

COMPREHENSIVE ANNUAL
FINANCIAL REPORT
CITY OF
PANAMA CITY, FLORIDA



FISCAL YEAR ENDED SEPTEMBER 30,
2004

CITY OF PANAMA CITY, FLORIDA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2004

Prepared by:

**The City of Panama City
Accounting Division**



INTRODUCTORY SECTION

THIS SECTION CONTAINS THE FOLLOWING SUBSECTIONS:

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- ❖ **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 ENDED SEPTEMBER 30, 2004
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***“Dedicated to Excellence . . .
People Serving People”***

February 21, 2005

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, 2004 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.

The September 30, 2004 financial statements comply with the requirements of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). The GASB 34 implementation presents a dramatic change in governmental financial reporting. The format provides for government-wide and major fund presentations, and 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, 2004, 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 118.

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 2004 was estimated to be 37,207. 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 2004, 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 businesses opened in a new shopping center adjacent to the Panama City Mall, including Starbucks Coffee, Best Buy, Red Lobster, and Quiznos. Plans to open an International House of Pancakes are on board for next year.

Major Initiatives

Construction of three new sewer force mains to provide the primary trunk line wastewater connection to 6,000 acres of undeveloped land located in north Panama City has been completed. Bond proceeds provided most of the \$4,275,000 spent on the project during fiscal year 2004.

Streetscaping in the St. Andrews area was begun, which will include new lighting and landscaping on Beck Avenue, the main thoroughfare. A 2,500 square foot events facility was constructed on the marina and features an open-air market on weekends.

A new \$268,089 HVAC system was installed at the Marina Civic Center. Ownership of the Martin Theatre and two other downtown buildings was transferred to the City by the Panama City Downtown Improvement Board. The approximate market value of the property is \$1.4 million.

Transportation projects continue to be a priority. During fiscal year 2004, the City resurfaced the intersection of Harrison Avenue and Sixth Street downtown in the amount of \$354,041 and constructed turn lanes at the intersection of a major east-west artery, 23rd Street, and Stanford Road, in the amount of \$230,431.

For The Future

New luxury condominium projects are underway and others are in the planning stages. A 116-unit project on the bay is nearing completion in St. Andrews, and includes 12,000 feet of commercial space. Another project in the downtown area will feature a privately-owned marina on the bayou, commercial space, and 130 residential units that either front the bayou or McKenzie Park, where many community events are held.

The City is in the process of purchasing 4.25 acres of land just east of the downtown area where a new Federal Courthouse will be built. The need for additional space caused the Federal government to search for a new location. After considering several sites including some in another city, this location was chosen. Panama City officials and residents are pleased that the Federal Courthouse will remain in Panama City.

Capital projects in the Marina Fund are projected to include seawall replacements at both marinas. The cost of all marina projects planned for the next five years is \$3.5 million. Improvements at the St. Andrews Wastewater Treatment Plant are scheduled for fiscal year 2005 in the amount of \$1.1 million.

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 Funds. Medical claims exceeding \$100,000 per insured and aggregate claims exceeding \$3,014,723 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. City Officials and Senior Management personnel are also covered under a single-employer contributory defined benefit 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, 2003.

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 Tipton, Marler, Garner and Chastain, for its professional approach and high standards in the conduct of the firm's independent audit of the City's financial records and transactions.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Michael Bush". The signature is written in a cursive style with a small flourish above the first letter.

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

Jonathon E. Wilson, Sr.

John E. Pilcher, III

CITY MANAGER

Kenneth R. Hammons

CITY CLERK-TREASURER

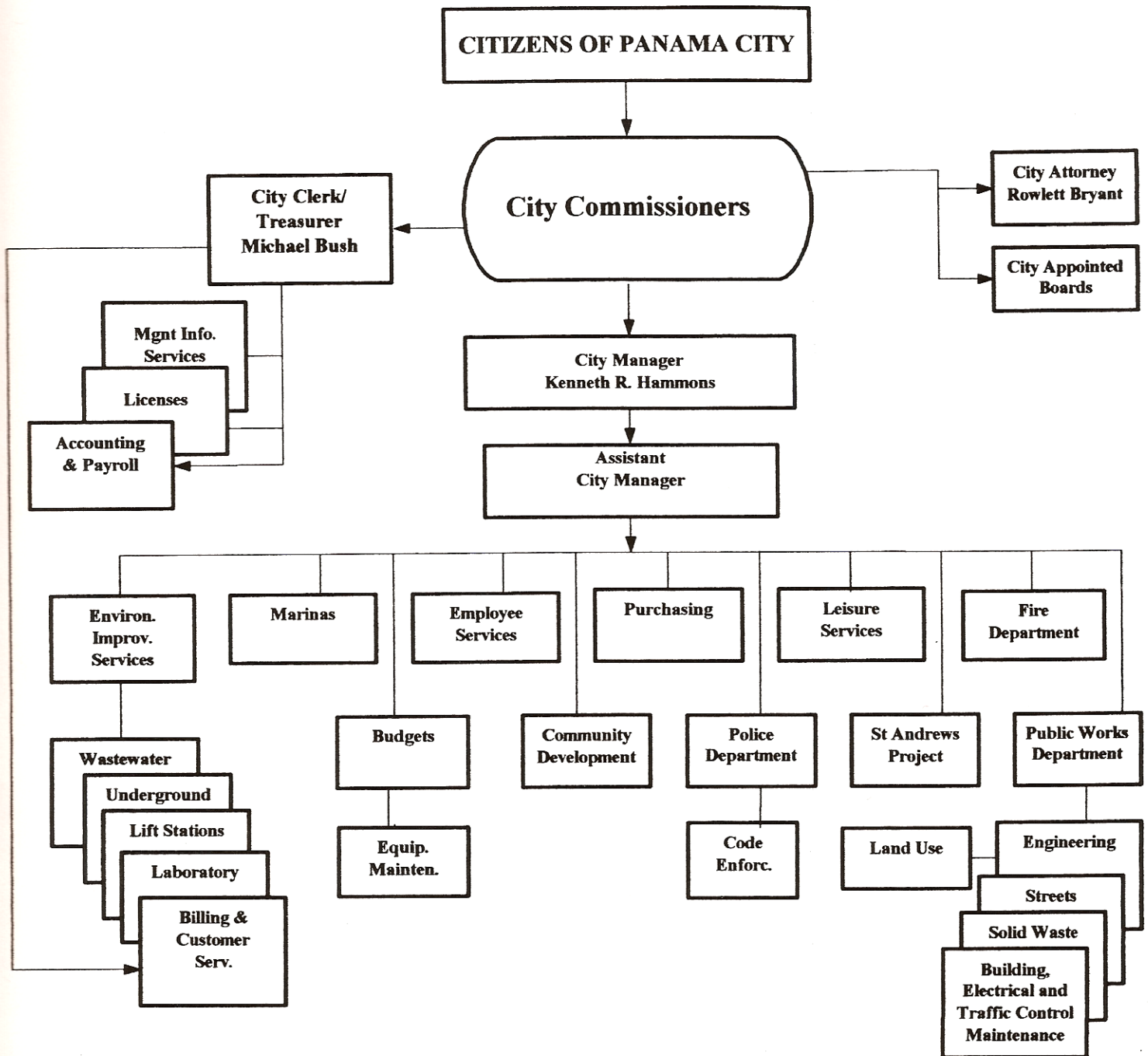
Michael Bush

INDEPENDENT AUDITORS

Tipton, Marler, Garner & Chastain

ORGANIZATIONAL CHART

Fiscal Year 2004



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, 2003

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.



Nancy L. Zielke

President

Jeffrey R. Enen

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**

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, 2004, 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, 2004, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 17, 2004, 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 non-major 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 non-major 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.

Tipton, Mauler, Harris & Chastain

Panama City, Florida
December 17, 2004

**CITY OF PANAMA CITY, FLORIDA
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED SEPTEMBER 30, 2004**

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, 2004. 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 \$103,457,090, of which \$89,446,007 is attributable to capital assets. Governmental activities include \$23,531,029 in unrestricted net assets and \$13,315,150 in restricted net assets. For business-type activities unrestricted net assets total \$17,344,873 and restricted net assets total \$5,411,678.
- The increase in total net assets of the City is \$2,879,098. The governmental activities increased by \$1,759,996 and the business-type activities increased by \$1,119,102. Overall, the City's financial position improved during fiscal year 2004.
- The governmental activities revenue increased by \$1.4 million(4.8%). The largest increase occurred in capital grants and contributions and is due to the transfer of several downtown buildings from the Panama City Downtown Improvement Board to the City. The business activities revenue increased by \$1.1 million (6.13%).
- The governmental activities expenses increased \$758,911 (2.5%). Business-type activities expenses increased by \$893,447 (5.6%), which was due to increases in each of the categories of personal services, operating expenses and depreciation.
- 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 \$16,554,569, a decrease of \$1.9 million. The decrease is due to payment of budgeted transfers to fund capital projects.
- The City of Panama City reported a total debt decrease of \$1.2 million during fiscal year 2004. Water & Sewer Revenue Bonds, Series 1996, were refunded to take advantage of more favorable interest rates, effecting no material change in total debt due in the business-type activities. Included in the 2003 balance of the governmental activities are bonds payable in the amount of \$4.7 million that were inadvertently excluded in last year's report due to a "cross-over" refunding in 2001. The debt is offset by restricted cash in the 2001 bond debt service fund.

USING THIS ANNUAL REPORT

This year's annual report was prepared in conformance to the Governmental Accounting Standard 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*.

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 column 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 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 75. 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 79.

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 \$103,457,090 at the close of the most recent fiscal year.

