12,332,810	12,344,348	
Machinery and equipment	3,345,552	4,005,189	51,769	7,402,510	147,277
Utility system	60,240,202			60,240,202	
Less accumulated depreciation	(26,733,760)	(2,404,429)	(8,085,056)	(37,223,245)	(127,388)
Unamortized bond issue costs	802,268			802,268	
Total noncurrent assets	46,557,588	1,823,538	4,339,513	52,720,639	19,889
Total assets	58,234,864	6,288,312	6,049,276	70,572,452	1,752,119
LIABILITIES					
Current liabilities:					
Accounts payable	580,805	99,579	132,120	812,504	408,590
Due to other funds	10,420	6,972	372	17,764	52,744
Accrued salaries	9,271	4,526	894	14,691	1,001
Compensated absences	72,198	26,091	5,022	103,311	5,248
Accrued taxes payable			7,572	7,572	
Deferred revenue			22,281	22,281	
Deposits			2,363	2,363	
Total current liabilities	672,694	137,168	170,624	980,486	467,583
Current liabilities payable from restricted assets:					
Insurance cost payable	21,520			21,520	
Current portion of bonds payable	100,000			100,000	
Accrued interest payable	394,694			394,694	
Total current liabilities payable from restricted assets	516,214	0	0	516,214	0
Noncurrent liabilities:					
Compensated absences	216,593	78,274	15,067	309,934	15,744
Deposits	358,779	275,696		634,475	
Bonds, notes, and loans payable	22,900,000			22,900,000	
Total noncurrent liabilities	23,475,372	353,970	15,067	23,844,409	15,744
Total liabilities	24,664,280	491,138	185,691	25,341,109	483,327
NET ASSETS					
Invested in capital assets, net of related debt	13,853,017	1,823,538	4,339,513	20,016,068	19,889
Restricted for debt service	3,684,438			3,684,438	
Restricted for claims					1,322,570
Unrestricted	16,033,129	3,973,636	1,524,072	21,530,837	(73,667)
Total net assets	\$ 33,570,584	\$ 5,797,174	\$ 5,863,585	\$ 45,231,343	\$ 1,268,792

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Fiscal Year Ended September 30, 2003

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
Operating Revenues:					
Charges for services	\$ 10,287,594	\$ 4,935,231	\$ 2,476,396	\$ 17,699,221	\$ 985,421
Tap fees and penalties	284,701			284,701	
Contributions					1,088,977
Miscellaneous	280,456	1,850		282,306	939
Total operating revenues	<u>10,852,751</u>	<u>4,937,081</u>	<u>2,476,396</u>	<u>18,266,228</u>	<u>2,075,337</u>
Operating expenses:					
Personal services	2,632,329	1,270,916	267,661	4,170,906	271,137
Operating expenses	4,299,533	2,166,741	1,626,187	8,092,461	679,510
Insurance claims and expenses					2,977,571
Depreciation	1,562,280	309,463	350,246	2,221,989	8,046
Total operating expenses	<u>8,494,142</u>	<u>3,747,120</u>	<u>2,244,094</u>	<u>14,485,356</u>	<u>3,936,264</u>
Operating income (loss)	<u>2,358,609</u>	<u>1,189,961</u>	<u>232,302</u>	<u>3,780,872</u>	<u>(1,860,927)</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	261,064	51,143	23,127	335,334	10,718
Impact fees	412,070			412,070	
Interest expense	(1,065,265)	(630)		(1,065,895)	
Other debt service costs	(45,922)			(45,922)	
Total nonoperating revenues (expenses)	<u>(438,053)</u>	<u>50,513</u>	<u>23,127</u>	<u>(364,413)</u>	<u>10,718</u>
Income (loss) before contributions and transfers	<u>1,920,556</u>	<u>1,240,474</u>	<u>255,429</u>	<u>3,416,459</u>	<u>(1,850,209)</u>
Operating transfers:					
Transfers in					1,881,149
Transfers out	(901,809)	(2,893,866)	(426,074)	(4,221,749)	(34,075)
	<u>(901,809)</u>	<u>(2,893,866)</u>	<u>(426,074)</u>	<u>(4,221,749)</u>	<u>1,847,074</u>
Change in net assets	<u>1,018,747</u>	<u>(1,653,392)</u>	<u>(170,645)</u>	<u>(805,290)</u>	<u>(3,135)</u>
Total net assets - beginning of year	<u>32,551,837</u>	<u>7,450,566</u>	<u>6,034,230</u>	<u>46,036,633</u>	<u>1,271,927</u>
Total net assets - end of year	<u>\$ 33,570,584</u>	<u>\$ 5,797,174</u>	<u>\$ 5,863,585</u>	<u>\$ 45,231,343</u>	<u>\$ 1,268,792</u>

See the accompanying notes.



CITY OF PANAMA CITY, FLORIDA
Statement of Cash Flows
Proprietary Funds
Fiscal Year Ended September 30, 2003

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 10,881,454	\$ 4,922,319	\$ 2,475,795	\$ 18,279,568	\$ 984,830
Payments to suppliers	(4,001,481)	(2,055,664)	(1,529,920)	(7,587,065)	(692,166)
Payments to employees	(2,587,989)	(1,260,096)	(268,959)	(4,117,044)	(265,628)
Cash received for insurance contributions					1,088,977
Claims paid					(2,965,290)
Net cash provided by (used in) operating activities	4,291,984	1,606,559	676,916	6,575,459	(1,849,277)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in					1,831,149
Operating transfers out	(901,809)	(2,893,866)	(426,074)	(4,221,749)	(34,075)
Net cash provided by (used in) noncapital financing activities	(901,809)	(2,893,866)	(426,074)	(4,221,749)	1,847,074
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	4,480,376			4,480,376	
Purchases of capital assets	(1,871,774)	(441,394)	(111,853)	(2,425,021)	
Proceeds from sale of capital assets					2,756
Principal paid on capital debt	(655,000)			(655,000)	
Interest paid on capital debt	(1,065,265)	(630)		(1,065,895)	
Impact fees	412,070			412,070	
Net cash provided by (used in) capital and related financing activities	1,300,407	(442,024)	(111,853)	746,530	2,756
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	261,064	51,143	23,127	335,334	10,718
Net increase (decrease) in cash and cash equivalents	4,951,646	(1,678,188)	162,116	3,435,574	11,271
Balances - beginning of the year	14,451,709	5,542,084	1,359,094	21,352,887	1,696,681
Balances - end of the year	\$ 19,403,355	\$ 3,863,896	\$ 1,521,210	\$ 24,788,461	\$ 1,707,952

See the accompanying notes.

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 2,358,609	\$ 1,189,961	\$ 232,302	\$ 3,780,872	\$ (1,860,927)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	1,562,280	309,463	350,246	2,221,989	8,046
Change in assets and liabilities:					
Receivables, net	(7,215)	(30,427)	8,251	(29,391)	425
Due from other funds	12,884	32,730	4,410	50,024	
Due from other governmental units					(1,955)
Inventories			4,159	4,159	(5,892)
Accounts and other payables	395,734	61,121	83,530	540,385	5,516
Accrued expenses	(36,091)	26,951	2,795	(6,345)	
Accrued interest	(119,202)			(119,202)	
Compensated absences	80,431			80,431	
Issuance cost payable	21,520			21,520	
Due to other funds		1,095	372	1,467	
Deposits	23,034	15,665	784	39,483	
Deferred revenue			(9,933)	(9,933)	5,511
Net cash provided by (used in) operating activities	\$ 4,291,984	\$ 1,606,559	\$ 676,916	\$ 6,575,459	\$ (1,849,276)
Reconciliation of Cash and Cash Equivalents per Statement of Cash Flows to the Statement of Net Assets:					
Cash and cash equivalents	\$ 10,501,052	\$ 3,863,896	\$ 1,521,210	\$ 15,886,158	\$ 1,707,952
Restricted cash and cash equivalents					
Impact fee account	2,613,681			2,613,681	
Cash with fiscal agent	494,694			494,694	
Revenue bond - future debt reserve accounts	588,521			588,521	
Revenue bond contingency account	3,095,917			3,095,917	
Construction account	2,109,490			2,109,490	
Total cash and cash equivalents	\$ 19,403,355	\$ 3,863,896	\$ 1,521,210	\$ 24,788,461	\$ 1,707,952

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
Statement of Fiduciary Net Assets
Fiduciary Funds
September 30, 2003

	<u>Pension Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents		\$ 7,593
Investments	\$ 38,864,262	
Total assets	<u>38,864,262</u>	<u>7,593</u>
LIABILITIES		
Accounts payable	2,178	
Deferred revenue	32,458	
Accrued payroll deductions and matching		7,593
Total liabilities	<u>34,636</u>	<u>\$ 7,593</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 38,829,626</u>	

See the accompanying notes.

CITY OF PANAMA CITY FLORIDA
Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Fiscal Year Ended September 30, 2003

	<u>Pension Trust</u>
ADDITIONS	
Contributions:	
Employer	\$ 1,065,765
State	567,821
Plan members	316,738
Other	7,453
Total contributions	<u>1,957,777</u>
Investment earnings:	
Net appreciation in fair value of investments	2,645,829
Interest	1,273,685
Total investment earnings	3,919,514
Less investment expense	<u>(363,655)</u>
Net investment earnings	<u>3,555,859</u>
 Total additions	 <u>5,513,636</u>
 DEDUCTIONS	
Benefits	(1,748,307)
Refunds of contributions	(838,010)
Administrative expenses	<u>(7,433)</u>
Total deductions	<u>(2,593,750)</u>
 Change in net assets	 2,919,886
 Net Assets Held in Trust for Pension Benefits:	
Beginning of the year	<u>35,909,740</u>
End of the year	<u>\$ 38,829,626</u>

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments" (Statement 34). This Statement provides for the most significant change in financial reporting in over twenty years and is scheduled for a phased implementation (based on size of government) starting with fiscal years ending 2002 (for larger governments). The City implemented the basic model for September 30, 2003. As part of this Statement, there is a new reporting requirement regarding the local government's infrastructure (roads, bridges, traffic signals, etc.). This requirement permits an optional four-year further delay for implementation. The City has implemented the infrastructure-related portion for all infrastructure except bridges for the current fiscal year and plans to add the bridges by September 30, 2004.

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

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The accompanying combined financial statements include all funds, account groups, boards and authorities for which the City is financially accountable or for which the nature and significance of their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The following component units were included, by discrete presentation for 2003, based upon the criteria noted above:

- Panama City Downtown Improvement Board
- Panama City Port Authority

Governmental Fund Type

Panama City Downtown Improvement Board. The Panama City Downtown Improvement Board was incorporated on July 5, 1974, by House Bill No. 4094 enacted by the legislature of the State of Florida. This act provided for the establishment of a special taxing district under Article VII, Section 9 of the Florida Constitution. On November 22, 1983, the City of Panama City adopted ordinance No. 1153 designating the Panama City Downtown Improvement Board as the Community Redevelopment Agency pursuant to Florida Statute 163.357(3). The members of the governing board of the Downtown Improvement Board are appointed by the City Commission. The City also has the authority to levy ad valorem taxes of up to 3 mills for Downtown Improvement Board District operations.

Proprietary Fund Type

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

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

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Administrative Offices:

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

Panama City Port Authority
5321 West Highway 98
Panama City, Florida 32401

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

Government-wide and fund financial statements

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

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

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

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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

The City reports the following major governmental funds:

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

The *special revenue fund* - Community Planning and Development is used to account for revenues received from the Department of Housing and Urban Development. Funds were also received from the State Housing Initiatives Partnership Program. Revenues are restricted to accomplishing the various objectives of community development programs.

The *debt service fund* - Capital Improvement Bonds of 2001 accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 2001 bonds.

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

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The government reports the following major proprietary funds:

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

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

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

Additionally, the government reports the following fund types:

Internal Service Funds account for the financing of goods or services provided by one department to other departments of the City.

Pension Trust and Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations and other governmental units.

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

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

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

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Assets, liabilities, and net assets or equity

Deposits and investments

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

Investments for the government, as well as for its component units, are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and payables

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

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

The property tax revenues calendar is as follows:

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

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories and prepaid items

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

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

Restricted assets

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

Capital assets

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

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

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

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	10
Public domain infrastructure	40
Utility Plant	40
System infrastructure	40
Machinery and Equipment	5 to 10
Furniture and Fixtures	8
Automobiles and Trucks	5

Compensated absences

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. One third of total sick leave balances of employees with ten years or more service is accrued in the government-wide, proprietary and fiduciary fund financial statements. In accordance with GAAP, for the government funds in the fund financial statements, all of the compensated absences are considered long-term and therefore, are not a fund liability and represent a reconciling item between the fund level and government-wide presentations.

Long-term obligations

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

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund equity

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

Use of Estimates

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

Stewardship, compliance and accountability

Budgetary information

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

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

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

New Accounting Standards

Effective October 1, 2002, the City adopted the provisions of *Government Accounting Standards Board (GASB) Statement 34, Basic Financial statements - and Management's Discussion and Analysis - for State and Local Government*; *GASB Statement 37, Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments, Omnibus*; and *GASB Statement 38, Certain Financial Statements Note Disclosures*. The effect of adopting GASB 34 and 37 is primarily a change in the presentation of the financial statements. The adoption of GASB Statement 38, modifies, rescinds and establishes certain financial statement disclosure requirements.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 2 - DEPOSITS AND INVESTMENTS

Under the City's investment policy, and in accordance with Section 166.261 of the Florida Statutes, the City may invest in obligations of the U.S. Treasury and its agencies, interest bearing time deposits or savings accounts in banks provided that such deposits are secured by collateral as prescribed by Chapter 280 of the Florida Statutes and the State Treasurer's investment pool. No other investment types were made by the City, during the year, that were not held at year end.

- 2.1 **Deposits with Financial Institutions.** All deposits (demand deposits and certificates of deposits) are carried at cost or amortized cost plus accrued interest. At September 30, 2003, the carrying amount of the City deposits was \$13,802,168 and the bank balance was \$12,856,294. The bank balance was fully insured; thus, being insured by federal depository insurance or under the Multiple Financial Institution Collateral Pool administered by the State of Florida.

2.2 **Investments.**

Primary Government:

The City's investments at September 30, 2003, are summarized and categorized under GASB Statement No. 3 guidelines in the following table to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counter-party's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which securities are held by a counter-party or by its trust department or agent, but not in the City's name.

Investments in the State Treasurer's Investment Pool and investments in the Florida Municipal Trust are not categorized as they are not evidenced by securities that exist in physical or book entry form.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

	Category		Carrying	Fair
1	2	3	Amount	Value
U.S. Government Securities		\$40,093,338	\$40,093,338	\$ 40,093,338
Investments in State Treasurer's Investment Pool			15,698	15,698
Investment in a Repurchase Agreement Pool backed with U.S. Government Securities	\$ 8,455,242		<u>8,455,242</u>	<u>8,455,242</u>
Total Investments			48,564,278	48,564,278
Total Deposits			<u>13,802,168</u>	<u>13,802,168</u>
Total Deposits and Investments			<u>\$62,366,446</u>	<u>\$ 62,366,446</u>

The amounts shown above include restricted amounts in the Enterprise Funds of \$9,453,327 in the U.S. Government Securities and include amounts in the agency fund of \$7,593.

The Local Government Surplus Funds Trust Fund Investment Pool contained no derivative investments as defined under GASB Technical Bulletin No. 94-1. The City had a range of \$15.5 thousand to \$15.7 thousand in the pool from October 1, 2002 to September 30, 2003. Various risk disclosures as they related specifically to derivatives were not made available in the year-end financial statements provided by the State Board of Administration. The fair value of the position in the pool is the same as the value of the pool shares. Regulatory oversight for the Local Government Surplus Funds Trust Fund is governed by Ch. 19-7 of the Florida Administrative Code, which identifies the Rules of the State Board of Administration. These rules provide guidance and establish the general operating procedures for the administration of the Local Government Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Firemen and Policemen Pension Investments - Statutes authorize the Board of Trustees of the firemen and policemen pension funds to invest in stocks, bonds or other securities and properties as it deems appropriate. The investments are held in the bank trust department and are not registered in the City's name (category three investments in accordance with GASB Statement No. 3).

The following is a breakdown of deposits and investments of the firemen and policemen pension funds:

	<u>Fair Value</u>
Deposits:	
Cash and miscellaneous cash equivalents	\$ 4,678,070
Investments:	
Common Stock	18,957,586
U.S. Treasury bonds	1,871,072
Bonds and notes	4,819,407
Government agencies	8,043,992
Mutual Fund	<u>494,135</u>
Total	<u>\$ 38,864,262</u>

Component Units:

The Panama City Downtown Improvement Board's deposits are categorized to give an indication of the level of risk assumed by the Board at year end. Category 1 includes deposits that are in qualified public depositories authorized to hold public deposits by the Department of Insurance of the State of Florida or are insured by the Federal Deposit Insurance Corporation. Category 2 includes uninsured and unregistered deposits held by the counter party's trust department or agent in the Board's name. Category 3 includes uninsured deposits not held in the Board's name. A summary of deposits by risk category is as follows:

<u>Description</u>	<u>Category</u>			<u>Carrying Cost</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash	<u>\$ 793,331</u>	<u>\$</u>	<u>\$</u>	<u>\$ 793,331</u>	<u>\$ 793,331</u>

No investments were made by the Board during the year that were not held at September 30, 2003.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Under provision of the Panama City Port Authority's investment policy, and in accordance with Section 166.261 of the Florida Statutes, the Port Authority 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 of the Florida Statutes and the State Treasurer's investment pool.

All deposits are carried at cost plus accrued interest. At September 30, 2003, the carrying amount of the Port's deposits, including certificates of deposit, was \$6,634,040, and the bank balance was \$6,274,983. The bank balance was fully insured; thus being insured by the federal depository insurance or insured under the Multiple Financial Institution Collateral Pool administered by the State of Florida.

Investments held by the Port are summarized below. Category 1 includes investments that are insured or registered or for which the securities are held by the Port or its agent in the Port Authority's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the bank's trust department or agent in the Port Authority's name.