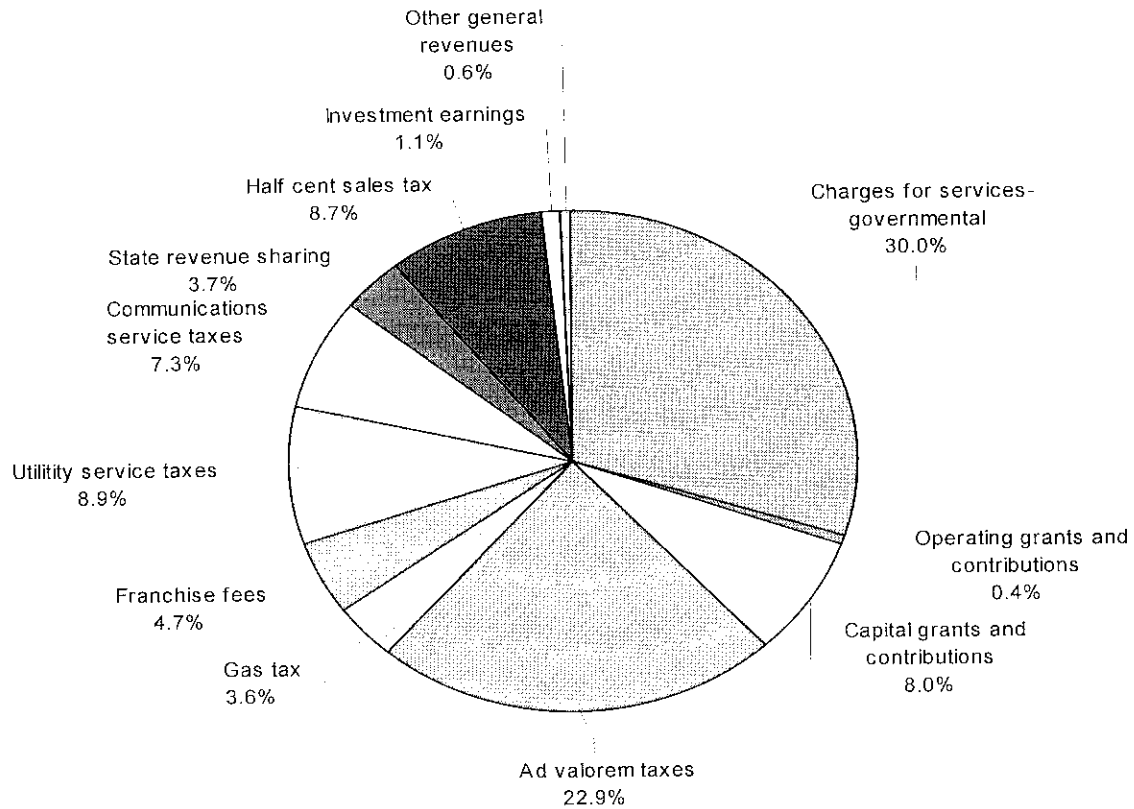
The City's investment in capital assets (42%) includes land, buildings, machinery, equipment, and infrastructure net of any related outstanding debt used to acquire those assets. The City of Panama City uses these capital assets to provide services to citizens; consequently, these assets are *not* available 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 40% of net assets.

Key elements of the increases and decreases are as follows:

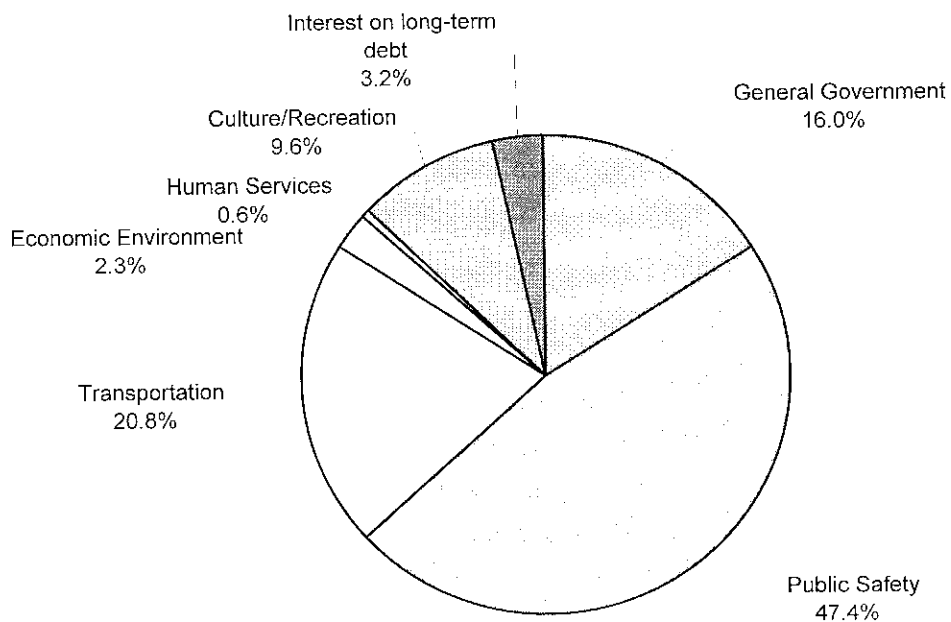
CITY OF PANAMA CITY, FLORIDA
CHANGES IN NET ASSETS
FISCAL YEARS ENDED SEPTEMBER 30, 2004 AND 2003

	Governmental Activities 2004	Governmental Activities 2003	Business- Type Activities 2004	Business- Type Activities 2003	Total 2004	Total 2003
Program Revenues:						
Charges for services-governmental	\$9,358,638	\$8,852,636			\$9,358,638	\$8,852,636
Charges for services-utilities			\$11,354,230	\$10,852,751	11,354,230	10,852,751
Charges for services-solid waste			5,264,403	4,937,081	5,264,403	4,937,081
Charges for services-marinas			2,786,679	2,476,396	2,786,679	2,476,396
Operating grants and contributions	132,241	639,338			132,241	639,338
Capital grants and contributions	2,491,066	920,795			2,491,066	920,795
General Revenues:						
Taxes:						
Ad valorem taxes	7,124,049	6,700,104			7,124,049	6,700,104
Gas tax	1,121,380	1,151,270			1,121,380	1,151,270
Franchise fees	1,475,953	1,374,503			1,475,953	1,374,503
Utility service taxes	2,760,813	2,671,193			2,760,813	2,671,193
Communications service taxes	2,289,180	2,691,777			2,289,180	2,691,777
State revenue sharing	1,164,256	1,115,624			1,164,256	1,115,624
Half cent sales tax	2,712,635	2,739,453			2,712,635	2,739,453
Impact fees			457,135	412,070	457,135	412,070
Investment earnings	338,630	184,012	273,744	335,334	612,374	519,346
Other general revenues	201,390	694,726	44,000		245,390	694,726
Total Revenues	31,170,231	29,735,431	20,180,191	19,013,632	51,350,422	48,749,063
Expenses						
General Government	5,051,175	4,773,373			5,051,175	4,773,373
Public Safety	14,936,815	14,077,442			14,936,815	14,077,442
Transportation	6,567,539	6,561,504			6,567,539	6,561,504
Economic Environment	720,117	688,504			720,117	688,504
Human Services	202,273	166,768			202,273	166,768
Culture/Recreation	3,013,855	2,995,241			3,013,855	2,995,241
Interest on long-term debt	1,020,964	1,292,359			1,020,964	1,292,359
Other		198,636				198,636
Water and sewer utilities			10,093,793	9,891,247	10,093,793	9,891,247
Solid waste operations			4,333,893	3,890,363	4,333,893	3,890,363
Marinas operations			2,530,900	2,283,529	2,530,900	2,283,529
Total Expenses	31,512,738	30,753,827	16,958,586	16,065,139	48,471,324	46,818,966
Increase (decrease) in net assets before transfers	-342,507	-1,018,396	3,221,605	2,948,493	2,879,098	1,930,097
Transfers	2,102,503	3,753,783	-2,102,503	-3,753,783		
Increase (decrease) in net assets	1,759,996	2,735,387	1,119,102	-805,290	2,879,098	1,930,097
Net assets beginning of year	55,346,649	52,611,262	45,231,343	46,036,633	100,577,992	98,647,895
Net assets end of year	\$57,106,645	\$55,346,649	\$46,350,445	\$45,231,343	\$103,457,090	\$100,577,992

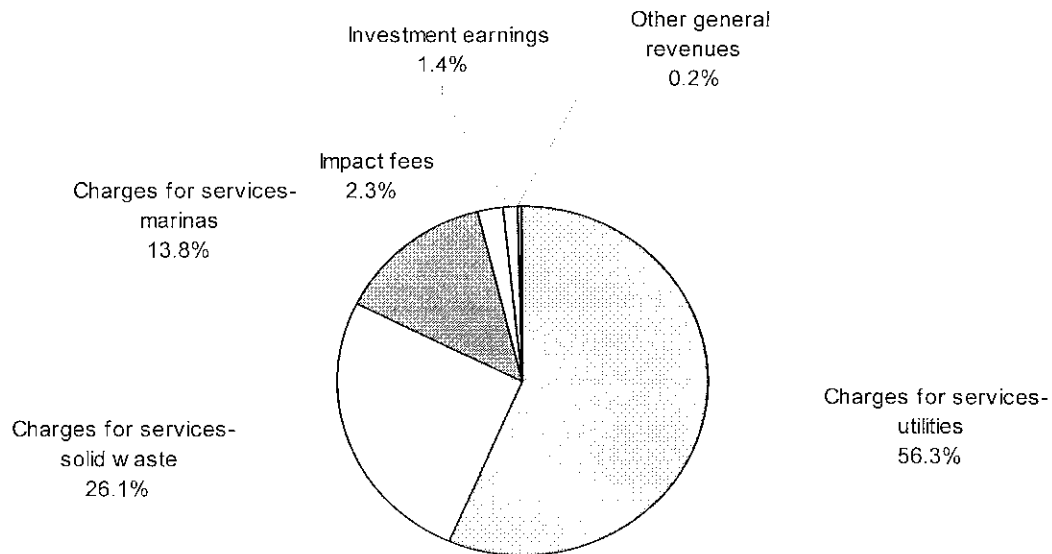
Revenues by Source - Governmental Activities



Expenses by source - Governmental Activities



Revenues by sources- Business-type Activities



Charges for services continue to be the largest revenue source in the governmental activities (30.0%), followed by ad valorem taxes (22.9%). Expenses in the governmental activities are highest in the public safety category (47.4%), followed by transportation (20.8%) and general government (16.0%).

Charges for services in the business-type activities are the major source of revenue (96.2%). Water and sewer utilities have the highest revenue and expenses, followed by solid waste, then marina operations. Increases in each operation occurred during 2004, with the largest percentage increase of 12.5% in the Marina fund.

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 2004, the fund balance decreased by \$1,974,119. The decrease was largely due to budgeted transfers to the capital projects fund in the amount of \$4.7 million. Revenue remained relatively stable with an increase of 1.4%. The largest increase was in the merchants license fees of \$530,833, which is reported in the charges for services category. Expenditures increased by 7.2%, the greatest amount occurring in the personal services area. One reason for the increase is due to payment of overtime during Tropical Storm Bonnie and Hurricane Ivan, as well as overtime for employees who traveled to

central Florida to assist another city after Hurricane Charley. The City has applied for reimbursement from federal and state agencies for a portion of 2004 expenses. The increase is also due to higher pension fund contributions and workers' compensation costs.

During fiscal year 2004, the Community Planning and Development fund balance increased by \$353,235. 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 \$5.7 million, which is held in escrow for repayment of the refunded bonds. Principal and interest payment obligations were met in a timely manner during the fiscal year. Payments for general bonded debt are funded by transfers from the City's general fund.

The City utilizes a Capital Projects fund to account for projects in the governmental activities costing over \$25,000. During the 2004 fiscal year, the fund balance increased by \$1.5 million. Capital projects are funded by transfers from the general fund, and \$4.7 million was transferred during the year. Expenditures decreased by \$2.1 million from the prior fiscal year due to the completion of several large transportation projects.

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 \$11,937,301, \$3,851,394, and \$1,607,413 respectively. The Utilities fund experienced an increase in net assets of \$1 million and the Solid Waste net assets increased by \$232,010. However, the Marina Fund net assets decreased by \$160,586 after transferring \$502,503 to pay debt service costs.