	<u>Category</u>		<u>Reported</u>	<u>Fair</u>
	<u>1</u>	<u>2</u>	<u>Amount</u>	<u>Value</u>
Repurchase agreements - Cash equivalents	\$ 463,000		\$ 463,000	\$ 463,000

NOTE 3 - NOTES RECEIVABLE

The City participates in loan rehabilitation programs that assist low income residents in obtaining safe and sanitary housing, businesses in downtown improvement areas and rental housing improvements. The loans, accounted for in the special revenue fund, are due and payable at their respective maturity dates or change of home ownership, whichever occurs first. The City maintains a security interest in the property. Interest rates range from non-interest bearing to 10.0 percent. These loans will mature at various dates up to 2033.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2003 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	<u>\$ 3,108,724</u>	<u>\$ 2,894,564</u>		<u>\$ 6,003,288</u>
Capital assets, being depreciated:				
Buildings	18,750,991	1,042,760	\$ 630,845	19,162,906
Improvements other than buildings	9,476,646	99,773	5,218,585	4,357,834
Machinery and equipment	15,009,131	1,400,206	4,255,846	12,153,491
Infrastructure, excluding bridge	<u>37,542,820</u>	<u>3,030,796</u>		<u>40,573,616</u>
Total capital assets being depreciated	<u>80,779,588</u>	<u>5,573,535</u>	<u>10,105,276</u>	<u>76,247,847</u>
Less accumulated depreciation for:				
Buildings	7,974,999	661,545	203,044	8,433,500
Improvements other than buildings	1,392,578	165,508		1,558,086
Machinery and equipment	6,596,557	1,268,469	20,547	7,844,479
Infrastructure, excluding bridges	<u>21,481,993</u>	<u>1,014,340</u>		<u>22,496,333</u>
Total accumulated depreciation	<u>37,446,127</u>	<u>3,109,862</u>	<u>223,591</u>	<u>40,332,398</u>
Total capital assets, being depreciated, net	<u>43,333,461</u>	<u>2,463,673</u>	<u>9,881,685</u>	<u>35,915,449</u>
Governmental activities capital assets, net	<u>\$46,442,185</u>	<u>\$ 5,358,237</u>	<u>\$ 9,881,685</u>	<u>\$41,918,737</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 4 - CAPITAL ASSETS (Continued)

Primary Government (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 212,263			\$ 212,263
Capital assets, being depreciated:				
Buildings and system	39,990			39,990
Improvements other than buildings	70,937,946	\$ 1,646,604		72,584,550
Machinery and equipment	6,734,936	820,211	\$ 152,637	7,402,510
Total capital assets, being depreciated	<u>77,712,872</u>	<u>2,466,815</u>	<u>152,637</u>	<u>80,027,050</u>
Less accumulated depreciation for:				
Buildings and system	9,331	1,333		10,664
Improvements other than buildings	31,133,432	1,746,933		32,880,365
Machinery and equipment	3,969,306	473,723	110,813	4,332,216
Total accumulated depreciation	<u>35,112,069</u>	<u>2,221,989</u>	<u>110,813</u>	<u>37,223,245</u>
Total capital assets, being depreciated, net	<u>42,600,803</u>	<u>244,826</u>	<u>41,824</u>	<u>42,803,805</u>
Business-type activities capital assets, net	<u>\$42,813,066</u>	<u>\$ 244,826</u>	<u>\$ 41,824</u>	<u>\$ 43,016,068</u>

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

Governmental activities:	
General government	\$ 377,269
Public safety	957,274
Highways and streets, including depreciation of general infrastructure assets	1,242,889
Culture and recreation	524,384
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>8,046</u>
Total depreciation expense - governmental activities	<u>\$ 3,109,862</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 4 - CAPITAL ASSETS (Continued)

Business-type activities:	
Utilities	\$ 1,562,280
Solid waste	309,463
Marina	<u>350,246</u>
Total depreciation expense - business-type activities	<u>\$ 2,221,989</u>

Discretely presented component units

Activity for the Panama City Port Authority for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$4,592,778	\$ 89,470		\$ 4,682,248
Construction in progress	<u>4,536,438</u>	<u>7,652,138</u>	<u>\$5,228,854</u>	<u>6,959,722</u>
Total capital assets not being depreciated	<u>9,129,216</u>	<u>7,741,608</u>	<u>5,228,854</u>	<u>11,641,970</u>
Capital assets, being depreciated:				
Buildings	27,750,175	40,188		27,790,363
Improvements other than buildings	6,146,795	4,784,542		10,931,337
Machinery and equipment	<u>5,079,009</u>	<u>63,935</u>		<u>5,142,944</u>
Total capital assets being depreciated	<u>38,975,979</u>	<u>4,888,665</u>		<u>43,864,644</u>
Less accumulated depreciation for:				
Buildings	8,714,187	303,278		9,017,465
Improvements other than buildings	3,479,707	717,638		4,197,345
Machinery and equipment	<u>2,334,629</u>	<u>324,503</u>		<u>2,659,132</u>
Total accumulated depreciation	<u>14,528,523</u>	<u>1,345,419</u>		<u>15,873,942</u>
Total capital assets being depreciated, net	<u>24,447,456</u>	<u>3,543,246</u>		<u>27,990,702</u>
Port Authority capital assets, net	<u>\$33,576,672</u>	<u>\$11,284,854</u>	<u>\$5,228,854</u>	<u>\$ 39,632,672</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 4 - CAPITAL ASSETS (Continued)

Activity for the Panama City Downtown Improvement Board for the year ended September 30, 2003, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 906,172			\$ 906,172
Capital assets, being depreciated:				
Buildings	2,384,539			2,384,539
Improvements other than buildings	922,093	\$ 302,102		1,224,195
Furniture and equipment	296,779			296,779
Total capital assets being depreciated	<u>3,603,411</u>	<u>302,102</u>		<u>3,905,513</u>
Less accumulated depreciation for:				
Buildings	459,657	47,879		507,536
Improvements other than buildings	140,641	24,272		164,913
Furniture and equipment	<u>256,063</u>	<u>13,064</u>		<u>269,127</u>
Total accumulated depreciation	<u>856,361</u>	<u>85,215</u>		<u>941,576</u>
Total capital assets being depreciated, net	<u>2,747,050</u>	<u>216,887</u>		<u>2,963,937</u>
Panama City Downtown Improvement Board capital assets, net	<u>\$3,653,222</u>	<u>\$ 216,887</u>		<u>\$ 3,870,109</u>

NOTE 5 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City purchases commercial insurance for all risks of loss except medical and dental claims of the City of Panama City employees and their covered dependents. There was no significant reduction in insurance coverage during the current year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 5 - RISK MANAGEMENT (Continued)

The City has established Medical and Dental Self-Insurance Funds which are accounted for as Internal Service Funds. The purpose of these funds is to pay medical and dental claims of the City of Panama City employees and their covered dependents and minimize the total cost of annual insurance to the municipality. Medical claims exceeding \$100,000 per insured and aggregate claims exceeding \$2,800,114 are covered through private carriers. Dental claims are limited to \$750 per year for each insured person. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Contributions to the self-insurance funds are determined by projected losses based on historical claims experience. Estimated liabilities in the amount of \$385,381 for claims and judgments are accrued as liabilities of the funds. Claims liabilities are based on the estimated ultimate cost of settling the claims, using past experience adjusted for current trends, and any other factors that would modify past experience. Claims liabilities include specific incremental claim adjustment expenses. Unpaid losses occurring prior to September 30, 2003, have been estimated and accrued at present value as a liability as of September 30, 2003. Changes in the balances of claims liabilities during the fiscal years 2003 and 2002 were as follows:

<u>Year</u>	<u>Balance Fiscal Year Beginning October 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Balance Fiscal Year Ending September 30</u>
2003	\$ 373,101	\$ 2,409,316	\$ 2,397,036	\$ 385,381
2002	324,655	2,105,560	2,057,114	373,101

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - LONG-TERM DEBT

Primary Government -Governmental Activities:

Long-term obligations at September 30, 2003, includes the following bond issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2003</u>
Capital Improvement Revenue Bonds, Series 1999, interest at 3.8% to 5/35%, payable semiannually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by a lien on and pledge of public service tax revenue collected.	\$ 3,645,000	\$ 3,305,000
Transportation Improvement Revenue Bonds, Series 1997, interest at 3.7% to 5.0%, payable semiannually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by a lien on and pledge of local option gas tax collected.	5,400,000	4,455,000
Capital Improvement Revenue Bonds, Series 1995, interest at 3.65% to 5.92% payable semiannually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by a lien on and pledge of public service tax revenue collected.	7,115,000	615,000
Capital Improvement Revenue and Refunding Bonds, Series 1992, interest 2.8% to 6.125% payable semiannually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by a lien on and pledge of public service tax revenue collected.	9,350,000	1,895,000

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Authorized And Issued</u>	<u>Balance September 30, 2003</u>
<i>Continued</i>		
Capital Improvement Revenue Bonds, Series 2001A interest at 3.5% to 4.5% payable semiannually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by a lien on and pledge of amounts on deposit under the escrow deposit agreement and on excise taxes.	4,020,000	4,020,000
Capital Improvement Revenue Refunding Bonds, Series 2001B, interest 4.0% to 4.5% payable semi-annually on April 1 and October 1; principal matures serially, payable on October 1; collateralized by a lien on and pledge of amounts on deposit under the escrow deposit agreement and on excise taxes.	<u>4,810,000</u>	<u>4,810,000</u>
Total	<u>\$ 34,340,000</u>	<u>\$ 19,100,000</u>

Accounts required to be established and the sequence of transfers are as follows:

- Capital Improvement Revenue Bonds, Series 1999
 - (a) Revenue Funds - Collection of excise taxes.
 - (b) Sinking Funds - Payment of annual debt service requirements.
- Transportation Improvement Revenue Bonds, Series 1997
 - (a) Revenue Funds - Collection of local option gas tax revenues.
 - (b) Sinking Funds - Payment of annual debt service requirements.
- Capital Improvement Revenue Bonds, Series 1995
 - (a) Revenue Funds - Collection of excise taxes.
 - (b) Sinking Funds - Payment of annual debt service requirements.
- Capital Improvement Revenue and Refunding Bonds, Series 1992
 - (a) Revenue Funds - Collection of excise taxes.
 - (b) Sinking Funds - Payment of annual debt service requirements.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - LONG-TERM DEBT (Continued)

In lieu of a reserve account, the bond ordinances authorized the purchase of Debt Service Reserve Surety Bonds on all issues.

Primary Government -Business-Type Activities:

Long-term obligations at September 30, 2003 includes the following bond issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2003</u>
Water and Sewer Revenue Bonds - 1996 Issue Description: dated June 1, 1996, interest from 5.125% to 5.625%, principal payable annually on October 1; interest payable semiannually on April 1 and October 1; collateralized by a lien on and pledge of the net revenues of the water and sewer system.	\$ 11,560,000	\$ 11,560,000
Water and Sewer Revenue Refunding Bonds, Series 2003 A: dated August 1, 2003, interest from 2.0% to 4.125%, principal payable annually on October 1; interest payable semiannually on April 1 and October 1; collateralized by a lien on and pledge of the net revenues of the water and sewer system.	6,460,000	6,460,000
Water and Sewer Revenue Refunding Bonds, Series 2003B: dated August 1, 2003, interest 5.25%, principal payable annually on October 1; interest payable semiannually on April 1 and October 1; collateralized by a lien on and pledge of the net revenues of the water and sewer system.	<u>4,980,000</u>	<u>4,980,000</u>
Total	<u>\$ 23,000,000</u>	<u>\$ 23,000,000</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended September 30, 2003, is as follows:

	Balance October 1, 2002	<u>Increases</u>	<u>Decreases</u>	Balance September 30, 2003	Due within One Year
Governmental Activities:					
1999 Capital Improvement Revenue bond	\$ 3,430,000		\$ 125,000	\$ 3,305,000	\$ 130,000
1997 Transportation Improvement Bond	4,660,000		205,000	4,455,000	210,000
1995 Capital Improvement Bond	900,000		285,000	615,000	300,000
1992 Capital Improvement Revenue/Refunding Bond	2,320,000		425,000	1,895,000	145,000
2001A Capital Improvement Revenue/Refunding Bond	4,020,000			4,020,000	335,000
2001B Capital Improvement Revenue/Refunding Bond	4,810,000			4,810,000	0
Compensated Absences	<u>807,971</u>	<u>\$ 354,747</u>		<u>1,162,718</u>	<u>289,802</u>
	<u>\$20,947,971</u>	<u>\$ 354,747</u>	<u>\$1,040,000</u>	<u>\$20,262,718</u>	<u>\$ 1,409,802</u>
Business-Type Activities:					
Water & Sewer Revenue Refunding Bond Series 1993	\$ 7,380,000		\$7,380,000	\$ 0	\$ 0
Water & Sewer Revenue Bond, Series 1996	11,560,000			11,560,000	0
Water & Sewer Revenue Refunding Bond Series 2003 A	0	\$6,460,000		6,460,000	100,000
Revenue Bond Series 2003 B	0	4,980,000		4,980,000	0
Compensated Absences	<u>314,834</u>	<u>119,403</u>		<u>434,237</u>	<u>108,559</u>
	<u>\$19,254,834</u>	<u>\$11,559,403</u>	<u>\$7,380,000</u>	<u>\$23,434,237</u>	<u>\$ 208,559</u>

For the governmental activities, compensated absences are generally liquidated by the general fund.

NOTE 6 - LONG-TERM DEBT (Continued)

Bonded debt service requirements to maturity are as follows:

Government Activities

Year Ending September 30	Capital Improvement Revenue Bonds - Series 1999		Transportation Improvement Revenue Bonds - Series 1997		Capital Improvement Revenue Bonds - Series 1995	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 130,000	\$ 163,683	\$ 210,000	\$ 209,355	\$ 300,000	\$ 282,080
2005	135,000	157,918	220,000	200,215	315,000	137,515
2006	140,000	151,798	230,000	190,425		
2007	150,000	145,198	250,000	179,740		
2008	155,000	138,105	250,000	168,490		
2009-2013	900,000	565,846	1,450,000	647,483		
2014-2018	1,150,000	305,688	1,845,000	239,375		
2019-2023	545,000	29,835				
	<u>\$ 3,305,000</u>	<u>\$ 1,658,071</u>	<u>\$ 4,455,000</u>	<u>\$ 1,835,083</u>	<u>\$ 615,000</u>	<u>\$ 419,595</u>

Year Ending September 30	Capital Improvement Revenue and Refunding Bonds - Series 1992		Capital Improvement Revenue and Refunding Bonds - Series 2001A		Capital Improvement Revenue and Refunding Bonds - Series 2001B	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 145,000	\$ 108,876	\$ 335,000	\$ 155,880		\$ 200,062
2005	150,000	100,670	355,000	142,080		200,062
2006	160,000	91,851	365,000	127,680	\$ 360,000	192,862
2007	170,000	82,236	380,000	113,730	370,000	178,263
2008	180,000	71,821	390,000	99,280	385,000	163,163
2009-2013	1,090,000	176,379	2,195,000	236,935	2,165,000	566,500
2014-2018					1,530,000	103,820
	<u>\$ 1,895,000</u>	<u>\$ 631,833</u>	<u>\$ 4,020,000</u>	<u>\$ 875,585</u>	<u>\$ 4,810,000</u>	<u>\$ 1,604,732</u>

Business-type Activities

Year Ending September 30	Water and Sewer Revenue Bonds - 1996 Issue		Water and Sewer Revenue Refunding Bonds - Series 2003A		Water and Sewer Revenue Bonds - Series 2003B	
	Principal	Interest	Principal	Interest	Principal	Interest
2004		\$ 642,613	\$ 100,000	\$ 176,875		\$ 261,450
2005		642,613	830,000	160,275		261,450
2006		642,613	850,000	143,275		261,450
2007		642,613	865,000	123,812		261,450
2008	\$ 435,000	642,612	890,000	101,563		261,450
2009-2013	2,720,000	2,845,679	2,535,000	273,662		1,307,250
2014-2018	6,805,000	1,640,529	390,000			1,307,250
2019-2023	1,600,000	90,000			\$ 4,980,000	793,275
	<u>\$ 11,560,000</u>	<u>\$ 7,789,272</u>	<u>\$ 6,460,000</u>	<u>\$ 979,462</u>	<u>\$ 4,980,000</u>	<u>\$ 4,715,025</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - LONG-TERM DEBT (Continued)

In lieu of a reserve account, the 1996 Water and Sewer Revenue Bond ordinance authorized the purchase of a debt service reserve surety bond. The ordinance provided for the establishment and maintenance of a Bona Fide Debt Service Fund. The Bona Fide Debt Service Fund is designed to achieve a proper matching of revenues and principal and interest payments within each bond year and is expected to be depleted at least once each bond year except for a reasonable carryover amount that will not exceed the greater of (a) the earnings on the Bona Fide Debt Service Fund for the immediately preceding bond year, or (b) one-twelfth of the annual principal and interest payments on the bonds for the immediately preceding bond year.

In lieu of a reserve account, the Water and Sewer Revenue Refunding Bonds, Series 2003 Bond ordinance authorized the purchase of a reserve account insurance policy.

Component Unit:

Panama City Port Authority

Changes in long-term debt obligation for the year ended September 30, 2003, are as follows:

	Balance October 1, 2002	Increases	Decreases	Balance September 30, 2003	Due in one Year
Revenue bonds payable - Series 1968, original Amount \$1,050,000, interest at 4.75%, payable semiannually on April 1 and October 1, principal maturing annually on October 1, collateralized by net revenues, maturity date 2007.	\$ 251,000		\$ 45,000	\$ 206,000	\$ 0
Bank Line of Credit - Not to exceed \$7,500,000; interest at 1.69% quarterly, principal payments beginning July 1, 2005, collateralized by the pledge of the net revenues of the facility	3,500,000			3,500,000	0

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 6 - LONG-TERM DEBT (Continued)

	Balance October 1, 2002	Increases	Decreases	Balance September 30, 2003	Due in one Year
Note payable - Limited Partnership, interest at 6.0%; interest and principal payable at \$8,439 monthly maturing July 13, 2010, collateralized by a pledge of the net revenues of the facility.	856,490		51,268	805,222	0
	<u>\$ 1,107,490</u>	<u>\$3,500,000</u>	<u>\$ 96,268</u>	<u>\$ 4,511,222</u>	<u>\$ 0</u>

Provisions of the Revenue Bond Indenture for the above 1968 Series Revenue Bonds include the establishment of a revenue fund, operation and maintenance fund, principal and interest sinking fund, sinking fund reserve and depreciation reserve fund. Investments authorized are U.S. obligations.