General Fund Budgetary Highlights

The difference between revenues in the general fund original budget and the final amended budget was a \$9,000 increase. The amended budget contained an additional \$1.6 million in expenditures from the original budget. The largest amendment was in the amount of \$569,250, which provided funds to purchase property for a new federal courthouse. Projects and encumbrances carried forward from fiscal year 2003 of \$447,328 were the next highest amount. Another \$264,529 provided a bonus for City employees termed "gain-sharing", based on the amount of budgeted funds saved during the previous fiscal year. In other financing sources and uses, amendments for expenditures were in the amount of \$964,583, of which over \$726,310 were for transfers to the capital projects fund for transportation projects.

Capital Assets

The City's investment in capital assets for its governmental and business type activities as of September 30, 2004, amount to \$89,446,007 (net of accumulated depreciation), which is an increase of \$4.5 million over fiscal year 2003. This investment in capital assets includes land, buildings, improvements, machinery and equipment, park facilities, roads and drainage systems. Additional information regarding the City's capital assets may be found in the notes to the financial statements on page 40.

CITY OF PANAMA CITY, FLORIDA CAPITAL ASSETS (net of depreciation) SEPTEMBER 30, 2004 AND 2003

	Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
Land	\$6,213,088	\$6,003,288	\$212,263	\$212,263	\$6,425,351	\$6,215,551
Construction in progress			6,458		6,458	
Buildings	11,742,816	10,729,406	27,993	29,326	11,770,809	10,758,732
Improvements other than buildings	3,037,061	2,799,748	42,911,922	39,704,185	45,948,983	42,503,933
Machinery and equipment	3,730,857	4,309,012	3,316,905	3,070,294	7,047,762	7,379,306
Infrastructure	18,246,644	18,077,283			18,246,644	18,077,283
Total	\$42,970,466	\$41,918,737	\$46,475,541	\$43,016,068	\$89,446,007	\$84,934,805

Debt Management

At the end of the fiscal year, the City had total bonded debt outstanding of \$45,585,189. 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 2004 may be found in the notes to the financial statements on beginning on page 45.

Outstanding Bonded Debt As Of September 30, 2004 and 2003

Governmental Activities 2004	Governmental Activities 2003	Business-type Activities 2004	Business-type Activities 2003	Total 2004	Total 2003
\$22,710,000	\$23,830,000	\$22,875,189	\$23,000,000	\$45,585,189	\$46,830,000

Other Information

The unemployment rate for the Bay County area was 5.1% and the state of Florida's average unemployment rate was 4.5%. 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, 2004

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Downtown Improvement Board	Panama City Port Authority
ASSETS					
Cash and cash equivalents	\$ 34,150,331	\$ 12,908,948	\$ 47,059,279	\$ 834,172	\$ 2,922,762
Investments	20,503		20,503	881,906	938,340
Receivables (net)					
Accounts	30,947	2,053,526	2,084,473	4,294	404,551
Special assessments	116,031	35,490	151,521		
Internal balances	54,805	(54,805)			
Prepaid expenses	333,974		333,974	6,684	28,895
Net pension asset	129,705		129,705		
Due from other governmental unit	528,486		528,486		
Inventories	80,395	111,111	191,506		
Deposits				990	
Restricted assets:					
Cash and cash equivalents		8,813,264	8,813,264		124,213
Investments					61,660
Notes receivable	4,975,177		4,975,177		37,522
Capital assets, net					
Non-depreciable	6,213,088	218,721	6,431,809	906,172	10,025,421
Depreciable	36,757,378	46,256,820	83,014,198	2,413,209	35,677,747
Unamortized bond issue costs		938,202	938,202		
Total Assets	83,390,820	71,281,277	154,672,097	5,047,427	50,221,111
LIABILITIES					
Accounts payable	1,066,168	344,917	1,411,085	9,328	1,141,051
Due to other governmental entities	342,026		342,026		
Accrued salaries	503,456	132,492	635,948		
Accrued taxes payable		8,322	8,322		
Unearned revenue		50,623	50,623	5,250	
Deposits	3,071	3,260	6,331	2,600	
Accrued interest payable		303,010	303,010	122,074	
Accrued other liabilities	452,697		452,697	4,885	189,176
Noncurrent liabilities					
Due within one year					
Compensated absences	301,688	107,375	409,063	16,489	
Bonds, notes and loans payable	5,905,000	830,000	6,735,000	190,603	224,430
Due in more than one year					
Deposits		783,518	783,518		
Compensated absences	905,069	322,126	1,227,195		
Bonds, notes and loans payable	16,805,000	22,045,189	38,850,189	653,945	4,331,791
Total Liabilities	26,284,175	24,930,832	51,215,007	1,005,174	5,886,448
NET ASSETS					
Invested in capital assets, net of related debt	20,260,466	23,593,894	43,854,360	3,319,381	41,146,947
Restricted for:					
Debt service	6,929,448	5,411,678	12,341,126	16,489	16,660
Self-insurance	1,139,063		1,139,063		
Noncurrent loans receivable	4,912,665		4,912,665		
Other purposes	333,974		333,974		
Unrestricted	23,531,029	17,344,873	40,875,902	706,383	3,171,056
Total net assets	\$ 57,106,645	\$ 46,350,445	\$ 103,457,090	\$ 4,042,253	\$ 44,334,663

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
STATEMENT OF ACTIVITIES
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Government activities:				
General government	\$ 5,051,175	\$ 8,350,593		
Public safety	14,936,815	464,877	\$ 88,459	\$ 5,107
Transportation	6,567,539	288,072		
Economic environment	720,117		33,381	1,002,545
Culture and recreation	3,013,855	163,896		1,483,414
Human services	202,273		7,415	
Other		91,200	2,986	
Interest on long-term debt	1,020,964			
Total governmental activities	<u>31,512,738</u>	<u>9,358,638</u>	<u>132,241</u>	<u>2,491,066</u>
Business-type activities:				
Utilities	10,093,793	11,354,230		
Solid Waste	4,333,893	5,264,403		
Marina	2,530,900	2,786,679		
Total business-type activities	<u>16,958,586</u>	<u>19,405,312</u>		
Total primary government	<u>\$ 48,471,324</u>	<u>\$ 28,763,950</u>	<u>\$ 132,241</u>	<u>\$ 2,491,066</u>
Component units:				
Downtown Improvement Board	\$ 1,598,563	\$ 198,616	\$ 149,391	
Panama City Port Authority	5,326,949	4,587,419		4,662,157
Total component units	<u>\$ 6,925,512</u>	<u>\$ 4,786,035</u>	<u>\$ 149,391</u>	<u>\$ 4,662,157</u>

General revenues:

 Taxes:

 Ad valorem taxes

 Gas tax

 Franchise fees

 Utility service tax

 Communications service tax

 State revenue sharing

 Half-cent sales tax

 Impact fees

 Investment earnings

 Miscellaneous

Transfers

Special Items

 Refund of grant

 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
\$ 3,299,418		\$ 3,299,418		
(14,378,372)		(14,378,372)		
(6,279,467)		(6,279,467)		
315,809		315,809		
(1,366,545)		(1,366,545)		
(194,858)		(194,858)		
94,186		94,186		
(1,020,964)		(1,020,964)		
(19,530,793)		(19,530,793)		
	\$ 1,260,437	1,260,437		
	930,510	930,510		
	255,779	255,779		
	2,446,726	2,446,726		
\$ (19,530,793)	\$ 2,446,726	\$ (17,084,067)		
			\$ (1,250,556)	
				\$ 3,922,627
			\$ (1,250,556)	\$ 3,922,627
7,124,049		7,124,049	675,790	
1,121,380		1,121,380		
1,475,953		1,475,953		
2,760,813		2,760,813		
2,289,180		2,289,180		
1,164,256		1,164,256		
2,712,635		2,712,635		
	457,135	457,135		
338,630	273,744	612,374	9,282	80,610
476,390	44,000	520,390	80,156	
2,102,503	(2,102,503)			
(275,000)		(275,000)		
21,290,789	(1,327,624)	19,963,165	765,228	80,610
1,759,996	1,119,102	2,879,098	(485,328)	4,003,237
55,346,649	45,231,343	100,577,992	4,527,581	40,331,426
\$ 57,106,645	\$ 46,350,445	\$ 103,457,090	\$ 4,042,253	\$ 44,334,663

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2004**

	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>
	<u>General</u>	<u>Community Planning and Development</u>	<u>Capital Improvement Bonds of 2001</u>
ASSETS			
Cash and cash equivalents	\$ 16,860,577	\$ 1,617,091	\$ 5,753,145
Investments	20,503		
Receivables, net			
Accounts	11,397		
Special Assessments	101,136	14,895	
Due from other funds	22,043		
Receivables from other governments	523,680		
Prepaid items	333,974		
Inventories	68,927		
Notes receivable	4,321	4,970,856	
Total assets	<u>\$ 17,946,558</u>	<u>\$ 6,602,842</u>	<u>\$ 5,753,145</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 446,260		
Due to other funds	18,276		
Due to other governmental entities		\$ 342,026	
Accrued wages payable	487,207	6,741	
Accrued other liabilities	437,175		
Deposits	3,071		
Total liabilities	<u>1,391,989</u>	<u>348,767</u>	<u>-</u>
Fund balances:			
Reserved for:			
Noncurrent loans receivable		4,912,665	
Capital projects			
Debt service			\$ 5,753,145
Other purposes	333,974		
Unreserved, reported in:			
General Fund	16,220,595		
Special revenue funds		1,341,410	
Debt service funds			
Capital projects funds			
Total fund balances	<u>16,554,569</u>	<u>6,254,075</u>	<u>5,753,145</u>
Total liabilities and fund balances	<u>\$ 17,946,558</u>	<u>\$ 6,602,842</u>	<u>\$ 5,753,145</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>
\$ 7,092,401	\$ 1,323,314	\$ 32,646,528
		20,503
		11,397
		116,031
		22,043
		523,680
		333,974
		68,927
		4,975,177
<u>\$ 7,092,401</u>	<u>\$ 1,323,314</u>	<u>\$ 38,718,260</u>
\$ 210,030		\$ 656,290
		18,276
		342,026
		493,948
	\$ 15,522	452,697
		3,071
<u>210,030</u>	<u>15,522</u>	<u>1,966,308</u>
		4,912,665
	1,176,303	6,929,448
		333,974
		16,220,595
		1,341,410
	131,489	131,489
<u>6,882,371</u>	<u>1,307,792</u>	<u>6,882,371</u>
<u>\$ 7,092,401</u>	<u>\$ 1,323,314</u>	<u>36,751,952</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	86,797,398
Less accumulated depreciation	(43,849,631)

The net pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds.

129,705

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.	1,168,471
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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	(22,710,000)
Compensated Absences	(1,181,250)

Net assets of governmental activities

\$ 57,106,645

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, 2004

	<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	\$ 14,771,375	\$ -	\$ -
Licenses and permits	8,088,609		
Intergovernmental	3,998,921	1,002,545	
Charges for services	1,117,353		
Investment earnings			2,910
Miscellaneous	422,459	35,541	
Total revenues	<u>28,398,717</u>	<u>1,038,086</u>	<u>2,910</u>
EXPENDITURES			
Current:			
General government	4,416,621		
Public safety	13,338,600		
Transportation	4,063,528		
Economic environment	357,017	362,602	
Human services	174,972		
Culture and recreation	2,318,068		
Debt service:			
Principal			335,000
Interest and other charges			253,589
Capital outlay			
Total expenditures	<u>24,668,806</u>	<u>362,602</u>	<u>588,589</u>
Excess (deficiency) of revenues over expenditures	<u>3,729,911</u>	<u>675,484</u>	<u>(585,679)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,048,665		690,945
Transfers out	(7,477,695)	(322,249)	
Other non-operating - refund of grant	(275,000)		
Total other financing sources and uses	<u>(5,704,030)</u>	<u>(322,249)</u>	<u>690,945</u>
Net change in fund balances	<u>(1,974,119)</u>	<u>353,235</u>	<u>105,266</u>
Fund Balances:			
Beginning of year, as previously reported	18,528,688	5,900,840	9,023,455
Prior Period Adjustment			(3,375,576)
Beginning of year, as restated	<u>18,528,688</u>	<u>5,900,840</u>	<u>5,647,879</u>
End of year	<u>\$ 16,554,569</u>	<u>\$ 6,254,075</u>	<u>\$ 5,753,145</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>
\$ -	\$ -	\$ 14,771,375
		8,088,609
	176,361	5,177,827
	30,646	1,147,999
94,602	2,923	100,435
	217,572	675,572
<u>94,602</u>	<u>427,502</u>	<u>29,961,817</u>
8,927		4,425,548
	78,830	13,417,430
1,197,642		5,261,170
		719,619
		174,972
268,088		2,586,156
	785,000	1,120,000
	767,375	1,020,964
<u>1,935,857</u>		<u>1,935,857</u>
<u>3,410,514</u>	<u>1,631,205</u>	<u>30,661,716</u>
<u>(3,315,912)</u>	<u>(1,203,703)</u>	<u>(699,899)</u>
4,989,194	1,310,668	9,039,472
(167,693)	(385,566)	(8,353,203)
		(275,000)
<u>4,821,501</u>	<u>925,102</u>	<u>411,269</u>
<u>1,505,589</u>	<u>(278,601)</u>	<u>(288,630)</u>
5,376,782	1,586,393	40,416,158
		(3,375,576)
<u>5,376,782</u>	<u>1,586,393</u>	<u>37,040,582</u>
<u>\$ 6,882,371</u>	<u>\$ 1,307,792</u>	<u>\$ 36,751,952</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, 2004**

Net change in fund balances - total governmental funds \$ (288,630)

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	3,241,414	
Less current year depreciation	<u>(3,649,175)</u>	(407,761)

The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, donations) is to increase assets. 1,456,682

The net pension asset resulting from contributions in excess of the annual required contribution are not financial resources and therefore are not reported in the funds. (1,440)

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	1,120,000
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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	(18,534)
--	----------

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. (100,321)

Change in net assets of governmental activities	<u><u>\$ 1,759,996</u></u>
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See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
SEPTEMBER 30, 2004**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
ASSETS					
Current assets:					
Cash and cash equivalents	\$ 7,639,250	\$ 3,790,024	\$ 1,479,674	\$ 12,908,948	\$ 1,503,803
Due from other governmental unit					4,806
Receivables, net					
Accounts	1,307,792	615,330	130,404	2,053,526	19,551
Special assessments		35,490		35,490	
Due from other funds	5,403			5,403	597
Inventories			111,111	111,111	11,468
Total current assets	8,952,445	4,440,844	1,721,189	15,114,478	1,540,225
Noncurrent assets:					
Restricted cash and cash equivalents:					
Impact fee account	3,401,586			3,401,586	
Cash with fiscal agent	1,454,616			1,454,616	
Revenue bond - future debt reserve accounts	815,580			815,580	
Revenue bond contingency (renewal and replacement) account	3,141,482			3,141,482	
Capital assets:					
Land	1,023	211,240		212,263	
Buildings			39,990	39,990	
Improvements other than buildings		11,538	12,395,571	12,407,109	
Machinery and equipment	3,501,907	4,436,130	73,957	8,011,994	168,064
Utility system	65,075,522			65,075,522	
Less accumulated depreciation	(28,382,745)	(2,481,118)	(8,413,932)	(39,277,795)	(145,365)
Construction work in progress			6,458	6,458	
Unamortized bond issue costs	938,202			938,202	
Total noncurrent assets	49,947,173	2,177,790	4,102,044	56,227,007	22,699
Total assets	58,899,618	6,618,634	5,823,233	71,341,485	1,562,924
LIABILITIES					
Current liabilities:					
Accounts payable	186,759	127,659	26,611	341,029	409,878
Due to other funds		8,601	372	8,973	794
Accrued salaries	79,446	44,364	8,682	132,492	9,508
Compensated absences	73,573	28,211	5,591	107,375	6,376
Accrued taxes payable			8,322	8,322	
Deferred revenue			50,623	50,623	
Deposits			3,260	3,260	
Total current liabilities	339,778	208,835	103,461	652,074	426,556
Current liabilities payable from restricted assets:					
Issuance cost payable	3,888			3,888	
Current portion of bonds payable	830,000			830,000	
Accrued interest payable	303,010			303,010	
Total current liabilities payable from restricted assets	1,136,898	-	-	1,136,898	-
Noncurrent liabilities:					
Compensated absences	220,717	84,636	16,773	322,126	19,131
Deposits	487,539	295,979		783,518	
Bonds, notes, and loans payable	22,045,189			22,045,189	
Total noncurrent liabilities	22,753,445	380,615	16,773	23,150,833	19,131
Total liabilities	24,230,121	589,450	120,234	24,939,805	445,687
NET ASSETS					
Invested in capital assets, net of related debt	17,320,518	2,177,790	4,095,586	23,593,894	22,699
Restricted for debt service	5,411,678			5,411,678	
Restricted for claims					1,139,063
Unrestricted	11,937,301	3,851,394	1,607,413	17,396,108	(44,525)
Total net assets	\$ 34,669,497	\$ 6,029,184	\$ 5,702,999	\$ 46,401,680	\$ 1,117,237
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(51,235)	
Net assets of business-type activities				\$ 46,350,445	

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, 2004

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
Operating Revenues:					
Charges for services	\$ 10,924,299	\$ 5,255,207	\$ 2,786,679	\$ 18,966,185	\$ 1,060,839
Tap fees and penalties	412,460			412,460	
Contributions					1,180,582
Miscellaneous	17,471	9,196		26,667	2,360
Total operating revenues	<u>11,354,230</u>	<u>5,264,403</u>	<u>2,786,679</u>	<u>19,405,312</u>	<u>2,243,781</u>
Operating expenses:					
Personal services	2,860,792	1,444,074	303,650	4,608,516	318,122
Operating expenses	4,339,503	2,356,597	1,870,396	8,566,496	1,407,262
Insurance claims and expenses					2,554,233
Depreciation	1,694,887	329,081	312,752	2,336,720	7,006
Total operating expenses	<u>8,895,182</u>	<u>4,129,752</u>	<u>2,486,798</u>	<u>15,511,732</u>	<u>4,286,623</u>
Operating income (loss)	<u>2,459,048</u>	<u>1,134,651</u>	<u>299,881</u>	<u>3,893,580</u>	<u>(2,042,842)</u>
Nonoperating revenues (expenses):					
Interest and investment revenue	211,814	42,956	18,974	273,744	9,526
Impact fees	457,135			457,135	
Interest expense	(839,338)	(25)		(839,363)	
Other debt service costs	(27,582)			(27,582)	
Insurance proceeds					
Capital contributions			44,000	44,000	
Loss on sale of asset	(5,554)	(57,593)		(63,147)	
Total nonoperating revenues (expenses)	<u>(203,525)</u>	<u>(14,662)</u>	<u>62,974</u>	<u>(155,213)</u>	<u>9,526</u>
Income (loss) before contributions and transfers	<u>2,255,523</u>	<u>1,119,989</u>	<u>362,855</u>	<u>3,738,367</u>	<u>(2,033,316)</u>
Transfers:					
Transfers in					1,916,599
Transfers out	(1,156,610)	(887,979)	(523,441)	(2,568,030)	(34,838)
	<u>(1,156,610)</u>	<u>(887,979)</u>	<u>(523,441)</u>	<u>(2,568,030)</u>	<u>1,881,761</u>
Change in net assets	<u>1,098,913</u>	<u>232,010</u>	<u>(160,586)</u>	<u>1,170,337</u>	<u>(151,555)</u>
Total net assets - beginning of year	<u>33,570,584</u>	<u>5,797,174</u>	<u>5,863,585</u>		<u>1,268,792</u>
Total net assets - end of year	<u>\$ 34,669,497</u>	<u>\$ 6,029,184</u>	<u>\$ 5,702,999</u>		<u>\$ 1,117,237</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(51,235)	
				<u>\$ 1,119,102</u>	
Change in net assets of business-type activities					

See the accompanying notes.



**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004**

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Utilities	Solid Waste	Marina	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers	\$ 11,346,019	\$ 5,228,867	\$ 2,755,112	\$ 19,329,998	\$ 1,061,568
Payments to suppliers	(4,853,285)	(2,321,011)	(1,967,310)	(9,141,606)	(701,807)
Payments to employees	(2,785,118)	(1,395,753)	(293,586)	(4,474,457)	(305,100)
Cash received for insurance contributions					1,162,925
Claims paid					(3,303,206)
Net cash provided by (used in) operating activities	3,707,616	1,512,103	494,216	5,713,935	(2,085,620)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating transfers in					1,916,599
Operating transfers out	(1,156,610)	(887,979)	(523,441)	(2,568,030)	(34,838)
Net cash provided by (used in) noncapital financing activities	(1,156,610)	(887,979)	(523,441)	(2,568,030)	1,881,761
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	11,357,875			11,357,875	
Purchases of capital assets	(5,029,333)	(873,890)	(75,284)	(5,978,507)	(9,816)
Principal paid on capital debt	(11,660,000)			(11,660,000)	
Interest paid on capital debt	(839,338)	(25)		(839,363)	
Capital Contributions			44,000	44,000	
Impact fees	457,135			457,135	
Net cash provided by (used in) capital and related financing activities	(5,713,661)	(873,915)	(31,284)	(6,618,860)	(9,816)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest and dividends	211,814	42,956	18,973	273,743	9,526
Insurance proceeds	0	132,963		132,963	
	211,814	175,919	18,973	406,706	9,526
Net increase (decrease) in cash and cash equivalents	(2,950,841)	(73,872)	(41,536)	(3,066,249)	(204,149)
Balances - beginning of the year	19,403,355	3,863,896	1,521,210	24,788,461	1,707,952
Balances - end of the year	\$ 16,452,514	\$ 3,790,024	\$ 1,479,674	\$ 21,722,212	\$ 1,503,803