Balances required by the indentures compared with actual balances at September 30, 2003, are as follows:

	Required	Actual	Excess (Deficiency)
Sinking Fund Reserve	\$ 60,035	\$ 61,660	\$ 1,625
Depreciation Reserve Fund			
Principal and Interest Sinking Fund			
Total	<u>\$ 60,035</u>	<u>\$ 61,660</u>	<u>\$ 1,625</u>

Debt service requirements to maturity for notes payable and long-term debt subsequent to September 30, 2003, are as follows:

Year Ended September 30	Revenue Bonds Payable Series 1968		Bank Line Of Credit		Limited Partnership Note Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2004		\$ 11,923		\$ 59,500		\$ 49,995
2005	\$ 50,000	9,785	\$ 250,000	58,969	\$ 54,430	46,833
2006	50,000	7,410	500,000	52,063	57,787	43,476
2007	55,000	5,035	500,000	43,562	61,352	39,911
2008	51,000	2,423	500,000	35,063	65,136	36,127
2009-2012			1,750,000	55,781	566,517	55,621
	<u>\$ 206,000</u>	<u>\$ 36,576</u>	<u>\$ 3,500,000</u>	<u>\$ 304,938</u>	<u>\$ 805,222</u>	<u>\$ 271,963</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - LONG-TERM DEBT (Continued)

Panama City Downtown Improvement Board

The City of Panama City, Florida, authorized issuance and sale of Capital Improvement Revenue and Refunding Bonds Series 1992, dated December 1, 1992. The project description of the bond issue included renovations of the Board's facilities known as the Martin Theatre.

The Board agreed to reimburse the City for debt service equal to \$520,000 of the bond issue. The Board's obligation to the City under this agreement is as follows:

<u>Year Ended September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 22,221	\$ 16,792	\$ 39,013
2005	23,507	15,506	39,013
2006	24,869	14,144	39,013
2007	26,309	12,705	39,014
2008	27,832	11,181	39,013
2009-2013	<u>165,283</u>	<u>29,786</u>	<u>195,069</u>
Total	<u>\$ 290,021</u>	<u>\$ 100,114</u>	<u>\$ 390,135</u>

The Board has no legal liability to the holders of the bonds. None of the Board's revenues are pledged for the purpose of debt service on the bonds. The City has included all of the bond issue as long-term debt in its general purpose financial statements and has not recorded a receivable from the Board for advances made toward Board projects. Therefore, the bonds are not recorded as a liability on the component unit financial statements.

Compensated Absences

The amount of accrued vacation pay at September 30, 2003, is as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Primary Government Total</u>	<u>Component Unit Total</u>
Governmental funds	\$ 289,802	\$ 872,916	\$ 1,162,718	
Proprietary funds	<u>108,559</u>	<u>325,678</u>	<u>434,237</u>	<u>\$ 25,385</u>
Total	<u>\$ 398,361</u>	<u>\$ 1,198,594</u>	<u>\$ 1,596,955</u>	<u>\$ 25,385</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 6 - LONG-TERM DEBT (Continued)

ADVANCE REFUNDINGS

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

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

	<u>Fund Affected</u>	<u>Date Issued</u>	<u>Amount of Original Issue</u>	<u>Final Maturity Date</u>	<u>Amount of Bonds Outstanding at 9/30/03</u>
Water and Sewer Revenue Refunding Bonds	Utility	1982	\$ 6,600,000	10/01/07	\$ 2,665,000
Water and Sewer Revenue Refunding Bonds	Utility	1985	6,865,000	10/01/08	2,240,000
Capital Improvement Revenue Bonds	Capital Improv.	1986	3,900,000	10/01/07	1,260,000
Water and Sewer Revenue Refunding Bonds	Utility	1988	4,335,000	10/01/08	1,730,000
Water and Sewer Revenue Refunding Bonds	Utility	1990	7,697,494	10/01/14	5,075,000
Water and Sewer Revenue Refunding Bonds	Utility	1993	10,315,000	10/01/14	7,380,000

During the year, the 2003A Water and Sewer Revenue Refunding Bonds totaling \$6,460,000 were issued to refund the 1993 Water and Sewer Revenue Refunding Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed. The advance refunding will reduce total debt service costs by \$874,615 over the next 11 years and resulted in an economic gain of \$316,918.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 7 - LEASES

Primary Government:

Operating Lease. The City leases a portion of its property in the capital assets. All revenues from rentals are accounted for by the operating lease method. The cost of leased property in the capital assets is not determinable and is included in the municipal waterfront land, buildings and improvements of \$1,638,279. Rental income totaled \$76,117 in the General Fund during the fiscal year ended September 30, 2003. As of September 30, 2003, minimum rentals collectible on the noncancellable lease in the General Fund totaled \$1,240,000 as follows:

<u>Year</u>	<u>Port</u>
2004	\$ 20,000
2005	20,000
2006	20,000
2007	20,000
2008	20,000
2009-2013	100,000
2014-2018	100,000
2019-2023	100,000
2024-2028	100,000
2029-2033	100,000
2034-2038	100,000
2039-2043	100,000
2044-2048	100,000
2049-2053	100,000
2054-2058	100,000
2059-2063	100,000
2064	<u>40,000</u>
Total	<u>\$ 1,240,000</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 7 - LEASES (Continued)

Component Unit:

Port Authority

Operating Lease. The Port Authority leases a portion of its property to various lessees under operating lease agreements, both cancellable and noncancellable. Total minimum future rentals for noncancellable leases at September 30, 2003, are as follows:

2004	\$ 2,116,634
2005	1,831,039
2006	981,888
2007	413,558
2008	<u>377,033</u>
Total	<u>\$ 5,720,152</u>

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

Land	\$ 410,683
Buildings and improvements	7,759,121
Equipment	2,527,458
Accumulated depreciation	<u>(3,122,960)</u>
Total	<u>\$ 7,574,302</u>

The Port Authority recognized \$2,806,045 of revenue from property leases during the year, none of which was from contingent rentals.

Panama City Port Authority

The Port Authority is the lessee in an agreement with the City of Panama City, Florida, for the lease of the land occupied by the Port Authority. The lease is for a period of ninety-nine years, expiring August 31, 2065. The terms of the lease include a minimum annual payment of \$20,000 plus additional rent as the Port Authority deems appropriate in view of its surplus. This additional amount is arbitrary and subject to mutual agreement. Annual rent in the amount of \$24,000, \$4,000 above the minimum, was paid for the year ended September 30, 2003. Future minimum rental commitments at September 30, 2003, are as follows:

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 7 - LEASES (Continued)

2004	\$ 20,000
2005	20,000
2006	20,000
2007	20,000
2008	20,000
2009-2013	100,000
2014-2018	100,000
2019-2023	100,000
2024-2028	100,000
2029-2033	100,000
2034-2038	100,000
2039-2043	100,000
2044-2048	100,000
2049-2053	100,000
2054-2058	100,000
2059-2063	100,000
2064	<u>40,000</u>
Total	<u>\$ 1,240,000</u>

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at September 30, 2003, are summarized as follows:

Due to/from other funds:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government		
Governmental Funds -		
Major -		
General Fund	\$ 70,508	\$ 17,631
Proprietary Funds -		
Major -		
Utilities	11,754	10,420
Solid Waste	5,877	6,972
Marina		372
Nonmajor -		
Equipment Maintenance		<u>52,744</u>
Total	<u>\$ 88,139</u>	<u>\$ 88,139</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 8 - INTERFUND BALANCES AND TRANSFERS (Continued)

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

Transfers in/out:

	<u>Transfers In</u>	<u>Transfers Out</u>
Primary Government		
Governmental Funds -		
Major		
General Fund	2,421,734	2,995,744
CDBG		383,732
Debt Service 2001	362,643	
Capital Projects	<u>2,314,083</u>	<u>170,639</u>
Aggregate Major	<u>5,098,460</u>	<u>3,550,115</u>
Nonmajor		
General Grants		
Debt Service 1992	530,725	1,006,189
Debt Service 1995	592,419	
Debt Service 1997	410,029	
Debt Service 1999	<u>298,843</u>	
Aggregate Nonmajor	<u>1,832,016</u>	<u>1,006,189</u>
Proprietary Funds -		
Major		
Utility		901,809
Solid Waste		2,893,866
Marina		<u>426,074</u>
Aggregate Major		<u>4,221,749</u>
Nonmajor		
Medical	1,786,844	
Dental	90,022	
Equipment Maintenance	<u>4,283</u>	<u>34,075</u>
Aggregate Nonmajor	<u>1,881,149</u>	<u>34,075</u>
	<u>8,811,625</u>	<u>8,812,128</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 8 - INTERFUND BALANCES AND TRANSFERS (Continued)

In the fund financial statements, total transfers out of \$8,812,128 are greater than total transfers in of \$8,811,625 because of the treatment of transfers of capital assets from the Utility fund. During the year existing capital assets related to enterprise funds, with a book value of \$503, were transferred to the capital assets. No amounts were reported in the governmental funds as the amount did not involve the transfer of financial resources. However, the enterprise funds did report a transfer out for the capital resources contributed.

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

NOTE 9 - RETIREMENT PLANS

Primary Government:

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

9.1 Florida Retirement System

- a. *Plan Description.* The Florida Retirement System (System) is a multiple-employer, cost-sharing defined benefit retirement system established by Chapter 121, Florida Statutes. The Florida Retirement System is administered by the Division of Retirement of the State of Florida Department of Administration.
- b. *Plan Provisions and Eligibility.* All full-time City employees hired before January 1, 1996, except police and fire sworn personnel, are eligible to participate in the System. Members qualify for normal retirement after obtaining 6 years of creditable service and are age 62 or upon attaining 30 years of service, regardless of age. Retirement benefit payment is based upon age and/or years of creditable service, average final compensation and service credit. Benefits fully vest on reaching 6 years of service. Vested employees may retire before qualifying for normal retirement and receive reduced retirement benefits. The System also provides disability and survivor benefits. Benefits are established by state statute.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 9 - RETIREMENT PLANS (Continued)

- c. *Contribution Obligations.* The City is required by state statutes 121.071 and 121.055 to contribute 7.39% of regular participants' salary; and 9.37% of the senior management's salary to the plan and 15.23% of the elected officers' salary. For those employees participating in the Deferred Retirement Option Program (DROP), which the FRS initiated in July 1998, the City contributes 9.11% of employees' salaries. Total pension expense amounted to \$309,803. This is a noncontributory plan. Contributions made equaled required contributions for the current and two preceding years.

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>
9/30/01	472,176	100%
9/30/02	380,887	100%
9/30/03	309,803	100%

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

9.2 Policemen and Firemen Pension Trust Funds

- a. *Plan Description.* The policemen and firemen participate in single-employer contributory defined benefit retirement plans.
- b. *Employee Coverage.* Full-time policemen and firemen are eligible to participate in the pension trust funds. Membership of each plan consisted of the following at September 30, 2003, the date of the latest actuarial valuation:

	<u>Policemen Pension</u>	<u>Firemen Pension</u>
Current retirees and beneficiaries	60	59
Terminated with vested benefits	0	1
Active participants	<u>90</u>	<u>64</u>
Total Members	<u>150</u>	<u>124</u>
Number of participating employers	1	1

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 9 - RETIREMENT PLANS (Continued)

9.2 Policemen and Firemen Pension Trust Funds (Continued)

c. Pension Plan Description and Contribution Information

	<u>Policemen Pension</u>	<u>Firemen Pension</u>																																								
Eligibility for retirement	Age 50 with 15 years of credited service, 23 years of credited service with no age requirement, age 55 with 10 years of credit serviced, or if employed on or before 1/1/82, the completion of 15 years of credited service, regardless of age.	Age 55 with 10 years of credited service or 25 years of credited service with no age requirement.																																								
Annual retirement benefit	<p>Percentage of average final compensation according to the following schedule:</p> <table><tr><th><u>Service</u></th><th><u>Percent</u></th><th><u>Service</u></th><th><u>Percent</u></th></tr><tr><td>10-14</td><td>2%/Year</td><td>23</td><td>66.0%</td></tr><tr><td>15</td><td>37.5%</td><td>24</td><td>68.0%</td></tr><tr><td>16</td><td>42.0%</td><td>25</td><td>70.0%</td></tr><tr><td>17</td><td>46.5%</td><td>26</td><td>72.0%</td></tr><tr><td>18</td><td>51.0%</td><td>27</td><td>74.0%</td></tr><tr><td>19</td><td>55.5%</td><td>28</td><td>76.0%</td></tr><tr><td>20</td><td>60.0%</td><td>29</td><td>78.0%</td></tr><tr><td>21</td><td>62.0%</td><td>30+</td><td>80.0%</td></tr><tr><td>22</td><td>64.0%</td><td></td><td></td></tr></table>	<u>Service</u>	<u>Percent</u>	<u>Service</u>	<u>Percent</u>	10-14	2%/Year	23	66.0%	15	37.5%	24	68.0%	16	42.0%	25	70.0%	17	46.5%	26	72.0%	18	51.0%	27	74.0%	19	55.5%	28	76.0%	20	60.0%	29	78.0%	21	62.0%	30+	80.0%	22	64.0%			2.6% of average final compensation times credited service (30 year maximum). With a minimum benefit of 2.0% of average final compensation times credited service. Average final compensation is one twelfth of the average of the 3 best years of salary of the last 5.
<u>Service</u>	<u>Percent</u>	<u>Service</u>	<u>Percent</u>																																							
10-14	2%/Year	23	66.0%																																							
15	37.5%	24	68.0%																																							
16	42.0%	25	70.0%																																							
17	46.5%	26	72.0%																																							
18	51.0%	27	74.0%																																							
19	55.5%	28	76.0%																																							
20	60.0%	29	78.0%																																							
21	62.0%	30+	80.0%																																							
22	64.0%																																									
Other benefits	Early retirement Deferred retirement Disability benefits Death benefits	Early retirement Deferred retirement Disability benefits Death benefits																																								
Post-retirement COLA	Members retiring on or after January 1, 1998, receive a 2% per year increase beginning on the January 1 following the later of age 50 or the date of retirement and ending on January 1 of the year the member reaches social security retirement age.	Each January following retirement, the base benefit is increased annually by 3.0% (1.0% if retired prior to January 1, 1999). Adjustments cease at social security retirement age (Age 65 if retired between 1/1/94 and 9/30/97). Supplemental benefits are not adjusted.																																								

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 9 - RETIREMENT PLANS (Continued)

9.2 Policemen and Firemen Pension Trust Funds (Continued)

c. Pension Plan Description and Contribution Information (Continued)

	<u>Policemen Pension (Continued)</u>	<u>Firemen Pension (Continued)</u>
Contributions		
Employee	5.00% of salary	7.5% of salary
Employer	Remaining amount necessary after member and state contributions for payment of normal cost and amortization of accrued past service liability over 30 years.	Remaining amount necessary after member and state contributions for payment of normal cost and amortization of accrued past service liability over 30 years. In no event will the City's contribution be less than 7.5% of the total salaries of the members.
State	0.85% tax on insurance premiums.	1.85% tax on insurance premiums

- d. *Contribution Obligations.* The City's policy is to fund retirement cost accrued. The ordinances require that the City contribute at least 5.0 percent and 7.5 percent of the gross wages of the policemen and firemen, respectively. The City's contributions to the plans for the year ended September 30, 2003, were \$508,206 for policemen and \$557,559 for firemen. The required contributions for 2003 were \$508,206 for policemen and \$557,559 for firemen. City contributions are determined as the amount necessary, over and above premium tax refund and member contributions to meet normal cost and fund unfunded accrued past service liability over 30 years.

The ordinances require that participating policemen contribute 5.0 percent and that firemen contribute 7.5 percent of their regular wages and salaries including overtime but excluding termination sick leave pay, sick leave bonus pay, health incentive pay, termination annual leave pay, and uniform allowances. Administrative costs are financed through investment earnings.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 9 - RETIREMENT PLANS (Continued)

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

Deposits and investments at fair value at September 30, 2003, are as follows:

	<u>Policemen Pension</u>	<u>Firemen Pension</u>
Amounts representing 5% or more of total assets:		
U.S. Treasury Bonds and Notes	\$ 0	\$ 1,190,762
Corporate Bonds and Notes	3,163,955	1,655,452
Common Stock	9,534,854	9,422,732
Government Agencies	2,028,809	6,015,183
Cash	2,701,855	1,976,215
Amounts representing less than 5% of total assets:		
U.S. Treasury Bonds	680,310	
Mutual Funds	494,135	
Total Deposits and Investments	<u>\$ 18,603,918</u>	<u>\$ 20,260,344</u>
	<u>Policemen Pension 9/30/03</u>	<u>Firemen Pension 9/30/03</u>
Annual Required Contribution:		
Estimated member contributions	\$ 151,605	\$ 160,017
Available state contributions	283,678	193,453
Minimum employer contributions	508,206	557,559
Annual required contribution with interest	937,827	900,024
Annual Pension Cost:		
Actuarially Determined Contribution	\$ 508,206	\$ 557,559
Interest on Net Pension Obligation	(4,803)	(5,805)
Adjustment to annual required contribution	5,462	6,601
Annual pension cost	508,865	558,355
Contributions made	508,206	557,559
Increase in Net Pension Obligation	659	796
Net Pension Obligation, Beginning of Year	(60,041)	(72,559)
Net Pension Obligation, End of Year	<u>\$ (59,382)</u>	<u>\$ (71,763)</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 9 - RETIREMENT PLANS (Continued)

Three-year trend information for Policemen and Firemen Pension Plans are as follows:

Year Ending	Policemen			Firemen		
	9/30/03	9/30/02	9/30/01	9/30/03	9/30/02	9/30/01
Annual Pension Cost	\$508,206	\$ 194,931	\$ 266,153	\$ 557,559	\$ 327,110	\$ 484,165
Percentage of Annual Pension Cost Contributed	100%	100%	126%	100%	100%	103%
Net Pension Obligation	\$(59,382)	\$(60,041)	\$(60,707)	\$(71,763)	\$(72,559)	\$(73,365)

- f. *Financial statements.* The Policemen and Firemen Pension Trust Funds do not issue audited stand-alone financial statements but rely on the audit performed for the City.
- g. *Postemployment benefits.* In addition to providing pension benefits, it is the City's policy to provide a \$1,000 life insurance policy on all retired employees. The cost of this benefit is recognized as an expense as premiums are due. The costs of providing such benefits were not material to the City's operations for 2003. Post-retirement health care is not provided.
- h. *Trend Information.* Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Six-year trend information may be found on pages 74 through 76 of the City's comprehensive annual financial report.