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)	\$ 2,459,048	\$ 1,134,651	\$ 299,881	\$ 3,893,580	\$ (2,042,842)
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation expense	1,694,887	329,081	312,752	2,336,720	7,006
Loss on sale of asset					
Change in assets and liabilities:					
Receivables, net	(143,323)	(55,819)	(61,557)	(260,699)	(17,849)
Due from other funds	6,352			6,352	(597)
Due from other governmental units		5877		5,877	(842)
Inventories			8,595	8,595	7,144
Accounts and other payables	(394,046)	28,080	(105,509)	(471,475)	1,288
Accrued expenses	70,175	39,838	8,538	118,551	8,507
Accrued interest	(91,684)			(91,684)	
Compensated absences	5,499	8,483	2,276	16,258	4,515
Issuance cost payable	(17,632)			(17,632)	
Due to other funds	(10,420)	1,629		(8,791)	(51,950)
Deposits	128,760	20,283	897	149,940	
Deferred revenue			28,343	28,343	
Net cash provided by (used in) operating activities	<u>\$ 3,707,616</u>	<u>\$ 1,512,103</u>	<u>\$ 494,216</u>	<u>\$ 5,713,935</u>	<u>\$ (2,085,620)</u>
Reconciliation of Cash and Cash Equivalents per Statement of Cash Flows to the Statement of Net Assets:					
Cash and cash equivalents	\$ 7,639,250	\$ 3,790,024	\$ 1,479,674	\$ 12,908,948	\$ 1,503,803
Restricted cash and cash equivalents					
Impact fee account	3,401,586			3,401,586	
Cash with fiscal agent	1,454,616			1,454,616	
Revenue bond - future debt reserve accounts	815,580			815,580	
Revenue bond contingency account	3,141,482			3,141,482	
Total cash and cash equivalents	<u>\$ 16,452,514</u>	<u>\$ 3,790,024</u>	<u>\$ 1,479,674</u>	<u>\$ 21,722,212</u>	<u>\$ 1,503,803</u>

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2004**

	Pension Funds	Agency Funds
ASSETS		
Cash and cash equivalents		\$ 9,807
Investments	\$ 41,617,990	
Total assets	<u>41,617,990</u>	<u>9,807</u>
LIABILITIES		
Accounts payable	5,243	
Deferred revenue	105,708	
Accrued payroll deductions and matching		9,807
Total liabilities	<u>110,951</u>	<u>\$ 9,807</u>
NET ASSETS		
Held in trust for pension benefits and other purposes	<u>\$ 41,507,039</u>	

See the accompanying notes.

CITY OF PANAMA CITY, FLORIDA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Pension Trust
ADDITIONS	
Contributions:	
Employer	\$ 1,363,681
State	596,156
Plan members	400,471
Other	2,205
Total contributions	<u>2,362,513</u>
Investment earnings:	
Net appreciation in fair value of investments	2,426,565
Interest	<u>1,129,663</u>
Total investment earnings	3,556,228
Less investment expense	<u>(381,795)</u>
Net investment earnings	<u>3,174,433</u>
 Total additions	 <u>5,536,946</u>
 DEDUCTIONS	
Benefits	(2,776,208)
Refunds of contributions	(76,779)
Administrative expenses	<u>(6,546)</u>
Total deductions	<u>(2,859,533)</u>
 Change in net assets	 2,677,413
 Net Assets Held in Trust for Pension Benefits:	
Beginning of the year	<u>38,829,626</u>
End of the year	<u>\$ 41,507,039</u>

See the accompanying notes.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

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.

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

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

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 2004, 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.

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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).

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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 30th.

Inventories and prepaid items

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

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Stewardship, compliance and accountability

Budgetary information

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

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

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

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, 2004, the carrying amount of the City's deposits was \$11,304,231 and the bank balance was \$10,261,020. 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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

2.2 Investments.

Primary Government:

The City's investments at September 30, 2004, 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.

	Category		Carrying	Fair
	1	2	Amount	Value
U.S. Government Securities			\$42,153,911	\$ 42,153,911
Investments in State Treasurer's Investment Pool			15,848	15,848
Investment in a Repurchase Agreement Pool backed with U.S. Government Securities		\$ 2,428,862	2,428,862	2,428,862
Total Investments			44,598,621	44,598,621
Total Deposits			11,304,231	11,304,231
Total Deposits and Investments			\$55,902,852	\$ 55,902,852

The amounts shown above include restricted amounts in the Enterprise Funds of \$8,813,264 in the U.S. Government Securities and include amounts in the agency fund of \$9,807.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

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 \$15.7 thousand to \$15.8 thousand in the pool from October 1, 2003 to September 30, 2004. 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.

Firemen, Policemen, and Senior Management 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, policemen, and Senior Management pension funds:

	<u>Fair Value</u>
Deposits:	
Cash and miscellaneous cash equivalents	\$ 1,406,656
Investments:	
Common Stock	22,113,902
U.S. Treasury bonds	4,042,636
Bonds and notes	4,200,596
Government agencies	7,286,474
Mutual Fund	<u>2,567,726</u>
Total	<u>\$ 41,617,990</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Component Unit – Panama City Downtown Improvement Board:

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	\$ 834,172	\$	\$	\$ 834,172	\$ 834,172

No investments were made by the Board during the year that were not held at September 30, 2004.

Component Unit – Panama City Port Authority:

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, 2004, the carrying amount of the Port's deposits, including certificates of deposit, was \$4,046,775, and the bank balance was \$3,093,362. 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 Amount</u>	<u>Fair Value</u>
	<u>1</u>	<u>2</u>		
Repurchase agreements - Cash equivalents	\$ 847,000		\$ 847,000	\$ 847,000

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

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 2034.

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2004 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	\$ 6,003,288	\$ 209,800		\$ 6,213,088
Capital assets, being depreciated:				
Buildings	19,162,906	1,757,319		20,920,225
Improvements other than buildings	4,357,834	445,761		4,803,595
Machinery and equipment	12,153,491	1,136,404	\$ 194,375	13,095,520
Infrastructure	<u>40,573,616</u>	<u>1,214,053</u>		<u>41,787,669</u>
Total capital assets being depreciated	<u>76,247,847</u>	<u>4,553,537</u>	<u>194,375</u>	<u>80,607,009</u>
Less accumulated depreciation for:				
Buildings	8,433,500	743,909		9,177,409
Improvements other than buildings	1,558,086	208,448		1,766,534
Machinery and equipment	7,844,479	1,673,943	153,759	9,364,663
Infrastructure	<u>22,496,333</u>	<u>1,044,692</u>		<u>23,541,025</u>
Total accumulated depreciation	<u>40,332,398</u>	<u>3,670,992</u>	<u>153,759</u>	<u>43,849,631</u>
Total capital assets, being depreciated, net	<u>35,915,449</u>	<u>882,545</u>	<u>40,616</u>	<u>36,757,378</u>
Governmental activities capital assets, net	<u>\$41,918,737</u>	<u>\$ 1,092,345</u>	<u>\$ 40,616</u>	<u>\$ 42,970,466</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 4 - CAPITAL ASSETS (Continued)

Primary Government (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 212,263			\$ 212,263
Construction in progress		\$ 6,458		6,458
Total capital assets not being depreciated	<u>212,263</u>	<u>6,458</u>		<u>218,721</u>
Capital assets, being depreciated:				
Buildings and system	39,990			39,990
Improvements other than buildings	72,584,550	4,920,270		77,504,820
Machinery and equipment	<u>7,402,510</u>	<u>1,081,699</u>	\$ 494,404	<u>7,989,805</u>
Total capital assets, being depreciated	<u>80,027,050</u>	<u>6,001,969</u>	<u>494,404</u>	<u>85,534,615</u>
Less accumulated depreciation for:				
Buildings and system	10,664	1,333		11,997
Improvements other than buildings	32,880,365	1,712,533		34,592,898
Machinery and equipment	<u>4,332,216</u>	<u>638,978</u>	298,294	<u>4,672,900</u>
Total accumulated depreciation	<u>37,223,245</u>	<u>2,352,844</u>	<u>298,294</u>	<u>39,277,795</u>
Total capital assets, being depreciated, net	<u>42,803,805</u>	<u>3,649,125</u>	<u>196,110</u>	<u>46,256,820</u>
Business-type activities capital assets, net	<u>\$43,016,068</u>	<u>\$ 3,655,583</u>	<u>\$ 196,110</u>	<u>\$ 46,475,541</u>

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

Governmental activities:	
General government	\$ 367,261
Public safety	1,331,966
Highways and streets, including depreciation of general infrastructure assets	1,299,503
Culture and recreation	650,445
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>7,006</u>
Total depreciation expense - governmental activities	<u>\$ 3,656,181</u>

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

NOTE 4 - CAPITAL ASSETS (Continued)

Business-type activities:	
Utilities	\$ 1,694,887
Solid waste	329,081
Marina	<u>312,940</u>
 Total depreciation expense - business-type activities	 <u><u>\$ 2,336,908</u></u>

Discretely presented component units

Activity for the Panama City Port Authority for the year ended September 30, 2004, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$4,682,248	\$ 2,537,000		\$ 7,219,248
Construction in progress	<u>6,959,722</u>	<u>7,636,032</u>	<u>\$11,789,581</u>	<u>2,806,173</u>
Total capital assets not being depreciated	<u>11,641,970</u>	<u>10,173,032</u>	<u>11,789,581</u>	<u>10,025,421</u>
 Capital assets, being depreciated:				
Buildings	27,790,363	109,740		27,900,103
Improvements other than buildings	10,931,337	10,275,401		21,206,738
Machinery and equipment	<u>5,142,944</u>	<u>580,738</u>	<u>2,528,208</u>	<u>3,195,474</u>
Total capital assets being depreciated	<u>43,864,644</u>	<u>10,965,879</u>	<u>2,528,208</u>	<u>52,302,315</u>
 Less accumulated depreciation for:				
Buildings	9,017,465	741,475		9,758,940
Improvements other than buildings	4,197,345	326,574		4,523,919
Machinery and equipment	<u>2,659,132</u>	<u>150,408</u>	<u>467,831</u>	<u>2,341,709</u>
Total accumulated depreciation	<u>15,873,942</u>	<u>1,218,457</u>	<u>467,831</u>	<u>16,624,568</u>
 Total capital assets being depreciated, net	<u>27,990,702</u>	<u>9,747,422</u>	<u>2,060,377</u>	<u>35,677,747</u>
 Port Authority capital assets, net	<u><u>\$39,632,672</u></u>	<u><u>\$19,920,454</u></u>	<u><u>\$13,849,958</u></u>	<u><u>\$ 45,703,168</u></u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 4 - CAPITAL ASSETS (Continued)

Activity for the Panama City Downtown Improvement Board for the year ended September 30, 2004, 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	<u> </u>	<u> </u>	\$ 906,172
Capital assets, being depreciated:				
Buildings	2,384,539	\$ 460,551	\$ 887,354	1,497,185
Improvements other than buildings	1,224,195		219,827	1,464,919
Furniture and equipment	<u>296,779</u>	<u>6,023</u>	<u>61,352</u>	<u>241,450</u>
Total capital assets being depreciated	<u>3,905,513</u>	<u>466,574</u>	<u>1,168,533</u>	<u>3,203,554</u>
Less accumulated depreciation for:				
Buildings	507,536	37,527	161,642	383,421
Improvements other than buildings	164,913	24,585	13,977	175,521
Furniture and equipment	<u>269,127</u>	<u>13,012</u>	<u>50,736</u>	<u>231,403</u>
Total accumulated depreciation	<u>941,576</u>	<u>75,124</u>	<u>226,355</u>	<u>790,345</u>
Total capital assets being depreciated, net	<u>2,963,937</u>	<u>391,450</u>	<u>942,178</u>	<u>2,413,209</u>
Panama City Downtown Improvement Board capital assets, net	<u>\$3,870,109</u>	<u>\$ 391,450</u>	<u>\$ 942,178</u>	<u>\$ 3,319,381</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, 2004**

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 \$3,014,723 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 \$372,390 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, 2004, have been estimated and accrued at present value as a liability as of September 30, 2004. Changes in the balances of claims liabilities during the fiscal years 2004 and 2003 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>
2004	\$ 385,381	\$ 2,554,233	\$ 2,567,224	\$ 372,390
2003	373,101	2,409,316	2,397,036	385,381

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - LONG-TERM DEBT

Primary Government -Governmental Activities:

Long-term obligations at September 30, 2004, includes the following bond issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2004</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	\$ 3,175,000
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	4,245,000
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	5,045,000
Capital Improvement Revenue and Refunding Bonds, Series 1992, interest 2.8% to 6.125% payable semi-annually 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	1,750,000

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - LONG-TERM DEBT (Continued)

	<u>Authorized And Issued</u>	<u>Balance September 30, 2004</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	3,685,000
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>\$ 22,710,000</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, 2004**

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, 2004 includes the following bond issues:

	<u>Authorized And Issued</u>	<u>Balance September 30, 2004</u>
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	6,360,000
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.	4,980,000	4,980,000
Water and Sewer Revenue Refunding Bonds, Series 2004: dated August 1, 2004, interest from 2.0% to 4.25%, 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>12,590,000</u>	<u>12,590,000</u>
Total	<u>\$ 24,030,000</u>	<u>\$ 23,930,000</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - LONG-TERM DEBT (Continued)

Long-term liability activity for the year ended September 30, 2004, is as follows:

	Balance October 1, 2003	Increases	Decreases	Balance September 30, 2004	Due within One Year
Governmental Activities:					
1999 Capital Improvement Revenue bond	\$ 3,305,000		\$ 130,000	\$ 3,175,000	\$ 135,000
1997 Transportation Improvement Bond	4,455,000		210,000	4,245,000	220,000
1995 Capital Improvement Bond	5,345,000		300,000	5,045,000	5,045,000
1992 Capital Improvement Revenue/Refunding Bond	1,895,000		145,000	1,750,000	150,000
2001A Capital Improvement Revenue/Refunding Bond	4,020,000		335,000	3,685,000	355,000
2001B Capital Improvement Revenue/Refunding Bond	4,810,000			4,810,000	
Total Bonds payable	23,830,000		1,120,000	22,710,000	5,905,000
Compensated Absences	1,183,710	\$ 23,047		1,206,757	301,688
Total Long-term Liabilities	<u>\$25,013,710</u>	<u>\$ 23,047</u>	<u>\$1,120,000</u>	<u>\$23,916,757</u>	<u>\$ 6,206,688</u>

Included in the Capital Improvement Revenue Bonds, Series 1995 balance at October 1, 2003 is the portion of the bonds erroneously removed during the issuance of the Capital Improvement Revenue and Refunding Bonds, Series 2001A. The liability in the amount of \$4,730,000 should have remained in long-term debt as the refunding was a "cross-over" refunding and the bonds were not considered defeased.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - LONG-TERM DEBT (Continued)

	Balance October 1, 2003	<u>Increases</u>	<u>Decreases</u>	Balance September 30, 2004	Due within One Year
Business-Type Activities:					
Water & Sewer Revenue Bond, Series 1996	\$11,560,000		\$11,560,000		
Water & Sewer Revenue Refunding Bond Series 2003 A	6,460,000		100,000	\$ 6,360,000	\$ 830,000
Revenue Bond Series 2003 B	4,980,000			4,980,000	
Refunding Bond Series 2004		\$12,590,000		12,590,000	
Add (Deduct) deferred amounts on refunding		(1,404,428)		(1,404,428)	
on premium		349,617		349,617	
Total bonds payable	23,000,000	11,535,189	11,660,000	22,875,189	830,000
Compensated Absences	434,237		4,736	429,501	107,375
Total long-term liabilities	<u>\$23,434,237</u>	<u>\$ 11,535,189</u>	<u>\$11,664,736</u>	<u>\$ 23,304,690</u>	<u>\$ 937,375</u>

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

In lieu of a reserve account, the Water and Sewer Revenue Refunding Bonds, Series 2003 and 2004 Bonds ordinances authorized the purchase of a reserve account insurance policy.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - LONG-TERM DEBT (Continued)

Component Unit:

Panama City Port Authority

Changes in long-term debt obligation for the year ended September 30, 2004, are as follows:

	Balance October 1, 2003	Increases	Decreases	Balance September 30, 2004	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			\$ 251,000	\$ 45,000
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	125,000
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		51,269	805,221	54,430
	<u>\$ 4,607,490</u>		<u>\$ 51,269</u>	<u>\$ 4,556,221</u>	<u>\$ 224,430</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - LONG-TERM DEBT (Continued)

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, 2004, are as follows:

	<u>Required</u>	<u>Actual</u>	<u>Excess (Deficiency)</u>
Sinking Fund Reserve	\$ 60,035	\$ 61,660	\$ 1,625
Depreciation Reserve Fund			
Principal and Interest Sinking Fund	<u> </u>	<u> </u>	<u> </u>
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, 2004, are as follows:

Year Ended September 30	Revenue Bonds Payable Series 1968		Bank Line Of Credit		Limited Partnership Note Payable	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2005	\$ 45,000	\$ 10,854	\$ 250,000	\$ 58,969	\$ 54,430	\$ 46,833
2006	50,000	8,598	500,000	52,063	57,787	43,476
2007	50,000	6,223	500,000	43,562	61,352	39,911
2008	55,000	3,729	500,000	35,063	65,136	36,127
2009	51,000	1,211	500,000	26,562	69,153	32,110
2010-2012	<u> </u>	<u> </u>	<u>1,250,000</u>	<u>29,219</u>	<u>497,363</u>	<u>23,511</u>
	<u>\$ 251,000</u>	<u>\$ 30,615</u>	<u>\$ 3,500,000</u>	<u>\$ 245,438</u>	<u>\$ 805,221</u>	<u>\$ 221,968</u>

Panama City Downtown Improvement Board

On May 17, 2004, the Board established a \$300,000 line of credit with a local bank. Interest is payable monthly on the outstanding balance. Interest is .5% less than the prime rate of the bank. The line of credit matures May 17, 2005. At September 30, 2004, the Board had drawn \$140,936 against the line of credit and made no principal repayments.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - LONG-TERM DEBT (Continued)

The Board authorized a \$745,000 loan with a local bank for the purchase of the Train Depot property. The monthly payments are \$4,139 plus interest. Interest is variable and is based on the 30 day London InterBank Offered Rate plus 1.95 %, which was 3.70% at September 30, 2004. The loan matures October 10, 2008. Annual debt service requirements for the years ending September 20 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 49,667	\$ 25,191	\$ 74,858
2006	49,667	23,354	73,021
2007	49,667	21,516	71,183
2008	49,667	19,678	69,345
2009	504,944	4,632	509,576
	<u>\$ 703,612</u>	<u>\$ 94,371</u>	<u>\$ 797,983</u>

Compensated Absences

The amount of accrued vacation pay at September 30, 2004, is as follows:

	<u>Current Portion</u>	<u>Long-Term Portion</u>	<u>Primary Government Total</u>	<u>Component Unit Total</u>
Governmental activities	\$ 301,688	\$ 905,069	\$ 1,206,757	
Business-type activities	<u>107,375</u>	<u>322,126</u>	<u>429,501</u>	<u>\$ 16,489</u>
Total	<u>\$ 409,063</u>	<u>\$ 1,227,195</u>	<u>\$ 1,636,258</u>	<u>\$ 16,489</u>

ADVANCE REFUNDINGS

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 6 - LONG-TERM DEBT (Continued)

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

	<u>Fund Affected</u>	<u>Date Issued</u>	<u>Amount of Original Issue</u>	<u>Final Maturity Date</u>	<u>Amount of Bonds Outstanding at 9/30/04</u>
Water and Sewer Revenue Refunding Bonds	Utility	1982	\$ 6,600,000	10/01/07	\$ 2,230,000
Water and Sewer Revenue Refunding Bonds	Utility	1985	6,865,000	10/01/08	1,750,000
Capital Improvement Revenue Bonds	Capital Improv.	1986	3,900,000	10/01/07	980,000
Water and Sewer Revenue Refunding Bonds	Utility	1988	4,335,000	10/01/08	1,435,000
Water and Sewer Revenue Refunding Bonds	Utility	1990	7,697,494	10/01/14	4,745,000
Water and Sewer Revenue Refunding Bonds	Utility	1993	10,315,000	10/01/14	6,725,000
Water and Sewer Revenue Bonds	Utility	1996	11,560,000	10/01/18	11,560,000

During the year, the 2004 Water and Sewer Revenue Refunding Bonds totaling \$12,590,000 were issued to refund the 1996 Water and Sewer Revenue 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 \$615,887 over the next 15 years and resulted in an economic gain of \$468,459.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

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 \$67,905 in the General Fund during the fiscal year ended September 30, 2004. As of September 30, 2004, minimum rentals collectible on the noncancellable lease in the General Fund totaled \$1,220,000 as follows:

<u>Year</u>	<u>Port</u>
2005	\$ 20,000
2006	20,000
2007	20,000
2008	20,000
2009	20,000
2010-2014	100,000
2015-2019	100,000
2020-2024	100,000
2025-2029	100,000
2030-2034	100,000
2035-2039	100,000
2040-2044	100,000
2045-2049	100,000
2050-2054	100,000
2055-2059	100,000
2060-2064	100,000
2065	<u>20,000</u>
Total	<u>\$ 1,220,000</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

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, 2004, are as follows:

2005	\$ 1,616,026
2006	1,434,300
2007	1,201,333
2008	1,096,635
2009	<u>1,033,255</u>
Total	<u>\$ 6,381,549</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	8,352,682
Accumulated depreciation	<u>(2,972,937)</u>
Total	<u>\$ 5,790,428</u>

The Port Authority recognized \$1,804,361 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, 2004. Future minimum rental commitments at September 30, 2004, are as follows:

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 7 - LEASES (Continued)

2005	\$ 20,000
2006	20,000
2007	20,000
2008	20,000
2009	20,000
2010-2014	100,000
2015-2019	100,000
2020-2024	100,000
2025-2029	100,000
2030-2034	100,000
2035-2039	100,000
2040-2044	100,000
2045-2049	100,000
2050-2054	100,000
2055-2059	100,000
2060-2064	100,000
2065	<u>20,000</u>
Total	<u>\$ 1,220,000</u>

NOTE 8 - INTERFUND BALANCES AND TRANSFERS

The composition of interfund balances at September 30, 2004, are summarized as follows:

Due to/from other funds:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Primary Government		
Governmental Funds –		
Major -		
General Fund	\$ 22,043	\$ 18,276
Proprietary Funds –		
Major -		
Utilities	5,403	
Solid Waste		8,601
Marina		372
Nonmajor -		
Equipment Maintenance	<u>597</u>	<u>794</u>
Total	<u>\$ 28,043</u>	<u>\$ 28,043</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