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

- a. *Plan Description.* The Retirement Plan and Trust for the General Employees of the City of Panama City, Florida (Fund), is part of the Florida Municipal Pension Trust Fund, a cost-sharing, multiple employer plan which was established as a trust for the purpose of funding the individually designed employee pension plans of the participating Florida municipalities. The Retirement Plan and Trust for the General Employees of the City of Panama City, Florida is a defined contribution plan administered by the Florida League of Cities, Inc.
- b. *Plan Provisions and Eligibility.* All full-time City employees hired after January 1, 1996, except police and fire sworn personnel, are eligible to participate in the Fund. The City ordinances establish these plan provisions. Participants must be 18 years or older with three months of service. The effective date of participation is the first day of the month coinciding with or following ninety days of employment. Members qualify for normal retirement, after obtaining ten years of creditable service, on the first of the month coinciding with or following the participant's 65th birthday. Benefits fully vest after participant reaches ten years of service, with partial vesting after the completion of six through nine years of service. The Fund also provides disability and survivor benefits.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 9 - RETIREMENT PLANS (Continued)

- c. *Contribution Obligations.* The City is required by a resolution of the City of Panama City, Florida to contribute ten percent of participants' salaries to the plan. Total pension expense amounted to \$348,364. This is a noncontributory plan. Contributions are as follows:

	<u>Required Contribution</u>	<u>Percentage of the amount contributed</u>
9/30/03	\$ 348,364	100%
9/30/02	274,172	100%
9/30/01	236,700	100%

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

9.4 Component Units

The Panama City Downtown Improvement Board participates in the Retirement Plan and Trust for the General Employees of the Panama City Downtown Improvement Board.

- a. *Plan Description.* The Retirement Plan and Trust for the General Employees of the Panama City Downtown Improvement Board is part of the Florida Municipal Pension Trust Fund, a cost sharing multiple employer plan established as a trust for the purpose of funding the individually designated employee pension plans of the participating Florida municipalities. The Retirement Plan and Trust for the General Employees of the Panama City Downtown Improvement Board is a defined contribution plan administered by the Florida League of Cities, Inc.
- b. *Plan Provisions and Eligibility.* All full-time employees hired after January 1, 1996 are eligible to participate in the Fund. The Board resolution established 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 day of the month coinciding with or following the participants 65th birthday. Benefits fully vest after participant reaches ten years of service, with partial vesting after the completion of six through nine years of service. The Fund also provides disability and survivor benefits.
- c. *Contribution Obligations.* The Panama City Downtown Improvement Board is required by resolution to contribute ten percent of participants' salaries to the plan. Total pension expense amounted to \$8,062. This is a noncontributory plan.

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 9 - RETIREMENT PLANS (Continued)

Florida Retirement System

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

The Panama City Port Authority is required by state statutes 121.071 and 121.055 to contribute 5.76% of participants' salary to the plan. Actual contributions equaled required contributions in the current and for each of the two preceding years. Total pension expense amounted to \$19,432, \$24,585 and \$36,248 for the fiscal years ended September 30, 2003, 2002 and 2001, respectively. The plan is employee noncontributory.

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

9.4 Component Units (Continued)

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

- a. *Plan Description.* The Retirement Plan and Trust for the General Employees of the Panama City Port Authority, is part of the Florida Municipal Pension Trust Fund, a cost-sharing, multiple employer defined contribution plan which was established as a trust for the purpose of funding the individually designed employee pension plans of the participating Florida municipalities. The Retirement Plan and Trust for the General Employees of the Panama City Port Authority is a defined contribution plan administered by the Florida League of Cities, Inc.
- b. *Plan Provisions and Eligibility.* All full-time Port employees hired after January 1, 1996, are eligible to participate in the Fund. Participants must be 18 years or older with three months of service. The effective date of participation is the first day of the month coinciding with or following ninety days of employment. Members qualify for normal retirement, after obtaining ten years of creditable service, on the first of the month coinciding with or following the participant's 65th birthday. Benefits fully vest after participant reaches ten years of service, with partial vesting after the completion of six through nine years of service. The Fund also provides disability and survivor benefits.
- c. *Contribution Obligations.* The Panama City Port Authority is required to contribute ten percent of participants' salaries to the plan. Total pension expense amounted to \$33,827. This is a noncontributory plan. Contributions are as follows:

	<u>Required Contribution</u>	<u>Percentage of the amount contributed</u>
9/30/03	\$ 33,827	100%
9/30/02	27,991	100%
9/30/01	25,892	100%

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003

NOTE 9 - RETIREMENT PLANS (Continued)

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

NOTE 10 - AGENCY FUNDS

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

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

In prior years, the assets and liabilities of the plan have been presented in an agency fund. In accordance with GASB Statement No. 32, they are no longer presented since the City has no fiduciary responsibilities other than administrative in connection with the plans.

Assets of the plan are valued at market value and amount to \$2,466,307 as of September 30, 2003.

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

NOTE 11 - ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2003, is as follows:

Governmental Funds-	
General Fund	\$ 164,759
Community Development	15,000
Capital Projects Fund	1,173,501

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 11 - ENCUMBRANCES (Continued)

Proprietary Funds-	
Equipment Maintenance	\$ 1,738
Marina Fund	46,844
Solid Waste Fund	191,696
Utility Fund	<u>4,415,149</u>
Total	<u>\$ 6,008,687</u>

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

**NOTE 12 - EXCESS OF ACTUAL EXPENDITURES/EXPENSES OVER BUDGET
IN INDIVIDUAL FUNDS AND DEFICIT FUND BALANCE**

Excess of actual expenditures/expenses over budgeted amounts are as follows:

<u>Fund</u>	<u>Excess</u>
Governmental-	
Capital Improvement Revenue Bonds of 2001	112 (1)
Transportation Improvement Revenue Bonds of 1997	582 (2)
Capital Improvement Revenue and Refunding Bonds of 1992	67 (3)

(1), (2), and (3) These excesses are due to fiscal charges on the debt services that were not budgeted.

The Equipment Maintenance Fund showed a deficit in retained earnings in the amount of \$53,778. This resulted from higher than anticipated cost of vehicle maintenance in the prior year.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 13 - COMMITMENTS AND CONTINGENCIES

- 13.1 **Grant Program.** The City participates in various federal and state grants. These programs are subject to audit and adjustment by the funding agency or their representatives. If grant revenues are received for expenditures which are subsequently disallowed, the City may be required to repay the revenues to the funding agency. In the opinion of management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements. As of September 30, 2003, there were no material questioned or disallowed costs as a result of grant audits in process or completed.

The U.S. Department of Housing and Urban Development has approved a Community Development Block Grant in the amount of \$482,000 that begins on October 1, 2003.

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

13.3 **Bond Issues**

- a. *Interlocal Agreement.* An Interlocal Agreement For Airport Support was entered into by the City, Bay County and the Panama City-Bay County Airport and Industrial District. \$5,150,000 Airport Revenue Bonds, Series 1993 were issued by the Panama City-Bay County Airport and Industrial District and are primarily payable from and secured by a lien on the net revenues of the airport facilities. As further security for the payment of these bonds, the City and Bay County have covenanted in the Interlocal Agreement for Airport Support to appropriate in their annual budgets amounts that are sufficient to satisfy any deficiency in the required deposits to the bond fund. The City does not anticipate that any material appropriations will be necessary to satisfy this agreement.
- b. *Other.* During the past years, the City has acted as a conduit on several bond issues. These issues do not constitute an actual debt, liability, or obligation of the City. The City has not received notice of any default in the payment of principal or interest on any of these obligations. Amount outstanding as of September 30, 2003 is \$1,756,000.
- 13.4 **Litigation.** The City is the defendant in certain lawsuits incurred in the normal course of operations. Management believes that amounts not covered by the insurance, if any, resulting from these lawsuits would not materially affect the financial position of the City.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2003**

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

- 13.5 **Construction Commitments.** The City has outstanding commitments for construction contracts at year end. The commitments represent the difference between the contract prices of the various projects and the amounts paid on each contract. Outstanding construction commitments by fund at September 30, 2003, are as follows:

General Fund	\$ 269,665
Capital Projects	1,131,191
Enterprise:	
Utilities	4,769,740
Marina	43,842

REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT DISCUSSION AND ANALYSIS

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

- ❖ **BUDGET TO ACTUAL COMPARISON – MAJOR FUNDS
(GENERAL AND SPECIAL REVENUE)**
- ❖ **PENSION SCHEDULES**

GENERAL FUND

This fund is used to account for all financial transactions not accounted for in another fund.

**CITY OF PANAMA CITY, FLORIDA
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Taxes	\$ 13,400,500	\$ 13,400,500	\$ 14,588,847	\$ 1,188,347
Licenses and permits	7,318,750	7,318,750	7,557,776	239,026
Intergovernmental	3,270,000	3,270,000	4,113,530	843,530
Charges for services	881,379	881,379	1,144,868	263,489
Miscellaneous	618,900	620,900	593,495	(27,405)
Total revenues	<u>25,489,529</u>	<u>25,491,529</u>	<u>27,998,516</u>	<u>2,506,987</u>
Expenditures:				
Current-				
General government	4,333,061	4,779,514	4,104,122	675,392
Public safety	12,163,007	12,847,767	12,072,872	774,895
Transportation	4,103,308	4,637,677	4,033,301	604,376
Economic environment	345,642	372,686	371,618	1,068
Human services	184,928	200,394	142,356	58,038
Culture/recreation	2,330,907	2,530,428	2,291,001	239,427
Total expenditures	<u>23,460,853</u>	<u>25,368,466</u>	<u>23,015,270</u>	<u>2,353,196</u>
Excess of revenues over expenditures	<u>2,028,676</u>	<u>123,063</u>	<u>4,983,246</u>	<u>4,860,183</u>
Other Financing Sources (Uses):				
Operating transfers - in	1,465,155	1,554,174	2,421,734	867,560
Operating transfers - out	(3,335,909)	(3,340,192)	(2,995,744)	344,448
Total other financing sources (uses)	<u>(1,870,754)</u>	<u>(1,786,018)</u>	<u>(574,010)</u>	<u>1,212,008</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	157,922	(1,662,955)	4,409,236	6,072,191
Fund Balances:				
Beginning of year	<u>14,119,452</u>	<u>14,119,452</u>	<u>14,119,452</u>	<u>0</u>
End of year	<u>\$ 14,277,374</u>	<u>\$ 12,456,497</u>	<u>\$ 18,528,688</u>	<u>\$ 6,072,191</u>

See independent auditor's report

**CITY OF PANAMA CITY, FLORIDA
GENERAL FUND
SCHEDULE OF EXPENDITURES BY DEPARTMENT - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Legislative	\$ 192,935	\$ 221,484	\$ 190,893	\$ 30,591
Executive	618,169	661,502	443,505	217,997
Finance and Administration - City Clerk	689,081	738,564	688,607	49,957
Finance and Administration - Purchasing	24,076	23,963	20,679	3,284
Finance and Administration - Human Resources	261,686	264,882	223,434	41,448
Finance and Administration - Data Processing	288,881	290,364	288,789	1,575
Finance and Administration - Legal Counsel	252,490	287,490	265,480	22,010
Public Works - Engineering	827,538	888,339	658,516	229,823
Public Works - Street	4,103,308	4,637,677	4,033,301	604,376
Public Works - Other	1,178,205	1,317,927	1,227,280	90,647
Police	7,489,552	7,898,191	7,355,825	542,366
Fire	4,673,455	4,949,576	4,717,047	232,529
Leisure Services	2,062,822	2,262,343	2,031,081	231,262
Non-departmental	<u>798,655</u>	<u>926,164</u>	<u>870,833</u>	<u>55,331</u>
Total General Fund Expenditures by Department	<u>\$ 23,460,853</u>	<u>\$ 25,368,466</u>	<u>\$ 23,015,270</u>	<u>\$ 2,353,196</u>

See independent auditor's report.

SPECIAL REVENUE FUND

Community Planning and Development. This fund accounts for revenues received from the U.S. Department of Housing and Urban Development and the State Housing Initiatives Partnership Program. Revenues are restricted to accomplishing the various objectives of the Community Development Program.

CITY OF PANAMA CITY, FLORIDA
COMMUNITY PLANNING AND DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental	\$ 972,548	\$ 972,548	\$ 916,331	\$ (56,217)
Miscellaneous	4,100	4,100	19,575	15,475
Total revenues	<u>976,648</u>	<u>976,648</u>	<u>935,906</u>	<u>(40,742)</u>
Expenditures:				
Current-				
Transportation		55,045	55,045	
Culture and recreation		33,350	47,000	13,650
Economic environment -				
Housing and Urban Development	296,270	351,709	316,886	34,823
Total expenditures	<u>296,270</u>	<u>440,104</u>	<u>418,931</u>	<u>48,473</u>
Excess (deficiency) of revenues over (under) expenditures	<u>680,378</u>	<u>536,544</u>	<u>516,975</u>	<u>(19,569)</u>
Other Financing Sources (Uses):				
Operating transfers - out	<u>(310,067)</u>	<u>(460,067)</u>	<u>(383,732)</u>	<u>76,335</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>370,311</u>	<u>76,477</u>	<u>133,243</u>	<u>56,766</u>
Fund Balances:				
Beginning of year	<u>5,767,597</u>	<u>5,767,597</u>	<u>5,767,597</u>	<u>0</u>
End of year	<u>\$ 6,137,908</u>	<u>\$ 5,844,074</u>	<u>\$ 5,900,840</u>	<u>\$ 56,766</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
POLICEMEN RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2003**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Frozen Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage of Covered Payroll	Change Since Prior Valuation
10/1/96	\$ 12,377,647	\$ 11,867,867	\$ (509,780)	104.30%	\$ 2,423,538	(21.03)%	CA
10/1/97	15,262,710	12,870,960	(2,391,750)	118.58%	2,467,585	(96.93)%	CP,CM,CA
10/1/98	16,744,225	15,068,848	(1,675,377)	111.12%	2,714,250	(61.73)%	CP
10/1/99	17,752,619	17,094,750	(657,869)	103.85%	2,620,943	(25.10)%	None
10/1/00	20,328,506	18,112,222	(2,216,284)	112.24%	2,595,251	(85.40)%	CP
10/1/01	21,164,849	21,164,849	0	100.00%	2,816,194	0.00%	CA, CM
10/1/02	20,752,965	21,263,746	510,781	97.60%	2,918,868	17.50%	None
10/1/03	20,963,823	21,448,045	484,222	97.74%	3,032,081	15.97%	None

CP = change plan provision
CA = change actuarial assumption
CM = change valuation method
N/A = information is not available

Schedule of Employer Contributions

Year Ended September 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
1996	\$ 435,675	134.06%	*
1997	573,907	105.47%	*
1998	258,039	215.35%	*
1999	505,373	100.64%	*
2000	662,461	100.19%	*
2001	532,023	113.07%	*
2002	478,609	100.00%	*
2003	791,884	100.00%	*

* Net Pension Obligation:

The NPO at transition, October 1, 1997, is zero for the policemen pension plan. In accordance with paragraph 31 of GASB Statement Number 27, the City's records substantiate that all actuarially determined contributions have been paid.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
FIREMEN RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2003**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Frozen Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL As A Percentage of Covered Payroll	Change Since Prior Valuation
10/1/96	\$ 13,195,228	\$ 12,697,595	\$ (497,633)	103.92%	\$ 2,592,797	(19.19)%	None
10/1/97	15,207,685	13,078,193	(2,129,492)	116.28%	2,621,380	(81.24)%	None
10/1/98	16,606,794	16,876,086	269,292	98.40%	2,320,629	11.60%	CP,CA
10/1/99	18,241,849	18,605,494	363,645	98.05%	2,858,159	12.72%	CP,CA
10/1/00	20,103,316	22,430,284	2,326,968	89.63%	2,257,255	103.09%	CA
10/1/01	21,329,871	26,739,047	5,409,176	79.77%	2,295,654	235.63%	CA, CM
10/1/02	21,351,507	26,832,758	5,481,251	79.57%	1,986,822	275.88%	None
10/1/03	21,411,894	26,764,343	5,352,449	80.00%	2,133,548	250.87%	None

CP = change plan provision
CA = change actuarial assumption
CM = change valuation method
N/A = information is not available

Schedule of Employer Contributions

Year Ended September 30	Annual Required Contribution	Percentage Contributed	Net Pension Obligation
1996	\$ 401,802	100.15%	*
1997	365,736	99.73%	*
1998	213,564	199.56%	*
1999	397,592	103.73%	*
2000	436,407	113.17%	*
2001	664,960	101.95%	*
2002	507,500	100.00%	*
2003	751,012	100.00%	*

* Net Pension Obligation:

The NPO at transition, October 1, 1997, is zero for the firemen pension plan. In accordance with paragraph 31 of GASB Statement Number 27, the City's records substantiate that all actuarially determined contributions have been paid.

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
POLICEMEN AND FIREMEN RETIREMENT FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2003**

The information in the required supplemental schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

	<u>Policemen Retirement Fund</u>	<u>Firemen Retirement Fund</u>
Actuarial Valuation:		
Valuation date	10/01/03	10/01/03
Actuarial cost method	Frozen entry age	Frozen entry age
Amortization:		
Amortization method	Level % of pay, closed	Level % of pay, closed
Remaining amortization period	29 years (closed)	29 years (closed)
Asset valuation method	4 Year Smooth (Market)	4 Year Smooth (Market)
Assumptions:		
Post-retirement increases	2.0% annual cost-of-living adjustment commencing at the later of age 50 or actual retirement	3% annual cost-of- living adjustment ceasing at the earlier of death or age 65
Investment rate of return	8%	8%
Projected salary increases	6%	6%
Includes inflation at	3%	3%
Post retirement COLA	2% to social security retirement age	3% to social security retirement age

See independent auditor's report.

COMBINING AND INDIVIDUAL FINANCIAL STATEMENTS

- ❖ **NON-MAJOR GOVERNMENTAL FUNDS**
- ❖ **SCHEDULES OF REVENUES EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL –
OTHER MAJOR AND NON-MAJOR GOVERNMENTAL
FUNDS**
- ❖ **INTERNAL SERVICE FUNDS**
- ❖ **FIDUCIARY FUNDS**

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

General Grants - This Special Revenue Fund is used to account for revenues received from various state and federal agencies other than grants accounted for in the Community Planning and Development Fund.

Debt Service Funds

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

The *debt service fund*, Capital Improvement Revenue Bond of 1999, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 1999 bonds.

The *debt service fund*, Transportation Improvement Revenue Bonds of 1997, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 1997 bonds.

The *debt service fund*, Capital Improvement Revenue Bonds of 1995, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 1995 bonds.

The *debt service fund*, Capital Improvement Revenue and Refunding Bonds of 1992, accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the 1992 bonds.

Capital Projects Funds

Capital Projects Funds - These funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds provided by the 1999 Bond issue).

CITY OF PANAMA CITY, FLORIDA
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2003

	Special Revenue	Debt Service	
		Capital Improvement Revenue Bonds of 1999	Transportation Improvement Revenue Bonds of 1997
ASSETS	General Grants		
Assets:			
Cash and cash equivalents-			
Coupon accounts		\$ 213,498	\$ 317,726
Sinking fund reserve accounts			
Total Assets	\$ -	\$ 213,498	\$ 317,726
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued other liabilities		\$ 15,522	
Fund Balances:			
Reserved for:			
Debt service		197,976	\$ 316,883
Capital projects			
Unreserved - designated			
for debt service			843
Total fund balances	0	197,976	317,726
Total Liabilities and Fund Balances	\$ -	\$ 213,498	\$ 317,726

See independent auditor's report.

Debt Service		Capital Projects	
Capital Improvement Revenue Bonds of 1995	Capital Improvement Revenue and Refunding Bonds of 1992	Capital Improvements Provided By 1999 Bond Issue	Total Non-Major Governmental Funds
\$ 445,006	\$ 546,966	\$ 78,719	\$ 78,719 1,523,196
<u>\$ 445,006</u>	<u>\$ 546,966</u>	<u>\$ 78,719</u>	<u>\$ 1,601,915</u>
			\$ 15,522
\$ 444,565	\$ 201,432	\$ 78,719	1,160,856 78,719
441	345,534		346,818
<u>445,006</u>	<u>546,966</u>	<u>78,719</u>	<u>1,586,393</u>
<u>\$ 445,006</u>	<u>\$ 546,966</u>	<u>\$ 78,719</u>	<u>\$ 1,601,915</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Special Revenue	Debt Service	
	General Grants	Capital Improvement Revenue Bonds of 1999	Transportation Improvement Revenue Bonds of 1997
Revenues:			
Intergovernmental	\$ 494,624		
Charges for services	40,716		
Interest	279	\$ 478	\$ 898
Miscellaneous	86,102		
Total revenues	<u>621,721</u>	<u>478</u>	<u>898</u>
Expenditures:			
Debt service-			
Principal retirement		125,000	205,000
Interest		169,102	217,967
Fiscal charges			1,582
Total expenditures	<u>0</u>	<u>294,102</u>	<u>424,549</u>
Excess (deficiency) of revenues over (under) expenditures	<u>621,721</u>	<u>(293,624)</u>	<u>(423,651)</u>
Other Financing Sources (Uses):			
Operating transfers - in		298,843	410,029
Operating transfers - out	(1,006,189)		
Contribution to other government			
Total other financing sources (uses)	<u>(1,006,189)</u>	<u>298,843</u>	<u>410,029</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(384,468)</u>	<u>5,219</u>	<u>(13,622)</u>
Fund Balances:			
Beginning of year	<u>384,468</u>	<u>192,757</u>	<u>331,348</u>
End of year	<u>\$ -</u>	<u>\$ 197,976</u>	<u>\$ 317,726</u>

See independent auditor's report.

Debt Service		Capital Projects	
Capital Improvement Revenue Bonds of 1995	Capital Improvement Revenue and Refunding Bonds of 1992	Capital Improvements Provided By 1999 Bond Issue	Total Non-Major Governmental Funds
			\$ 494,624
			40,716
\$ 1,284	\$ 1,158	\$ 1,004	5,101
			86,102
<u>1,284</u>	<u>1,158</u>	<u>1,004</u>	<u>626,543</u>
285,000	425,000		1,040,000
296,376	242,510		925,955
	1,068		2,650
<u>581,376</u>	<u>668,578</u>	<u>0</u>	<u>1,968,605</u>
<u>(580,092)</u>	<u>(667,420)</u>	<u>1,004</u>	<u>(1,342,062)</u>
592,419	530,725		1,832,016
		(198,636)	(1,006,189)
			(198,636)
<u>592,419</u>	<u>530,725</u>	<u>(198,636)</u>	<u>627,191</u>
12,327	(136,695)	(197,632)	(714,871)
<u>432,679</u>	<u>683,661</u>	<u>276,351</u>	<u>2,301,264</u>
<u>\$ 445,006</u>	<u>\$ 546,966</u>	<u>\$ 78,719</u>	<u>\$ 1,586,393</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
GENERAL GRANTS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental		\$ 89,019	\$ 494,624	\$ 405,605
Charges for services			40,716	40,716
Miscellaneous	\$ 66,500	66,500	86,381	19,881
Total revenues	<u>66,500</u>	<u>155,519</u>	<u>621,721</u>	<u>466,202</u>
Expenditures:				
Current-				
Economic environment				
Total expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess of revenues over expenditures	<u>66,500</u>	<u>155,519</u>	<u>621,721</u>	<u>466,202</u>
Other Financing Sources (Uses):				
Operating transfers - out	<u>(115,155)</u>	<u>(204,174)</u>	<u>(1,006,189)</u>	<u>(802,015)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(48,655)</u>	<u>(48,655)</u>	<u>(384,468)</u>	<u>(335,813)</u>
Fund Balances:				
Beginning of year	<u>384,468</u>	<u>384,468</u>	<u>384,468</u>	<u>0</u>
End of year	<u>\$ 335,813</u>	<u>\$ 335,813</u>	<u>\$ -</u>	<u>\$ (335,813)</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
CAPITAL IMPROVEMENT REVENUE BONDS OF 2001 -
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Miscellaneous -interest	\$ -	\$ -	\$ 3,039	\$ 3,039
Expenditures:				
Debt service -				
Interest	362,643	362,643	362,642	1
Fiscal charges	1,000	1,000	1,112	(112)
Total expenditures	363,643	363,643	363,754	(111)
Excess (deficiency) of revenues over (under) expenditures	(363,643)	(363,643)	(360,715)	2,928
Other Financing Sources (Uses):				
Operating transfers - in	362,643	362,643	362,643	0
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,000)	(1,000)	1,928	2,928
Fund Balances:				
Beginning of year	9,021,527	9,021,527	9,021,527	0
End of year	\$ 9,020,527	\$ 9,020,527	\$ 9,023,455	\$ 2,928

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
CAPITAL IMPROVEMENT REVENUE BONDS OF 1999 -
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Miscellaneous - interest	\$ 1,000	\$ 1,000	\$ 478	\$ (522)
Expenditures:				
Debt service -				
Principal retirement	125,000	125,000	125,000	0
Interest	169,103	169,103	169,102	1
Fiscal charges	1,000	1,000		1,000
Total expenditures	295,103	295,103	294,102	1,001
Excess (deficiency) of revenues over (under) expenditures	(294,103)	(294,103)	(293,624)	479
Other Financing Sources (Uses):				
Operating transfers - in	294,103	294,103	298,843	4,740
Total other financing sources (uses)	294,103	294,103	298,843	4,740
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	5,219	5,219
Fund Balances:				
Beginning of year	192,757	192,757	192,757	0
End of year	\$ 192,757	\$ 192,757	\$ 197,976	\$ 5,219

See independent auditor's report

CITY OF PANAMA CITY, FLORIDA
TRANSPORTATION IMPROVEMENT REVENUE BONDS OF 1997 -
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Miscellaneous - interest	\$ 1,000	\$ 1,000	\$ 898	\$ (102)
Expenditures:				
Debt service -				
Principal retirement	205,000	205,000	205,000	
Interest	217,967	217,967	217,967	
Fiscal charges	1,000	1,000	1,582	(582)
Total expenditures	423,967	423,967	424,549	(582)
Excess (deficiency) of revenues over (under) expenditures	(422,967)	(422,967)	(423,651)	(684)
Other Financing Sources (Uses):				
Operating transfers - in	422,967	422,967	410,029	(12,938)
Total other financing sources (uses)	422,967	422,967	410,029	(12,938)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses			(13,622)	(13,622)
Fund Balances:				
Beginning of year	331,348	331,348	331,348	0
End of year	\$ 331,348	\$ 331,348	\$ 317,726	\$ (13,622)

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
CAPITAL IMPROVEMENT REVENUE BONDS OF 1995 -
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Miscellaneous - interest	\$ 1,000	\$ 1,000	\$ 1,284	\$ 284
Expenditures:				
Debt service -				
Principal retirement	285,000	285,000	285,000	0
Interest	295,685	295,685	296,376	(691)
Fiscal charges	1,000	1,000		1,000
Total expenditures	581,685	581,685	581,376	309
Excess (deficiency) of revenues over (under) expenditures	(580,685)	(580,685)	(580,092)	593
Other Financing Sources (Uses):				
Operating transfers - in	580,685	580,685	592,419	11,734
Excess of revenues and other financing sources over expenditures and other financing uses	0	0	12,327	12,327
Fund Balances:				
Beginning of year	432,679	432,679	432,679	0
End of year	\$ 432,679	\$ 432,679	\$ 445,006	\$ 12,327

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
CAPITAL IMPROVEMENT REVENUE AND REFUNDING BONDS OF 1992 -
DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Miscellaneous - interest	\$ 1,000	\$ 1,000	\$ 1,158	\$ 158
Expenditures:				
Debt service -				
Principal retirement	425,000	425,000	425,000	
Interest	242,511	242,511	242,510	1
Fiscal charges	1,000	1,000	1,068	(68)
Total expenditures	668,511	668,511	668,578	(67)
Excess (deficiency) of revenues over (under) expenditures	(667,511)	(667,511)	(667,420)	91
Other Financing Sources (Uses):				
Operating transfers - in	667,511	667,511	530,725	(136,786)
Transfers in -component unit	39,013	39,013		(39,013)
Total other financing sources	706,524	706,524	530,725	(175,799)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	39,013	39,013	(136,695)	(175,708)
Fund Balances:				
Beginning of year	683,661	683,661	683,661	0
End of year	\$ 722,674	\$ 722,674	\$ 546,966	\$ (175,708)

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
CAPITAL PROJECTS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Miscellaneous -				
Interest revenue	\$ 200,000	\$ 200,000	\$ 157,741	\$ (42,259)
Refund of prior year expenses			13,685	13,685
Total revenues	<u>200,000</u>	<u>200,000</u>	<u>171,426</u>	<u>(28,574)</u>
Expenditures:				
Current-				
Transportation	0	0	989,825	(989,825)
Capital outlay-				
General government	494,311	700,808	83,400	617,408
Public works		300,000		300,000
Public safety	824,000	904,387	749,690	154,697
Physical environment		166,941	93,426	73,515
Transportation	1,984,000	8,503,556	3,560,451	4,943,105
Culture/recreation	340,000	287,776	65,515	222,261
Total expenditures	<u>3,642,311</u>	<u>10,863,468</u>	<u>5,542,307</u>	<u>5,321,161</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,442,311)</u>	<u>(10,663,468)</u>	<u>(5,370,881)</u>	<u>5,292,587</u>
Other Financing Sources (Uses)				
Operating transfers - in	300,000	2,450,000	2,314,083	(135,917)
Operating transfers - out	<u>(167,933)</u>	<u>(167,933)</u>	<u>(170,639)</u>	<u>(2,706)</u>
Total other financing sources (uses)	<u>132,067</u>	<u>2,282,067</u>	<u>2,143,444</u>	<u>(138,623)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(3,310,244)</u>	<u>(8,381,401)</u>	<u>(3,227,437)</u>	<u>5,153,964</u>
Fund Balances:				
Beginning of year	<u>8,604,219</u>	<u>8,604,219</u>	<u>8,604,219</u>	<u>0</u>
End of year	<u>\$ 5,293,975</u>	<u>\$ 222,818</u>	<u>\$ 5,376,782</u>	<u>\$ 5,153,964</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
CAPITAL IMPROVEMENTS PROVIDED BY
1999 BOND ISSUE - CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Miscellaneous - interest	\$ -	\$ -	\$ 1,004	\$ 1,004
Expenditures:				
Current-				
Public safety				0
Excess (deficiency) of revenues over (under) expenditures	0	0	1,004	1,004
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	1,004	1,004
Other Financing Sources (Uses)				
Contribution to other government	0	(199,000)	(198,636)	364
Fund Balances:				
Beginning of year	276,351	276,351	276,351	0
End of year	<u>\$ 276,351</u>	<u>\$ 77,351</u>	<u>\$ 78,719</u>	<u>\$ 1,368</u>

See independent auditor's report.

INTERNAL SERVICE FUNDS

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

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

Medical Self-Insurance

Dental Self-Insurance

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

Equipment Maintenance Fund

**CITY OF PANAMA CITY, FLORIDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
SEPTEMBER 30, 2003**

	Equipment Maintenance	Medical Self- Insurance	Dental Self- Insurance	Total
ASSETS				
Current Assets:				
Cash and cash equivalents		\$ 1,598,216	\$ 109,736	\$ 1,707,952
Accounts receivable	\$ 1,702			1,702
Due from other government units	3,964			3,964
Inventory	18,612			18,612
Total current assets	<u>24,278</u>	<u>1,598,216</u>	<u>109,736</u>	<u>1,732,230</u>
Property, Plant and Equipment:				
Machinery and equipment	147,277			147,277
Less accumulated depreciation	<u>(127,388)</u>			<u>(127,388)</u>
Total property, plant and equipment	<u>19,889</u>	<u>0</u>	<u>0</u>	<u>19,889</u>
Total Assets	<u>\$ 44,167</u>	<u>\$ 1,598,216</u>	<u>\$ 109,736</u>	<u>\$ 1,752,119</u>
LIABILITIES				
Current Liabilities:				
Due to other funds	\$ 52,744			\$ 52,744
Accounts payable	23,208	\$ 383,056	\$ 2,326	408,590
Accrued wages payable	1,001			1,001
Accrued annual leave - current portion	<u>5,248</u>			<u>5,248</u>
Total current liabilities	<u>82,201</u>	<u>383,056</u>	<u>2,326</u>	<u>467,583</u>
Noncurrent Liabilities:				
Accrued wages payable - Accrued annual leave (net of current portion)	<u>15,744</u>			<u>15,744</u>
Total liabilities	<u>97,945</u>	<u>383,056</u>	<u>2,326</u>	<u>483,327</u>
NET ASSETS				
Invested in Capital assets, net of related debt	19,889			19,889
Restricted for claims		1,215,160	107,410	1,322,570
Unrestricted (deficit)	<u>(73,667)</u>			<u>(73,667)</u>
Total net assets (deficit)	<u>(53,778)</u>	<u>1,215,160</u>	<u>107,410</u>	<u>1,268,792</u>
Total Liabilities and Net Assets	<u>\$ 44,167</u>	<u>\$ 1,598,216</u>	<u>\$ 109,736</u>	<u>\$ 1,752,119</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Equipment Maintenance	Medical Self- Insurance	Dental Self- Insurance	Total
Operating Revenues:				
Charges for services	\$ 983,520			\$ 983,520
Contributions -				
Intergovernmental	1,901			1,901
Employee contributions		\$ 340,892	\$ 62,919	403,811
Other agency contributions		281,255	21,554	302,809
Retired employee contributions		355,729	26,628	382,357
Miscellaneous	939			939
Total operating revenues	<u>986,360</u>	<u>977,876</u>	<u>111,101</u>	<u>2,075,337</u>
Operating Expenses:				
Personal services	271,137			271,137
Operating expenses -				
Operating expenses	679,510			679,510
Depreciation	8,046			8,046
Administration fees		552,085	16,170	568,255
Claims		2,260,167	149,149	2,409,316
Total operating expenses	<u>958,693</u>	<u>2,812,252</u>	<u>165,319</u>	<u>3,936,264</u>
Operating income (loss)	<u>27,667</u>	<u>(1,834,376)</u>	<u>(54,218)</u>	<u>(1,860,927)</u>
Nonoperating Revenue (Expense):				
Interest revenue	0	10,322	396	10,718
Income (loss) before operating transfers	<u>27,667</u>	<u>(1,824,054)</u>	<u>(53,822)</u>	<u>(1,850,209)</u>
Operating Transfers:				
Operating transfers - in	4,283	1,786,844	90,022	1,881,149
Operating transfers - out	(34,075)			(34,075)
Total operating transfers in (out)	<u>(29,792)</u>	<u>1,786,844</u>	<u>90,022</u>	<u>1,847,074</u>
Change in Net Assets	(2,125)	(37,210)	36,200	(3,135)
Net Assets - Beginning of year	<u>(51,653)</u>	<u>1,252,370</u>	<u>71,210</u>	<u>1,271,927</u>
Net Assets - End of year	<u>\$ (53,778)</u>	<u>\$ 1,215,160</u>	<u>\$ 107,410</u>	<u>\$ 1,268,792</u>

See independent auditor's report.