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	2,048,665	7,477,695
CDBG		322,249
Capital Projects	<u>4,989,194</u>	<u>167,693</u>
Aggregate Major	<u>7,037,859</u>	<u>7,967,637</u>
Nonmajor		
General Grants		
Debt Service 1995	590,030	
Debt Service 1997	424,155	
Debt Service 1999	296,483	
Debt Service 2001	<u>690,945</u>	<u>385,566</u>
Aggregate Nonmajor	<u>2,001,613</u>	<u>385,566</u>
Proprietary Funds -		
Major		
Utility		1,156,610
Solid Waste		887,979
Marina		<u>523,441</u>
Aggregate Major		<u>2,568,030</u>
Nonmajor		
Medical	1,825,233	
Dental	91,366	
Equipment Maintenance		<u>34,838</u>
Aggregate Nonmajor	<u>1,916,599</u>	<u>34,838</u>
	<u>10,956,071</u>	<u>10,956,071</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 8 - INTERFUND BALANCES AND TRANSFERS (Continued)

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

NOTE 9 - RETIREMENT PLANS

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) offers a multiple-employer, cost-sharing defined benefit retirement system established by Chapter 121, Florida Statutes, and a multiple employer cost sharing, defined contribution plan, which is employee non-contributory. 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 in the defined benefit plan 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 defined benefit plan also provides disability and survivor benefits. Benefits are established by state statute. For those employees who choose to change from the defined benefit plan to the defined contribution plan, there is no normal retirement age. The value of the account belongs to the employee when employment ends after one year of vesting.
- 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 \$366,534. This is a noncontributory plan. Contributions made equaled required contributions for the current and two preceding years.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

Three-Year Trend Information

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contribution</u>
9/30/02	\$ 380,887	100%
9/30/03	309,803	100%
9/30/04	366,534	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, Firemen, and Senior Management 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, 2004, the date of the latest actuarial valuation:

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Sr Management Pension</u>
Current retirees and beneficiaries	61	59	0
Terminated with vested benefits	0	1	0
Active participants	<u>91</u>	<u>69</u>	<u>19</u>
Total Members	<u>152</u>	<u>129</u>	<u>19</u>
Number of participating employers	1	1	1

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

9.2 Policemen, Firemen and Senior Management Pension Trust Funds (Continued)

c. Pension Plan Description and Contribution Information

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management 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.	Age 59 with 10 years of credited service for Category I employees, or age 59 with 6 years of credited service for Category II and III employees. Categories are as follows: Category I - Information Technology Manager, Public Works Director, City Engineer, Utilities Director, Leisure Services Director, Human Resources Director, Budget Director, Purchasing Director, Director GDBG/SHIP, Marinas Director, Managers of Accounting Services and Planning Services. Category II - City Commission and City Clerk Category III - City Manager

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

9.2 Policemen, Firemen and Senior Management Pension Trust Funds (Continued)

c. Pension Plan Description and Contribution Information (Continued)

	<u>Policemen Pension (Continued)</u>				<u>Firemen Pension (Continued)</u>	<u>Senior Management Pension (Continued)</u>
Annual retirement benefit	Percentage of average final compensation according to the following schedule:				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.	The greater of 1% of average final compensation times the years of credited service, or a minimum benefit of \$50 per month for each year of credited service up to 20 years for Category I and II employees and a minimum benefit of \$100 per month for each year of credited service up to 10 years for Category III employees. Average final compensation is one twelfth of the average of the best 5 of the last 10 years of salary during credited service.
	<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	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.	Cost of living increases of 2% per year will be provided for employees in Category I with 15 continuous years of credited service and Category II and III employees with 10 continuous years of credited service.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

9.2 Policemen, Firemen and Senior Management Pension Trust Funds (Continued)

c. Pension Plan Description and Contribution Information (Continued)

	<u>Policemen Pension (Continued)</u>	<u>Firemen Pension (Continued)</u>	<u>Senior Management Pension (Continued)</u>
Contributions			
Employee	5.00% of salary	7.5% of salary	4.50% 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.	Remaining amount necessary after member contributions for payment of normal cost and amortization of accrued past service liability over 30 years.
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. Ordinances for the police, firemen and senior management require that the City contribute the amount shown on the most recent actuarial valuation as needed to equal the difference between the total aggregate member contributions and the total cost for that year. The City's contributions to the plans for the year ended September 30, 2004, were \$556,530 for policemen, \$705,720 for firemen and \$101,430 for senior management. The required contributions for 2004 were \$556,530 for policemen, \$705,720 for firemen, and \$102,149 for senior management. 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, firemen contribute 7.5 percent, and senior management contribute 4.5 percent of their regular wages and salaries. Fireman compensation includes overtime but excludes termination sick leave pay, sick leave bonus pay, health incentive pay, termination annual leave pay, and uniform allowances. Police compensation includes overtime, termination, sick leave and annual leave pay, but excludes sick leave bonus pay, health incentive pay, and uniform allowances. Administrative costs are financed through investment earnings.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

9.2 Policemen, Firemen and Senior Management Pension Trust Funds (Continued)

c. Pension Plan Description and Contribution Information

	<u>Policemen Pension</u>	<u>Firemen Pension</u>	<u>Senior Management 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.	Age 59 with 10 years of credited service for Category I employees, or age 59 with 6 years of credited service for Category II and III employees. Categories are as follows: Category I - Information Technology Manager, Public Works Director, City Engineer, Utilities Director, Leisure Services Director, Human Resources Director, Budget Director, Purchasing Director, Director GDBG/SHIP, Marinas Director, Managers of Accounting Services and Planning Services. Category II - City Commission and City Clerk Category III - City Manager

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

9.2 Policemen, Firemen and Senior Management Pension Trust Funds (Continued)

c. Pension Plan Description and Contribution Information (Continued)

	<u>Policemen Pension Continued</u>				<u>Firemen Pension (Continued)</u>	<u>Senior Management Pension (Continued)</u>
Annual retirement benefit	Percentage of average final compensation according to the following schedule:				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.	The greater of 1% of average final compensation times the years of credited service, or a minimum benefit of \$50 per month for each year of credited service up to 20 years for Category I and II employees and a minimum benefit of \$100 per month for each year of credited service up to 10 years for Category III employees. Average final compensation is one twelfth of the average of the best 5 of the last 10 years of salary during credited service.
	<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	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.	Cost of living increases of 2% per year will be provided for employees in Category I with 15 continuous years of credited service and Category II and III employees with 10 continuous years of credited service.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

9.2 Policemen, Firemen and Senior Management Pension Trust Funds (Continued)

c. Pension Plan Description and Contribution Information (Continued)

	<u>Policemen Pension (Continued)</u>	<u>Firemen Pension (Continued)</u>	<u>Senior Management Pension (Continued)</u>
Contributions			
Employee	5.00% of salary	7.5% of salary	4.50% 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.	Remaining amount necessary after member contributions for payment of normal cost and amortization of accrued past service liability over 30 years.
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. Ordinances for the police, firemen and senior management require that the City contribute the amount shown on the most recent actuarial valuation as needed to equal the difference between the total aggregate member contributions and the total cost for that year. The City's contributions to the plans for the year ended September 30, 2004, were \$556,530 for policemen, \$705,720 for firemen and \$101,430 for senior management. The required contributions for 2004 were \$556,530 for policemen, \$705,720 for firemen, and \$102,149 for senior management. 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, firemen contribute 7.5 percent, and senior management contribute 4.5 percent of their regular wages and salaries. Fireman compensation includes overtime but excludes termination sick leave pay, sick leave bonus pay, health incentive pay, termination annual leave pay, and uniform allowances. Police compensation includes overtime, termination, sick leave and annual leave pay, but excludes sick leave bonus pay, health incentive pay, and uniform allowances. Administrative costs are financed through investment earnings.

CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004

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.

Included in the beginning net assets is the 2003 fiscal year net pension asset in the amount of \$131,145.

Deposits and investments at fair value at September 30, 2004, are as follows:

	Policemen Pension	Firemen Pension	Senior Management Pension
Amounts representing 5% or more of total assets:			
U.S. Treasury Bonds and Notes		\$ 3,567,215	\$ 56,211
Corporate Bonds and Notes	\$ 3,089,321	1,111,275	
Common Stock	10,848,895	11,193,699	71,309
Government Agencies	3,287,007	3,999,467	
Mutual Funds	1,111,862	1,455,863	
Amounts representing less than 5% of total assets:			
U.S. Treasury Bonds	419,209		
Cash	<u>888,664</u>	<u>501,672</u>	<u>16,321</u>
Total Deposits and Investments	<u>\$ 19,644,958</u>	<u>\$21,829,191</u>	<u>\$143,841</u>
	Policemen Pension 9/30/04	Firemen Pension 9/30/04	Senior Management 9/30/04
Annual Required Contribution:			
Estimated member contributions	\$ 168,676	\$ 180,889	\$ 44,419
Available state contributions	297,198	193,453	
Minimum employer contributions	556,530	705,720	102,149
Annual required contribution with interest	1,008,428	1,059,190	146,568
Annual Pension Cost:			
Actuarially Determined Contribution	\$ 556,530	\$ 705,720	\$ 102,149
Interest on Net Pension Obligation	(4,751)	(5,741)	0
Adjustment to annual required contribution	<u>5,403</u>	<u>6,529</u>	<u>0</u>
Annual pension cost	557,182	706,508	102,149
Contributions made	<u>556,530</u>	<u>705,720</u>	<u>104,317</u>
Increase in Net Pension Obligation	652	788	(2,168)
Net Pension Obligation, Beginning of Year	<u>(59,382)</u>	<u>(71,763)</u>	<u>0</u>
Net Pension Obligation, End of Year	<u>\$ (58,730)</u>	<u>\$ (70,975)</u>	<u>\$ (2,168)</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

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

Year Ending	Policemen			Firemen		
	<u>9/30/04</u>	<u>9/30/03</u>	<u>9/30/02</u>	<u>9/30/04</u>	<u>9/30/03</u>	<u>9/30/02</u>
Actuarially Determined Contribution	\$556,530	\$ 508,206	\$ 194,931	\$ 705,720	\$ 557,559	\$ 327,110
Percentage of Annual Pension Cost Contributed	100%	100%	100%	100%	100%	100%
Net Pension Obligation	\$(58,730)	\$ (59,382)	\$ (60,041)	\$ (70,975)	\$ (71,763)	\$ (72,559)

Year Ending	Senior Management		
	<u>9/30/04</u>	<u>9/30/03</u>	<u>9/30/02</u>
Actuarially Determined Contribution	\$102,149	N/A	N/A
Percentage of Annual Pension Cost Contributed	102%		
Net Pension Obligation	\$(2,168)		

- f. *Financial statements.* The Policemen, Firemen and Senior Management Pension Trust Funds do not issue audited stand-alone financial statements but rely on the audit performed for the City.
- 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 2004. 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 75 through 77 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 a single employer defined contribution plan administered by CPI Qualified Plan Consultants, Inc.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