**CITY OF PANAMA CITY, FLORIDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	Equipment Maintenance	Medical Self- Insurance	Dental Self- Insurance	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 984,830			\$ 984,830
Cash paid to suppliers	(692,166)			(692,166)
Cash paid to employees	(265,628)			(265,628)
Cash received for insurance contributions		\$ 977,876	\$ 111,101	1,088,977
Cash paid for insurance claims		(2,792,175)	(173,115)	(2,965,290)
Net cash provided (used) by operating activities	<u>27,036</u>	<u>(1,814,299)</u>	<u>(62,014)</u>	<u>(1,849,277)</u>
Cash Flows From Noncapital Financing Activities:				
Operating transfers - in	4,283	1,786,844	90,022	1,881,149
Operating transfers - out	(34,075)			(34,075)
Net cash provided (used) by noncapital financing activities	<u>(29,792)</u>	<u>1,786,844</u>	<u>90,022</u>	<u>1,847,074</u>
Cash Flows From Capital Related Financing Activities:				
Proceeds from sale of capital assets	<u>2,756</u>			<u>2,756</u>
Cash Flows From Investing Activities:				
Interest on investments		<u>10,322</u>	<u>396</u>	<u>10,718</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>0</u>	<u>(17,133)</u>	<u>28,404</u>	<u>11,271</u>
Cash and Cash Equivalents				
Beginning of year	<u>0</u>	<u>1,615,349</u>	<u>81,332</u>	<u>1,696,681</u>
End of Year	<u>\$ 0</u>	<u>\$ 1,598,216</u>	<u>\$ 109,736</u>	<u>\$ 1,707,952</u>

See independent auditor's report.

	Equipment Maintenance	Medical Self - Insurance	Dental Self - Insurance	Total
Reconciliation of Operating Income (Loss) to Net Cash provided (used) By Operating Activities:				
Operating income (loss)	\$ 27,667	\$ (1,834,376)	\$ (54,218)	\$ (1,860,927)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	8,046			8,046
Change in assets and liabilities - (Increase) Decrease -				
Due from other governmental units	(1,955)			(1,955)
Accounts receivable	425			425
Inventory	(5,892)			(5,892)
Increase (Decrease) -				
Accounts payable	(20,491)	20,077	(7,796)	(8,210)
Due to other funds	13,727			13,727
Accrued wages	(4,013)			(4,013)
Accrued annual leave	9,522			9,522
Net cash provided (used) by operating activities	<u>\$ 27,036</u>	<u>\$ (1,814,299)</u>	<u>\$ (62,014)</u>	<u>\$ (1,849,277)</u>

See independent auditor's report.

FIDUCIARY FUNDS

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

Pension Trust Funds. The funds account for the activities of the policemen's and firemen's defined benefit plans. These funds are as follows:

Policemen's Pension

Firemen's Pension

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

**CITY OF PANAMA CITY, FLORIDA
TRUST AND AGENCY FUNDS
COMBINING STATEMENT OF FIDUCIARY NET ASSETS
SEPTEMBER 30, 2003**

	<u>Pension Trust</u>	<u>Agency Fund</u>	<u>Totals</u>
ASSETS			
Assets:			
Cash		\$ 7,593	\$ 7,593
Investments	\$ 38,864,262		38,864,262
Accounts receivable			
Total Assets	<u>\$ 38,864,262</u>	<u>\$ 7,593</u>	<u>\$ 38,871,855</u>
LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 2,178		\$ 2,178
Deferred revenue	32,458		32,458
Accrued payroll deductions and matching		\$ 7,593	7,593
Total liabilities	<u>34,636</u>	<u>7,593</u>	<u>42,229</u>
Net Assets			
Reserve for employee pension benefits	<u>38,829,626</u>		<u>38,829,626</u>
Total Liabilities and Net Assets	<u>\$ 38,864,262</u>	<u>\$ 7,593</u>	<u>\$ 38,871,855</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2003**

	<u>Policemen's Pension</u>	<u>Firemen's Pension</u>	<u>Totals</u>
Assets:			
Investments	\$ 18,603,918	\$ 20,260,344	\$ 38,864,262
Accounts receivable			
	<u>\$ 18,603,918</u>	<u>\$ 20,260,344</u>	<u>\$ 38,864,262</u>
Total Assets			
Liabilities:			
Accounts payable	\$ 2,178		\$ 2,178
Deferred revenue	32,458		32,458
Total liabilities	<u>34,636</u>	<u>\$ 0</u>	<u>34,636</u>
Net assets:			
Net assets held in trust for pension benefits	<u>18,569,282</u>	<u>20,260,344</u>	<u>38,829,626</u>
Total Liabilities and Net Assets	<u>\$ 18,603,918</u>	<u>\$ 20,260,344</u>	<u>\$ 38,864,262</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Policemen's Pension	Firemen's Pension	Totals
Additions			
Contributions -			
Employee	\$ 160,336	\$ 156,402	\$ 316,738
City	508,206	557,559	1,065,765
State	339,021	228,800	567,821
Other	2,617	4,836	7,453
Total contributions	<u>1,010,180</u>	<u>947,597</u>	<u>1,957,777</u>
Investment income -			
Net appreciation (depreciation) in fair value of investments	1,712,188	933,641	2,645,829
Interest revenue	483,585	790,100	1,273,685
	<u>2,195,773</u>	<u>1,723,741</u>	<u>3,919,514</u>
Less investment expense	(179,176)	(184,479)	(363,655)
Net investment income (loss)	<u>2,016,597</u>	<u>1,539,262</u>	<u>3,555,859</u>
Total additions	<u>3,026,777</u>	<u>2,486,859</u>	<u>5,513,636</u>
Deductions			
Benefits	(948,114)	(800,193)	(1,748,307)
Refunds of contributions	(381,010)	(457,000)	(838,010)
Administration	(3,265)	(4,168)	(7,433)
Total deductions	<u>(1,332,389)</u>	<u>(1,261,361)</u>	<u>(2,593,750)</u>
Net Increase	1,694,388	1,225,498	2,919,886
Net Assets Held in Trust for Pension Benefits:			
Beginning of year	<u>16,874,894</u>	<u>19,034,846</u>	<u>35,909,740</u>
End of year	<u>\$ 18,569,282</u>	<u>\$ 20,260,344</u>	<u>\$ 38,829,626</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
 AGENCY FUND - CAFETERIA PLAN
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 FISCAL YEAR ENDED SEPTEMBER 30, 2003

	Balance October 1, 2002	Additions	Deductions	Balance September 30, 2003
ASSETS				
Cash	\$ 6,913	\$ 82,329	\$ 81,649	\$ 7,593
Total Assets	<u>\$ 6,913</u>	<u>\$ 82,329</u>	<u>\$ 81,649</u>	<u>\$ 7,593</u>
LIABILITIES				
Payroll deductions and matchings - Due to employees	\$ 6,913	\$ 82,329	\$ 81,649	\$ 7,593
Total Liabilities	<u>\$ 6,913</u>	<u>\$ 82,329</u>	<u>\$ 81,649</u>	<u>\$ 7,593</u>

See independent auditor's report.

SUPPLEMENTAL INFORMATION

- ❖ **SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN
FUND NET ASSETS – BUDGET AND ACTUAL –
ENTERPRISE AND INTERNAL SERVICE FUNDS**
- ❖ **SUMMARY OF DEBT SERVICE REQUIREMENTS TO
MATURITY**

CITY OF PANAMA CITY, FLORIDA
 UTILITIES FUND
 SCHEDULE OF REVENUES, EXPENSES AND
 CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
 FISCAL YEAR ENDED SEPTEMBER 30, 2003

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 10,525,000	\$ 10,287,594	\$ (237,406)
Tap fees and penalties-			
Connection fees	268,500	235,201	(33,299)
Hydrant fees	49,500	49,500	0
Miscellaneous		280,456	280,456
Total operating revenues	<u>10,843,000</u>	<u>10,852,751</u>	<u>9,751</u>
Operating Expenses:			
Personal services	2,709,460	2,632,329	77,131
Operating expenses	7,480,589	4,299,533	3,181,056
Depreciation	1,450,000	1,562,280	(112,280)
Total operating expenses	<u>11,640,049</u>	<u>8,494,142</u>	<u>3,145,907</u>
Operating income	<u>(797,049)</u>	<u>2,358,609</u>	<u>3,155,658</u>
Nonoperating Revenues (Expenses):			
Interest revenue	250,000	261,064	11,064
Impact fees	170,000	412,070	242,070
Interest expense	(996,984)	(1,065,265)	(68,281)
Other debt service costs	<u>(50,000)</u>	<u>(45,922)</u>	<u>4,078</u>
Total nonoperating revenues (expenses)	<u>(626,984)</u>	<u>(438,053)</u>	<u>188,931</u>
Income before operating transfers	<u>(1,424,033)</u>	<u>1,920,556</u>	<u>3,344,589</u>
Operating Transfers:			
Operating transfers - out	<u>(944,890)</u>	<u>(901,809)</u>	<u>43,081</u>
Total operating transfers - in (out)	<u>(944,890)</u>	<u>(901,809)</u>	<u>43,081</u>
Change in Net Assets	<u>(2,368,923)</u>	<u>1,018,747</u>	<u>3,387,670</u>
Net Assets - Beginning of year	<u>32,551,837</u>	<u>32,551,837</u>	<u>0</u>
Net Assets - End of year	<u>\$ 30,182,914</u>	<u>\$ 33,570,584</u>	<u>\$ 3,387,670</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SOLID WASTE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 4,795,000	\$ 4,935,231	\$ 140,231
Miscellaneous	0	1,850	1,850
Total operating revenues	<u>4,795,000</u>	<u>4,937,081</u>	<u>142,081</u>
Operating Expenses:			
Personal services	1,314,846	1,270,916	43,930
Operating expenses	2,539,596	2,166,741	372,855
Depreciation	290,000	309,463	(19,463)
Total operating expenses	<u>4,144,442</u>	<u>3,747,120</u>	<u>397,322</u>
Operating income	<u>650,558</u>	<u>1,189,961</u>	<u>539,403</u>
Nonoperating Revenues (Expenses):			
Interest revenue	175,000	51,143	(123,857)
Interest expense	(315)	(630)	(315)
Total nonoperating revenues (expenses)	<u>174,685</u>	<u>50,513</u>	<u>(124,172)</u>
Income before operating transfers	825,243	1,240,474	415,231
Operating Transfers - Out	<u>(2,904,245)</u>	<u>(2,893,866)</u>	<u>10,379</u>
Change in Net Assets	<u>(2,079,002)</u>	<u>(1,653,392)</u>	<u>425,610</u>
Net Assets - Beginning of year	<u>7,450,566</u>	<u>7,450,566</u>	<u>0</u>
Net Assets - End of year	<u>\$ 5,371,564</u>	<u>\$ 5,797,174</u>	<u>\$ 425,610</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
MARINA FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Rent	\$ 935,000	\$ 918,251	\$ (16,749)
Gas	245,000	250,394	5,394
Diesel	936,000	1,015,966	79,966
Other merchandise and fees	241,000	291,785	50,785
Total operating revenues	<u>2,357,000</u>	<u>2,476,396</u>	<u>119,396</u>
Operating Expenses:			
Personal services	269,211	267,661	1,550
Operating expenses	2,382,833	1,626,187	756,646
Depreciation	230,000	350,246	(120,246)
Total operating expenses	<u>2,882,044</u>	<u>2,244,094</u>	<u>637,950</u>
Operating income	<u>(525,044)</u>	<u>232,302</u>	<u>757,346</u>
Nonoperating Revenues (Expenses):			
Interest revenue	<u>35,000</u>	<u>23,127</u>	<u>(11,873)</u>
Income before operating transfers	<u>(490,044)</u>	<u>255,429</u>	<u>745,473</u>
Operating Transfers:			
Operating Transfers - out	<u>(522,036)</u>	<u>(426,074)</u>	<u>95,962</u>
Change in Net Assets	<u>(1,012,080)</u>	<u>(170,645)</u>	<u>841,435</u>
Net Assets - Beginning of year	<u>6,034,230</u>	<u>6,034,230</u>	<u>0</u>
Net Assets - End of year	<u>\$ 5,022,150</u>	<u>\$ 5,863,585</u>	<u>\$ 841,435</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
EQUIPMENT MAINTENANCE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 1,002,509	\$ 983,520	\$ (18,989)
Intergovernmental	0	1,901	1,901
Miscellaneous	0	939	939
Total operating revenues	<u>1,002,509</u>	<u>986,360</u>	<u>(16,149)</u>
Operating Expenses:			
Personal services	287,615	271,137	16,478
Operating expenses	726,596	679,510	47,086
Depreciation	7,000	8,046	(1,046)
Total operating expenses	<u>1,021,211</u>	<u>958,693</u>	<u>62,518</u>
Operating income (loss)	<u>(18,702)</u>	<u>27,667</u>	<u>46,369</u>
Nonoperating Revenue (Expense)			
Interest revenue	<u>0</u>	<u>0</u>	<u>0</u>
Income (loss) before operating transfers	(18,702)	27,667	46,369
Operating Transfers			
Operating transfers - in	4,283	4,283	0
Operating transfers - out	<u>(38,461)</u>	<u>(34,075)</u>	<u>(4,386)</u>
Total operating transfers in (out)	<u>(34,178)</u>	<u>(29,792)</u>	<u>(4,386)</u>
Change in Net Assets	(52,880)	(2,125)	41,983
Net Assets - Beginning of year	<u>(51,653)</u>	<u>(51,653)</u>	<u>0</u>
Net Assets - End of year	<u>\$ (104,533)</u>	<u>\$ (53,778)</u>	<u>\$ 41,983</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
MEDICAL SELF-INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Contributions -			
Employee contributions	\$ 330,000	\$ 340,892	\$ 10,892
Other agency contributions	220,000	281,255	61,255
Retired employee contributions	317,500	355,729	38,229
Total operating revenues	<u>867,500</u>	<u>977,876</u>	<u>110,376</u>
Operating Expenses:			
Administrative fees	533,360	552,085	(18,725)
Claims	2,400,000	2,260,167	139,833
Total operating expenses	<u>2,933,360</u>	<u>2,812,252</u>	<u>121,108</u>
Operating income (loss)	(2,065,860)	(1,834,376)	231,484
Nonoperating Revenue:			
Interest revenue	<u>25,000</u>	<u>10,322</u>	<u>(14,678)</u>
Income (loss) before operating transfers	(2,040,860)	(1,824,054)	216,806
Operating Transfers - In	<u>2,150,000</u>	<u>1,786,844</u>	<u>(363,156)</u>
Change in Net Assets	109,140	(37,210)	(146,350)
Net Assets - Beginning of year	<u>1,252,370</u>	<u>1,252,370</u>	<u>0</u>
Net Assets - End of year	<u>\$ 1,361,510</u>	<u>\$ 1,215,160</u>	<u>\$ (146,350)</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
DENTAL SELF-INSURANCE FUND
SCHEDULE OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Contributions -			
Employee contributions	\$ 61,000	\$ 62,919	\$ 1,919
Other agency contributions	19,300	21,554	2,254
Retired employee contributions	19,000	26,628	7,628
Total operating revenues	<u>99,300</u>	<u>111,101</u>	<u>11,801</u>
Operating Expenses:			
Administrative charges	15,000	16,170	(1,170)
Claims	158,000	149,149	8,851
Total operating expenses	<u>173,000</u>	<u>165,319</u>	<u>7,681</u>
Operating income (loss)	(73,700)	(54,218)	19,482
Nonoperating Revenue:			
Interest revenue	<u>1,000</u>	<u>396</u>	<u>(604)</u>
Income (loss) before operating transfers	(72,700)	(53,822)	18,878
Operating Transfers - In	<u>95,632</u>	<u>90,022</u>	<u>(5,610)</u>
Change in Net Assets	22,932	36,200	13,268
Net Assets - Beginning of year	<u>71,210</u>	<u>71,210</u>	<u>0</u>
Net Assets - End of year	<u>\$ 94,142</u>	<u>\$ 107,410</u>	<u>\$ 13,268</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Government Activities

Year Ending September 30	Capital Improvement Revenue Bonds - Series 1999		Transportation Improvement Revenue Bonds - Series 1997		Capital Improvement Revenue Bonds - Series 1995	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 130,000	\$ 163,683	\$ 210,000	\$ 209,355	\$ 300,000	\$ 282,080
2005	135,000	157,918	220,000	200,215	315,000	137,515
2006	140,000	151,798	230,000	190,425		
2007	150,000	145,198	250,000	179,740		
2008	155,000	138,105	250,000	168,490		
2009	165,000	130,503	265,000	156,770		
2010	170,000	122,378	275,000	144,213		
2011	180,000	113,713	290,000	130,500		
2012	190,000	104,463	300,000	115,750		
2013	195,000	94,789	320,000	100,250		
2014	205,000	84,586	335,000	83,875		
2015	220,000	73,588	350,000	66,750		
2016	230,000	61,830	370,000	48,750		
2017	240,000	49,433	385,000	29,875		
2018	255,000	36,251	405,000	10,125		
2019	265,000	22,275				
2020	280,000	7,580				
	<u>\$ 3,305,000</u>	<u>\$ 1,658,071</u>	<u>\$ 4,455,000</u>	<u>\$ 1,835,083</u>	<u>\$ 615,000</u>	<u>\$ 419,595</u>

Year Ending September 30	Capital Improvement Revenue and Refunding Bonds - Series 1992		Capital Improvement Revenue and Refunding Bonds - Series 2001A		Capital Improvement Revenue and Refunding Bonds - Series 2001B	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 145,000	\$ 108,876	\$ 335,000	\$ 155,880		\$ 200,062
2005	150,000	100,670	355,000	142,080		200,062
2006	160,000	91,851	365,000	127,680	\$ 360,000	192,862
2007	170,000	82,236	380,000	113,730	370,000	178,263
2008	180,000	71,821	390,000	99,280	385,000	163,163
2009	190,000	60,721	410,000	83,280	400,000	147,463
2010	200,000	48,921	425,000	66,580	415,000	131,163
2011	215,000	36,264	435,000	48,292	430,000	114,263
2012	230,000	22,663	460,000	29,018	450,000	96,381
2013	255,000	7,810	465,000	9,765	470,000	77,230
2014					490,000	56,825
2015					510,000	35,070
2016					530,000	11,925
	<u>\$ 1,895,000</u>	<u>\$ 631,833</u>	<u>\$ 4,020,000</u>	<u>\$ 875,585</u>	<u>\$ 4,810,000</u>	<u>\$ 1,604,732</u>

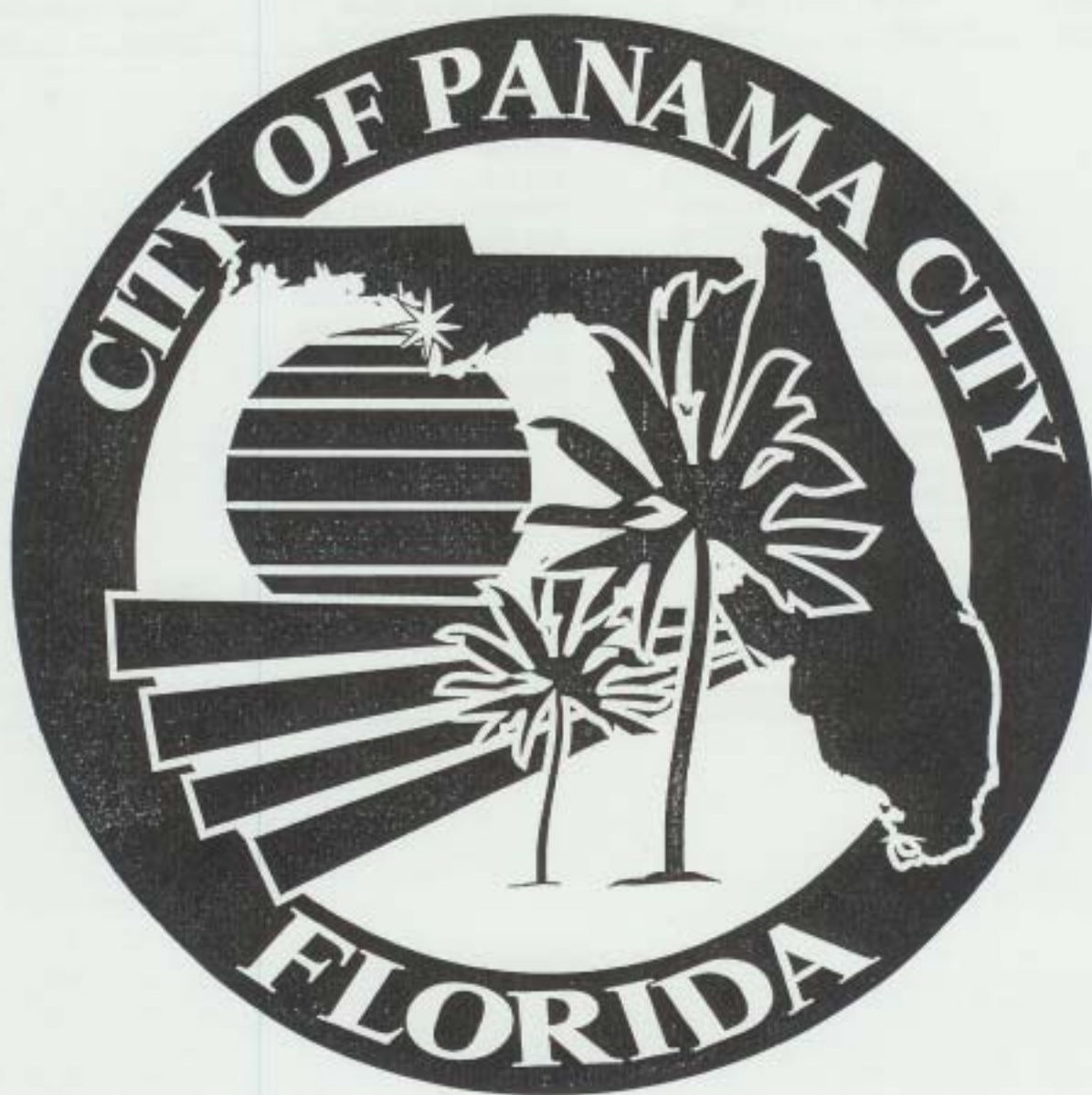
See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
FISCAL YEAR ENDED SEPTEMBER 30, 2003

Business-type Activities

Year Ending September 30	Water and Sewer Revenue Bonds - 1996 Issue		Water and Sewer Revenue Refunding Bonds - Series 2003A		Water and Sewer Revenue Bonds - Series 2003B	
	Principal	Interest	Principal	Interest	Principal	Interest
2004		\$ 642,613	\$ 100,000	\$ 176,875		\$ 261,450
2005		642,613	830,000	160,275		261,450
2006		642,613	850,000	143,275		261,450
2007		642,613	865,000	123,812		261,450
2008	\$ 435,000	642,612	890,000	101,563		261,450
2009	\$ 455,000	620,318	475,000	88,500		261,450
2010	\$ 485,000	596,431	490,000	73,800		261,450
2011	\$ 510,000	570,968	505,000	57,387		261,450
2012	\$ 530,000	543,556	520,000	37,888		261,450
2013	\$ 740,000	514,406	545,000	16,087		261,450
2014	\$ 1,215,000	472,781	390,000			261,450
2015	\$ 1,285,000	404,437				261,450
2016	\$ 1,355,000	332,156				261,450
2017	\$ 1,435,000	255,937				261,450
2018	\$ 1,515,000	175,218				261,450
2019	\$ 1,600,000	90,000				261,450
2020						261,450
2021					\$ 1,575,000	178,763
2022					1,660,000	91,612
2023					1,745,000	
	<u>\$ 11,560,000</u>	<u>\$ 7,789,272</u>	<u>\$ 6,460,000</u>	<u>\$ 979,462</u>	<u>\$ 4,980,000</u>	<u>\$ 4,715,025</u>

See independent auditor's report.



STATISTICAL SECTION



STATISTICAL SECTION

The various tables included in this section present social and economic data and the financial trends of the City government unit.

COMMENTS RELATIVE TO STATISTICAL SECTION

The following statistical tables recommended by the Government Accounting Standards Board are not included for the reasons stated below:

- Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita - The City of Panama City has no general obligation debt. Outstanding debt represented in the Debt Service Funds and General Long-Term Debt Account Group is the result of the issuance of revenue bonds issued for municipal improvements. These bonds will be financed by certain excise tax revenues and local option gas tax revenues.
- Computation of the Legal Debt Margin is omitted because the constitution of the State of Florida (FS200.181) set no legal limit.
- Special Assessment Billings and Collections - Last 10 fiscal years is omitted because the City is not obligated to any manner of special assessment debt.

CITY OF PANAMA CITY, FLORIDA
GENERAL FUND AND RELATED FUND EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS
UNAUDITED

Year	General Government	Public Safety	Physical Environment	Transportation	Economic Environment	Human Services	Culture/ Recreation	Debt Service	Total
1994	3,444,575	8,028,296		2,330,774	567,464	160,492	1,475,520	762,554	16,769,675
1995	3,389,445	8,359,106		3,461,106	655,719	165,157	1,667,342	817,464	18,515,339
1996	3,171,591	9,358,090	\$ 498,178	3,413,310	799,927	186,063	1,623,141	1,081,091	20,131,391
1997	3,005,203	8,671,842	90,597	3,776,948	496,829	199,589	1,520,149	1,394,922	19,156,079
1998	3,207,983	10,014,680	54,629	3,474,302	516,326	196,021	1,638,266	1,472,439	20,574,646
1999	3,535,956	10,073,653	14,575	3,463,956	584,552	189,928	1,762,029	1,793,872	21,418,521
2000	3,631,486	10,558,339	37	4,943,449	574,302	195,817	1,867,601	1,903,619	23,674,650
2001	3,753,057	11,298,308	23,858	3,221,842	507,814	193,357	1,821,031	2,277,370	23,096,637
2002	3,782,311	10,882,624	14,470	3,846,835	561,990	302,938	1,947,244	2,302,075	23,640,487
2003	4,104,122	12,072,872		5,078,171	688,504	142,356	2,338,001	2,332,359	26,756,385

Includes: General Fund, Special Revenue Funds and Debt Service Funds.

CITY OF PANAMA CITY, FLORIDA
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS
UNAUDITED

Year	Taxes	Licenses and Permits	Inter- governmental	Charges for Services	Fines and Forfeits	Miscellaneous	Total
1994	8,753,229	5,039,143	4,383,903	432,700	379,036	812,994	19,801,005
1995	9,342,947	5,382,710	4,536,253	474,415	322,684	1,123,199	21,182,208
1996	9,744,163	5,917,651	4,888,275	514,059	381,466	1,011,574	22,457,188
1997	9,990,401	5,821,962	4,972,755	528,744	374,703	1,258,615	22,947,180
1998	10,474,889	6,094,708	6,051,765	554,609	494,111	1,825,230	25,495,312
1999	10,705,994	6,577,541	5,492,157	589,659	519,170	1,391,845	25,276,366
2000	11,534,352	7,171,256	6,239,827	660,754	389,874	2,099,078	28,095,141
2001	12,263,313	7,132,821	4,727,769	634,248	385,441	2,349,514	27,493,106
2002	13,609,669	7,331,546	4,753,255	665,842	343,803	1,569,631	28,273,746
2003	14,588,847	7,557,776	5,524,485	1,185,584		878,738	29,735,430

Includes: General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds.

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

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Collections Net of Discounts Allowed</u>
1993	4,379,183	4,117,143
1994	4,191,574	4,224,577
1995	4,560,136	4,368,624
1996	4,706,009	4,512,112
1997	4,999,681	4,785,640
1998	5,205,562	4,982,286
1999	5,716,067	5,477,309
2000	6,090,990	5,847,647
2001	6,683,286	6,424,648
2002	6,968,193	6,664,545

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

Note: Based on information provided by Bay County Tax Collector

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

Fiscal Year	Real Property		Personal Property		Centrally Assessed Property	Total		Ratio of Total Assessed Value to Total Estimated Actual Value
	Assessed Value	Estimated Actual Value	Assessed Value	Estimated Actual Value		Assessed Value	Estimated Actual Value	
1994	688,908	1,112,388	188,128	271,075	3,524	880,560	1,386,987	63.49%
1995	713,420	1,144,144	196,339	293,288	2,279	912,038	1,439,711	63.35%
1996	737,305	1,174,130	201,525	325,007	2,421	941,251	1,501,558	62.68%
1997	786,108	1,224,088	210,501	344,638	2,182	998,791	1,570,908	63.58%
1998	819,278	1,269,060	220,686	364,949	2,665	1,042,629	1,636,674	63.70%
1999	896,354	1,384,873	242,539	400,311	4,883	1,143,776	1,790,067	63.90%
2000	938,501	1,417,537	275,087	421,694	5,362	1,218,950	1,844,593	66.08%
2001	1,032,401	1,566,937	294,739	449,450	4,979	1,332,119	2,021,366	65.90%
2002	1,077,065	1,605,896	311,449	472,653	4,686	1,393,200	2,083,235	66.88%
2003	1,177,046	1,778,290	296,415	468,446	5,266	1,478,727	2,252,001	65.66%

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

CITY OF PANAMA CITY, FLORIDA
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
(PER \$1,000 OF ASSESSED VALUE)
LAST TEN FISCAL YEARS
UNAUDITED

<u>Fiscal Year</u>	<u>City of Panama City</u>	<u>Bay County</u>	<u>County-Wide School Tax</u>	<u>Water- Management District</u>	<u>Total</u>
1994	5.000	5.8172	9.2730	.0500	20.1402
1995	5.000	5.8172	9.4980	.0500	20.3652
1996	5.000	5.8172	9.2260	.0500	20.0932
1997	5.000	5.8172	9.3270	.0500	20.1942
1998	5.000	5.8172	9.2690	.0500	20.1362
1999	5.000	5.8472	8.9180	.0500	19.8152
2000	5.000	5.8472	8.6690	.0500	19.5662
2001	5.000	5.8472	8.5300	.0500	19.4272
2002	5.000	5.8472	8.6550	.0500	19.5522
2003	5.000	5.8472	8.5690	.0500	19.4662

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

CITY OF PANAMA CITY, FLORIDA
 RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT
 TO GENERAL FUND AND RELATED EXPENDITURES
 LAST TEN FISCAL YEARS
 UNAUDITED

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest and Fiscal Charges</u>	<u>Total Debt Service</u>	<u>Expenditures*</u>	<u>Ratio of Debt Service to General Fund and Related Expenditures</u>
1994	275,000	481,362	756,362	16,769,675	4.51%
1995	300,000	493,531	793,531	18,515,648	4.29%
1996	310,000	740,575	1,050,575	20,131,391	5.22%
1997	545,000	828,590	1,373,590	19,156,078	7.17%
1998	570,000	1,128,489	1,698,489	20,800,696	8.17%
1999	765,000	1,028,872	1,793,872	21,418,521	8.38%
2000	795,000	1,108,619	1,903,619	23,674,650	8.04%
2001	930,000	1,347,370	2,277,370	23,096,637	9.86%
2002	995,000	1,307,075	2,302,075	23,640,487	9.74%
2003	1,040,000	1,292,359	2,332,359	30,235,117	7.71%

* These expenditures include General, Special Revenue and Debt Service Funds.

CITY OF PANAMA CITY, FLORIDA
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
UNAUDITED

	Net Bonded Debt September 30, 2003	Estimated Percent Applicable	Direct and Overlapping Net Bonded Debt
City of Panama City	<u>\$ 8,568,871</u>	100.00	<u>\$ 8,568,871</u>
Bay County School Board	<u>\$ 43,310,000</u>	23.6	<u>10,221,160</u>
Total direct and overlapping bonded debt payable from taxes			<u>\$ 18,790,031</u>
Estimated population			<u>36,541</u>
Overlapping net debt per capita			<u>\$ 514</u>

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF REVENUE BOND COVERAGE
ENTERPRISE FUNDS (1)
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	Gross Revenue (2)	Expenses (3)	Net Revenue Available for Debt Service (4)	DEBT SERVICE REQUIREMENTS			
				Principal	Interest	Total	Coverage
1994	8,159,225	5,209,827	2,949,398	255,000	545,743	800,743	3.68
1995	8,885,151	5,396,133	3,489,018	265,000	557,368	822,368	4.24
1996	8,861,533	5,612,370	3,249,163	1,360,426	1,214,119	2,574,545	1.26
1997	9,478,086	5,680,686	3,797,400	432,067	1,255,988	1,688,055	2.25
1998	10,974,025	5,695,331	5,278,694	540,000	1,122,826	1,662,826	3.17
1999	10,631,800	5,750,308	4,881,492	565,000	1,091,855	1,656,855	2.95
2000	11,827,208	5,920,948	5,906,260	600,000	1,057,955	1,657,955	3.56
2001	12,031,234	6,319,966	5,711,268	635,000	1,027,793	1,662,793	3.43
2002	11,179,844	6,370,056	4,809,788	655,000	996,353	1,651,353	2.91
2003	11,113,815	6,977,784	4,136,031	100,000	1,080,938	1,180,938	3.50

NOTES: (1) Includes Utilities Fund only.
(2) Includes all operating and nonoperating revenues except impact fees.
(3) Includes all operating and nonoperating expenses except interest expense and depreciation expense.
(4) Before operating transfers out.

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

<u>Fiscal Year</u>	<u>City of Panama City Population (1)</u>	<u>Bay County Population (1)</u>	<u>Per Capita Income (1)</u>	<u>Median Age (2)</u>	<u>School Enrollment (3)</u>	<u>Unemployment Rate (4)</u>
1994	36,315	136,289	17,832	34.5	26,000	8.4%
1995	36,706	138,798	18,060	34.9	26,590	8.5%
1996	37,236	142,160	20,366	35.2	25,341	6.3%
1997	37,347	144,584	21,314	35.6	26,823	6.6%
1998	37,869	147,486	22,274	38.8	26,846	6.9%
1999	37,777	150,119	22,575	36.3	26,602	6.3%
2000	36,417	148,217	24,115	37.2	26,604	6.9%
2001	36,428	150,287	24,575	Not Available	27,217	5.5%
2002	36,412	152,186	Not Available	37.8	27,991	4.7%
2003	36,541	154,827	Not Available	Not available	27,531	6.2%

SOURCES: (1) University of Florida Bureau of Economic and Business Research

(2) Bay county Chamber of Commerce

(3) Bay county School Board - County-wide Enrollment

(4) Florida State Employment Service

CITY OF PANAMA CITY, FLORIDA
PROPERTY VALUES, CONSTRUCTION AND BANK DEPOSITS
LAST TEN FISCAL YEARS
UNAUDITED

Fiscal Year	COMMERCIAL CONSTRUCTION (1)		RESIDENTIAL CONSTRUCTION (1)		Bank Deposits (In Thousands) (2)	Property Value (In Thousands)
	Number of Units	Value	Number of Units	Value		
1994	187	20,006,230	216	6,978,098	607,957	1,386,987
1995	164	10,174,400	353	6,147,109	669,405	1,439,711
1996	151	9,384,395	283	5,237,904	681,774	1,501,559
1997	129	21,872,000	313	14,580,980	1,180,602	1,570,908
1998	194	28,201,391	244	5,867,708	1,265,285	1,636,674
1999	122	15,624,873	261	7,488,358	1,330,488	1,790,067
2000	127	33,083,872	233	7,797,403	1,435,000	1,844,592
2001	102	8,705,578	241	8,374,813	1,461,000	2,021,366
2002	50	Not Available	75	Not Available	1,533,000	2,083,236
2003						

NOTES: (1) Based on building permits issued
(2) Excludes savings and loan associations prior to 1997

SOURCES: Bay County Building Department
Florida Bankers Association

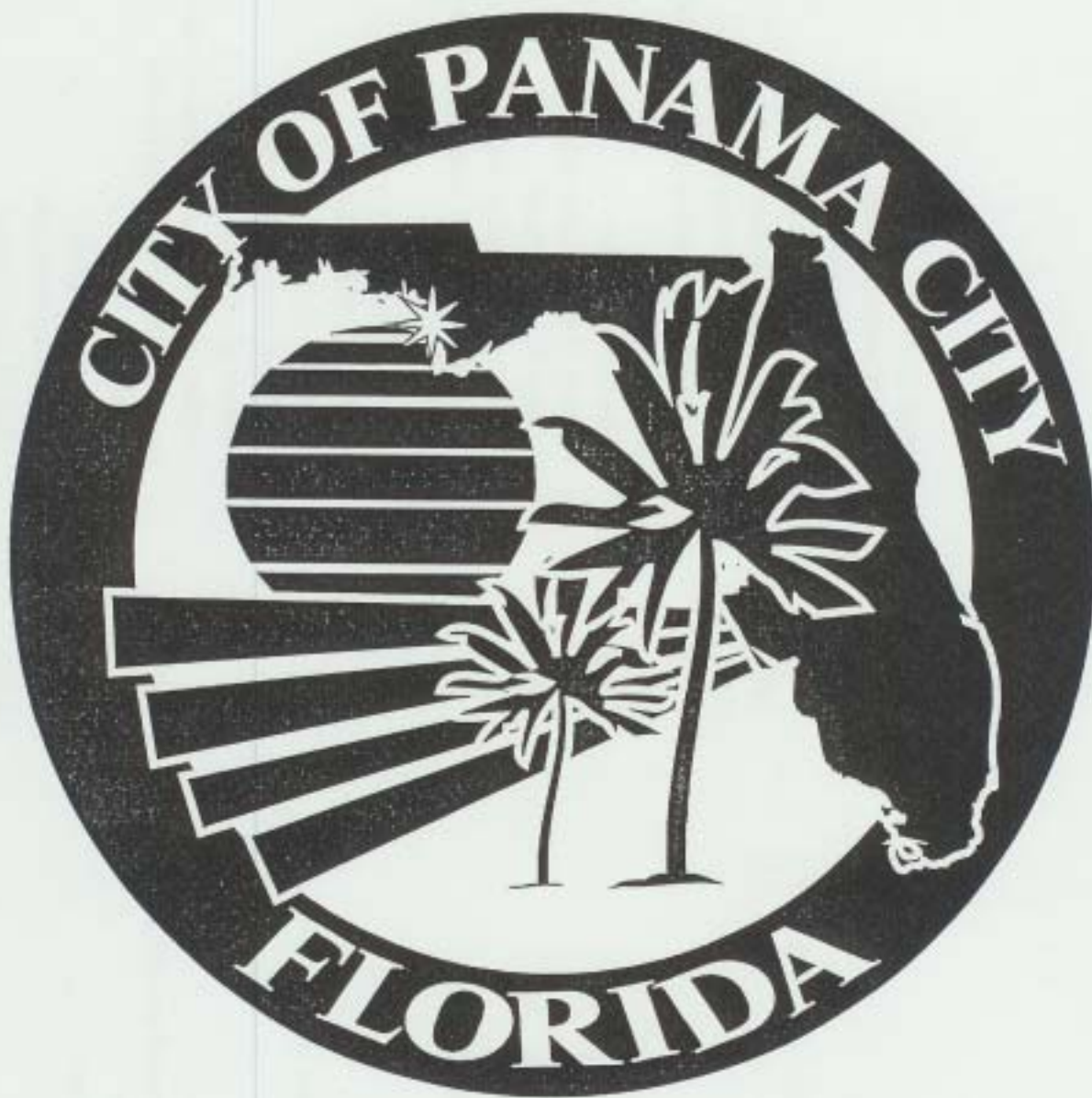
**CITY OF PANAMA CITY, FLORIDA
TEN MAJOR ASSESSED TAXPAYERS OF 2002
UNAUDITED**

	<u>Real Estate</u>	<u>Percent of Total</u>	<u>Personal Property</u>	<u>Percent of Total</u>	<u>Total</u>	<u>Percent of Total</u>
Southern Bell Tel & Tel Co	\$ 1,823,658	2.75%	\$ 31,050,424	23.84%	\$ 32,874,082	16.73%
Gulf Power Company	3,267,134	4.93%	24,798,767	19.04%	28,065,901	14.29%
Berg Steel Pipe Corporation	213,259	0.32%	27,731,632	21.30%	27,944,891	14.22%
Columbia HCA Hospital	13,411,809	20.25%	13,178,360	10.12%	26,590,169	13.53%
Wellstream Corporation		0.00%	17,843,933	13.70%	17,843,933	9.08%
Panama City Associates (Mall)	14,574,391	22.00%	53,481	0.04%	14,627,872	7.45%
Panama City Square, Ltd.	12,281,623	18.54%	4,930	0.00%	12,286,553	6.25%
Mercantile Properties, Inc.	6,706,179	10.12%	1,252,814	0.96%	7,958,993	4.05%
Sears Roebuck & Company	6,611,881	9.98%	1,394,791	1.07%	8,006,672	4.08%
Peoples First Community Bank	<u>7,356,722</u>	<u>11.11%</u>	<u>12,909,497</u>	<u>9.91%</u>	<u>20,266,219</u>	<u>10.32%</u>
Total Assessments	<u>\$ 66,246,656</u>	<u>100.00%</u>	<u>\$ 130,218,629</u>	<u>100.00%</u>	<u>\$ 196,465,285</u>	<u>100.00%</u>

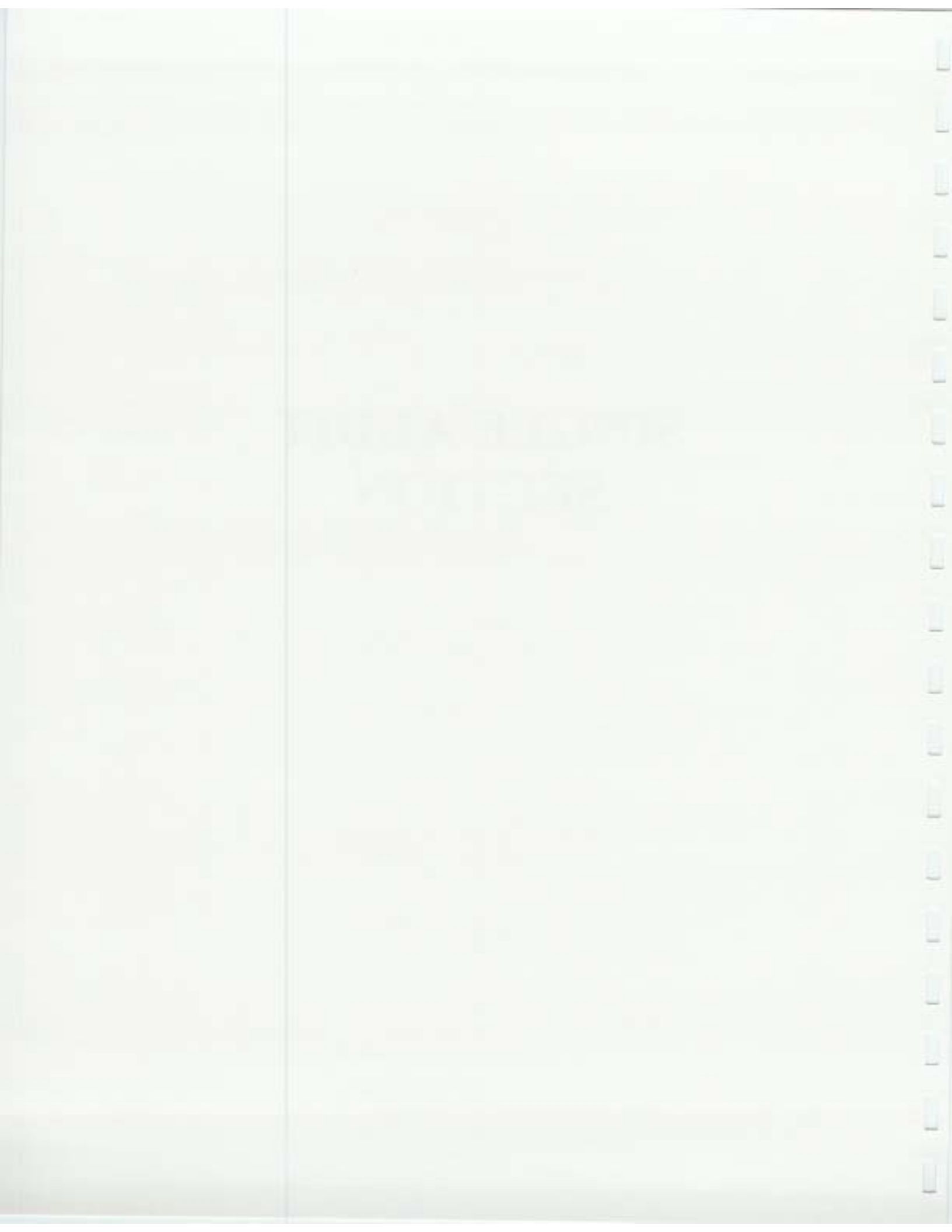
SOURCE: Office of the Property Appraiser, Bay County, Florida
(Not Available for 2003.)

CITY OF PANAMA CITY, FLORIDA
MISCELLANEOUS STATISTICS
SEPTEMBER 30, 2002
UNAUDITED

Date of Incorporation	March 12, 1926		
Form of Government	Commission/Manager		
Number of employees	524	Sewage system:	
Area in square miles	34	Miles of sanitary sewers	243
		Miles of storm sewers	57
City of Panama City facilities and services:		Number of treatment plants	2
Miles of streets	198	Number of service connections	14,646
Number of street lights	4,353	Daily average treatment in gallons	4,533,000
Culture and recreation:		Maximum daily capacity of treatment plant in gallons	10,000,000
Community Centers	7	Water system:	
Parks	29	Miles of water mains	311
Park acreage	150	Number of service connections	16,854
Baseball and softball fields	14	Number of fire hydrants	1,413
Public marinas	2	Daily average consumption in gallons	5,263,000
Public boat launching areas	4	Facilities and services not included in the reporting entity:	
Civic Centers	1	Education:	
Fire protection:		Number of elementary schools	23
Number of stations	5	Number of middle schools	7
Number of fire personnel and officers	84	Number of high schools	5
Police protection:		Number of community colleges	1
Number of stations	1	Number of universities	1
Number of substations	8	Number of vocational/technical schools	1
Number of police personnel and officers	147	Number of special purpose schools	3
Number of patrol units	132	Hospitals:	
Number of law violations:		Number of hospitals	2
Physical arrests	5,168	Number of patient beds:	
Traffic violations	10,594	Bay Medical Center	433
Parking violations	357	Gulf Coast Medical Center	176



SINGLE AUDIT SECTION



CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FISCAL YEAR ENDED SEPTEMBER 30, 2003

PRIMARY GOVERNMENT

<u>Federal/State Agency, Pass-Through Entity, Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Expenditures</u>
U.S. Department of Housing and Urban Development: Direct programs: Community Development Block Grant	14.219	\$ 772,985
U.S. Department of Justice: Direct programs: COPS Universal Hiring	16.710	97,450
BVD Vest Grant	16.607	8,938
Passed through Florida Department of Law Enforcement: Byrnes ASAP Grant	16.579	66,651
Total U.S. Department of Justice		173,039
Department of Transportation Speed Awareness Grant	20.605	24,383
Federal Emergency Management Agency Citizens Corps, including CERT Guidance Grant	83.564	2,986
National Oceanic and Atmospheric Administration Florida Coastal Management Grant	11.419	7,378
Total Expenditures of Federal Awards (Continued)		\$ 980,771

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

PRIMARY GOVERNMENT (Continued)

<u>Federal/State Agency, Pass-Through Entity, Federal Program/State Project</u>	<u>CFDA/ CSFA Number</u>	<u>Expenditures</u>
Florida Housing Finance Corp: State Housing Institutions Partnership Program	52.901	\$ 154,422
Department of Environmental Protection St. Andrews Docking	37.017	29,760
Department of Health Florida Emergency Medical	64.003	9,877
Total Expenditures of State Financial Assistance		<u>\$ 194,059</u>

NOTE A - BASIS OF PRESENTATION

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

See independent auditor's report.



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

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

We have audited the financial statements of the City of Panama City, Florida, as of and for the year ended September 30, 2003, and have issued our report thereon dated December 18, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Panama City, Florida's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Panama City, Florida's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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This report is intended solely for the information and use of the City commission, management, others within the organization, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Panama City, Florida
December 18, 2003

Saltmarsh, Cleveland & Co.



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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND
INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

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

Compliance

We have audited the compliance of the City of Panama City, Florida, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2003. The City of Panama City, Florida's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Panama City, Florida's management. Our responsibility is to express an opinion on the City of Panama City, Florida's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards, and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Panama City, Florida's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City of Panama City, Florida's compliance with those requirements.

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In our opinion, the City of Panama City, Florida, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2003.

Internal Control Over Compliance

The management of the City of Panama City, Florida, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Panama City, Florida's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the City commission, management, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Panama City, Florida
December 18, 2003

Saltmarsh, Cleveland & Bond

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT
FISCAL YEAR ENDED SEPTEMBER 30, 2003

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Panama City, Florida.
2. No reportable conditions relating to the audit of the financial statements are reported in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting based on an Audit of Financial Statements Performed in accordance with Government Auditing Standards.
3. No instances of noncompliance material to the financial statements of the City of Panama City, Florida, were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal awards programs were disclosed.
5. The auditor's report on compliance for the major federal awards programs for the City of Panama City, Florida, expresses an unqualified opinion on all major federal awards.
6. Audit findings relative to the major federal awards programs for the City of Panama City, Florida, are reported in Part C. of this schedule.
7. The programs tested as major programs included:

Federal Program
Community Development Block Grant

Federal CFDA No.
14.219

State Projects
None

State CSFA No.
N/A

8. The threshold for distinguishing type A and B programs was \$300,000 for major federal award programs.
9. The City of Panama City, Florida, was determined to be a low-risk auditee pursuant to OMB Circular A133.

B. Findings - Financial Statements

None

C. Findings and Questioned Costs - Major Federal Award Programs

None

(Continued on page 124)

**CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT
FISCAL YEAR ENDED SEPTEMBER 30, 2003**

(Continued from page 123)

D. Other Issues

No summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal programs or state projects.

No corrective action plan is required because there were no findings required to be reported under the Federal Single Audit Act.



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INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

We have audited the financial statements of the City of Panama City, Florida, as of and for the fiscal year ended September 30, 2003, and have issued our report thereon dated December 18, 2003.

We conducted our audit in accordance with United States generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. We have issued our Independent Auditor's Report on Compliance and Internal control over financial Reporting, Independent Auditor's Report on Compliance and Internal Control over Compliance Applicable to each Major Federal Program and State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedules, which are dated December 18, 2003, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General. Those rules (Section 10.554(1)(g)1.a.) require that we address in the management letter, if not already addressed in the auditor's report on compliance and internal controls, whether or not inaccuracies, shortages, defalcations, fraud, and/or violations of laws, rules, regulations, and contractual provisions reported in the preceding annual financial audit report have been corrected. There were no inaccuracies, irregularities, shortages, defalcations, and/or violations of laws, rules, regulations, and contractual provisions disclosed in the preceding annual report.

The Rules of the Auditor General (Section 10.554(1)(g)1.b.) require that we address in the management letter, if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs, whether or not recommendations made in the preceding annual financial audit have been followed. Recommendations made in the preceding annual financial audit report have been followed except for related recommendations as noted in current year comments.

As required by the Rules of the Auditor General (Section 10.554(1)(g)2.), the scope of our audit included a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the City of Panama City, Florida complied with Section 218.415, Florida Statutes.

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The Rules of Auditor General (Section 10.554(1)(g)4.) require disclosure in the management letter of the following matters if not already addressed in the auditor's reports on compliance and internal controls or schedule of findings and questioned costs: (1) violations of laws, rules, regulations and contractual provisions that have occurred, or are likely to have occurred; (2) improper or illegal expenditures; (3) improper or inadequate accounting procedures (e.g., the omission of required disclosures from the financial statements); (4) failures to properly record financial transaction; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. Current year comments are as follows:

Primary Government – Current Year Comments

None

Component Unit-Panama City Port Authority – Current Year Comments

As noted in the prior year, we recommend that close attention be given to reviewing the accuracy of the accounting data to insure the reporting of accurate up-to-date financial information.

Component Unit – Panama City Downtown Improvement Board – Current Year Comments

For the year ended September 30, 2003, the Panama City Downtown Improvement Board's general fund had expenditures in excess of budget. Governmental Accounting Standards Board Codification Section 2300.106h requires that the notes to the financial statements disclose violations of budgetary controls. The general fund had budgeted expenditures of \$496,981 and actually expended \$504,287. Accordingly we have included this information in the notes to the financial statements and recommend that the board closely monitor its budgetary practices.

The Rules of the Auditor General (Section 10.554(1)(g)5.) also require that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in the management letter, unless disclosed in the notes to the financial statements. This information has been disclosed in the notes to the financial statements.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.a.), the scope of our audit included a review of the provisions of Section 218.503(1), Florida Statutes, regarding financial emergencies. In connection with our audit, we determined that the City of Panama City, Florida, Downtown Improvement Board, and Panama City Port Authority are not in a state of financial emergency as a consequence of the conditions described in Section 218.503(1), Florida Statutes.

As required by the Rules of the Auditor General (Section 10.554(1)(g)6.b.), we determined that the annual financial report for the City of Panama City, Florida for the fiscal year ended September 30, 2003, filed with the Department of Banking Finance pursuant to Section 218.32, Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2003.

As required by the Rules of the Auditor General (Sections 10.554(g)(6)c. and 10.556), we applied financial condition assessment procedures. It is management's responsibility to monitor the entity'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.

This management letter is intended solely for the information of the City of Panama City, Florida and management, and the State of Florida Office of the Auditor General and certain regulatory agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Panama City, Florida
December 18, 2003

Saltmarsh, Charles H. & Lewis