- 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.
- 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. The City Commission has the authority to change contribution amounts. Total pension expense amounted to \$369,377. This is a noncontributory plan. Contributions are as follows:

	Required Contribution	Percentage of the amount contributed
9/30/04	\$ 369,377	100%
9/30/03	348,364	100%
9/30/02	274,172	100%

**COMBINING STATEMENT OF PENSION PLAN NET ASSETS
SEPTEMBER 30, 2004**

	Policemen's Pension	Firemen's Pension	Senior Management's Pension	Totals
Assets:				
Investments	\$ 19,644,958	\$ 21,829,191	\$ 143,841	\$ 41,617,990
Liabilities:				
Accounts payable	\$ 3,115	\$ 2,128		\$ 5,243
Deferred revenue	49,404	56,304		105,708
Total liabilities	52,519	58,432		110,951
Net assets:				
Net assets held in trust for pension benefits	19,592,439	21,770,759	143,841	41,507,039
Total Liabilities and Net Assets	\$ 19,644,958	\$ 21,829,191	\$ 143,841	\$ 41,617,990

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

- 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.
- 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. The City Commission has the authority to change contribution amounts. Total pension expense amounted to \$369,377. This is a noncontributory plan. Contributions are as follows:

	<u>Required Contribution</u>	<u>Percentage of the amount contributed</u>
9/30/04	\$ 369,377	100%
9/30/03	348,364	100%
9/30/02	274,172	100%

**COMBINING STATEMENT OF PENSION PLAN NET ASSETS
SEPTEMBER 30, 2004**

	<u>Policemen's Pension</u>	<u>Firemen's Pension</u>	<u>Senior Management's Pension</u>	<u>Totals</u>
Assets:				
Investments	\$ 19,644,958	\$ 21,829,191	\$ 143,841	\$ 41,617,990
Liabilities:				
Accounts payable	\$ 3,115	\$ 2,128		\$ 5,243
Deferred revenue	49,404	56,304		105,708
Total liabilities	52,519	58,432		110,951
Net assets:				
Net assets held in trust for pension benefits	19,592,439	21,770,759	143,841	41,507,039
Total Liabilities and Net Assets	<u>\$ 19,644,958</u>	<u>\$ 21,829,191</u>	<u>\$ 143,841</u>	<u>\$ 41,617,990</u>

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

**COMBINING STATEMENT OF CHANGES IN PENSION PLAN NET ASSETS
FISCAL YEAR ENDED SEPTEMBER 30, 2004**

	Policemen's Pension	Firemen's Pension	Senior Management's Pension	Totals
Additions				
Contributions -				
Employee	\$ 182,651	\$ 175,109	\$ 42,711	\$ 400,471
City	556,530	705,720	101,431	1,363,681
State	363,396	232,760		596,156
Other	790	1,415		2,205
Total contributions	1,103,367	1,115,004	144,142	2,362,513
Investment income -				
Net appreciation (depreciation) in fair value of investments	995,460	1,431,105		2,426,565
Interest revenue	423,971	705,170	522	1,129,663
	1,419,431	2,136,275	522	3,556,228
Less investment expense	(170,743)	(210,229)	(823)	(381,795)
Net investment income (loss)	1,248,688	1,926,046	(301)	3,174,433
Total additions	2,352,055	3,041,050	143,841	5,536,946
Deductions				
Benefits	(1,287,640)	(1,488,568)		(2,776,208)
Refunds of contributions	(37,690)	(39,089)		(76,779)
Administration	(3,568)	(2,978)		(6,546)
Total deductions	(1,328,898)	(1,530,635)		(2,859,533)
Net Increase	1,023,157	1,510,415	143,841	2,677,413
Net Assets Held in Trust for Pension Benefits:				
Beginning of year	18,569,282	20,260,344		38,829,626
End of year	\$ 19,592,439	\$ 21,770,759	\$ 143,841	\$ 41,507,039

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

9.4 Component Units

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.

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 7.39% 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 \$28,648, \$19,432, and \$24,585 for the fiscal years ended September 30, 2004, 2003 and 2002, 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.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 9 - RETIREMENT PLANS (Continued)

- 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 \$15,969. This is a noncontributory plan. Contributions are as follows:

	<u>Required Contribution</u>	<u>Percentage of the amount contributed</u>
9/30/04	\$ 15,969	100%
9/30/03	33,827	100%
9/30/02	27,991	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.

NOTE 10 – AGENCY FUNDS

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

As required by Internal Revenue Code Section 457, the assets are held in trust for the employees' benefit. An administrator or committee, selected by the government, is responsible for the administration of the plan, including approval of certain investment alternatives (funds) which are made available to plan participants. The government has a fiduciary duty to administer the plans properly and to assure that the investment alternatives made available are reasonable. However, since plans 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 plans 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 plans are valued at market value and amount to \$2,019,909 as of September 30, 2004.

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 11 - ENCUMBRANCES

The amount of encumbrances outstanding as of September 30, 2004, is as follows:

Governmental Funds-	
General Fund	\$ 165,196
Capital Projects Fund	1,935,314
Proprietary Funds-	
Equipment Maintenance	3,467
Marina Fund	81,627
Utility Fund	<u>982,587</u>
 Total	 <u>\$ 3,168,191</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 considered immaterial for the fiscal year ended September 30, 2004.

The Equipment Maintenance Fund showed a deficit in net assets in the amount of \$21,826. This resulted from higher than anticipated cost of vehicle maintenance in prior fiscal years.

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, 2004, 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 \$477,000 that begins on October 1, 2004.

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

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 13 - COMMITMENTS AND CONTINGENCIES (Continued)

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, 2004 is \$996,000.

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.

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, 2004, are as follows:

General Fund	\$ 87,331
Capital Projects	1,902,008
Enterprise:	
Utilities	990,554
Marina	64,396

NOTE 14 – PRIOR PERIOD ADJUSTMENT

Primary Government:

For the year ending September 30, 2003, it was necessary to adjust the Capital Improvement for 2001 Debt Service fund for crossover refunded 1992 series bonds that were called. Cash and cash equivalents reserved for debt service and the fund balance reserved for debt service were overstated by \$3,375,576.

**CITY OF PANAMA CITY, FLORIDA
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2004**

NOTE 14 – PRIOR PERIOD ADJUSTMENT (Continued)

Component Unit - Downtown Improvement Board:

The Board purchased the Bay Line Railroad Depot Property as an investment. However, certain expenditures related to the purchase of this property were reported as capital outlay rather than as an investment held for resale. The amount of these expenditures, including a deposit on the purchase and expenditures for surveys, was \$28,250. Accordingly, the beginning fund balance of the Downtown North Community Redevelopment Agency was increased by \$28,250.

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, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Taxes	\$ 14,162,393	\$ 14,162,393	\$ 14,771,375	\$ 608,982
Licenses and permits	7,343,750	7,343,750	8,088,609	744,859
Intergovernmental	3,710,250	3,710,250	3,998,921	288,671
Charges for services	912,379	912,379	1,117,353	204,974
Miscellaneous	412,000	421,000	422,459	1,459
Total revenues	<u>26,540,772</u>	<u>26,549,772</u>	<u>28,398,717</u>	<u>1,848,945</u>
Expenditures:				
Current-				
General government	4,405,295	4,407,926	4,416,621	(8,695)
Public safety	13,338,766	13,786,548	13,338,600	447,948
Transportation	4,267,887	4,556,213	4,063,528	492,685
Economic environment	355,845	360,845	357,017	3,828
Human services	262,233	273,282	174,972	98,310
Culture/recreation	2,400,181	3,276,916	2,318,068	958,848
Total expenditures	<u>25,030,207</u>	<u>26,661,730</u>	<u>24,668,806</u>	<u>1,992,924</u>
Excess of revenues over expenditures	<u>1,510,565</u>	<u>(111,958)</u>	<u>3,729,911</u>	<u>3,841,869</u>
Other Financing Sources (Uses):				
Operating transfers - in	1,689,697	1,748,016	2,048,665	300,649
Operating transfers - out	(7,249,762)	(7,997,664)	(7,477,695)	519,969
Other non-operating		(275,000)	(275,000)	
Total other financing sources (uses)	<u>(5,560,065)</u>	<u>(6,524,648)</u>	<u>(5,704,030)</u>	<u>820,618</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	<u>(4,049,500)</u>	<u>(6,636,606)</u>	<u>(1,974,119)</u>	<u>4,662,487</u>
Fund Balances:				
Beginning of year	<u>18,528,688</u>	<u>18,528,688</u>	<u>18,528,688</u>	
End of year	<u>\$ 14,479,188</u>	<u>\$ 11,892,082</u>	<u>\$ 16,554,569</u>	<u>\$ 4,662,487</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, 2004**

	Original Budget	Final Budget	Actual	Variance
Legislative	\$ 231,708	\$ 291,503	\$ 269,370	\$ 22,133
Executive	667,166	701,074	541,163	159,911
Finance and Administration - City Clerk	781,068	790,050	781,375	8,675
Finance and Administration - Purchasing	24,732	25,125	19,678	5,447
Finance and Administration - Human Resources	262,233	273,282	264,751	8,531
Finance and Administration - Data Processing	331,162	334,144	325,097	9,047
Finance and Administration - Legal Counsel	253,317	286,317	291,916	(5,599)
Public Works - Engineering	753,131	761,093	666,475	94,618
Public Works - Street	4,267,887	4,556,213	4,063,528	492,685
Public Works - Other	1,100,778	945,338	937,536	7,802
Police	8,206,745	8,354,709	7,954,323	400,386
Fire	5,132,021	5,431,839	5,384,277	47,562
Leisure Services	2,096,914	1,619,839	1,526,766	93,073
Non-departmental	921,345	2,291,204	1,642,551	648,653
Total General Fund Expenditures by Department	<u>\$ 25,030,207</u>	<u>\$ 26,661,730</u>	<u>\$ 24,668,806</u>	<u>\$ 1,992,924</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, 2004**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental	\$ 850,655	\$ 850,665	\$ 1,002,545	\$ 151,880
Miscellaneous			35,541	35,541
Total revenues	<u>850,655</u>	<u>850,665</u>	<u>1,038,086</u>	<u>187,421</u>
Expenditures:				
Current-				
Economic environment -				
Housing and Urban Development	<u>634,114</u>	<u>800,782</u>	<u>362,602</u>	<u>438,180</u>
Total expenditures	<u>634,114</u>	<u>800,782</u>	<u>362,602</u>	<u>438,180</u>
Excess (deficiency) of revenues over (under) expenditures	216,541	49,883	675,484	625,601
Other Financing Sources (Uses):				
Operating transfers - out	<u>(314,455)</u>	<u>(327,730)</u>	<u>(322,249)</u>	<u>5,481</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(97,914)	(277,847)	353,235	631,082
Fund Balances:				
Beginning of year	<u>5,900,840</u>	<u>5,900,840</u>	<u>5,900,840</u>	
End of year	<u>\$ 5,802,926</u>	<u>\$ 5,622,993</u>	<u>\$ 6,254,075</u>	<u>\$ 631,082</u>

See independent auditor's report.

**CITY OF PANAMA CITY, FLORIDA
POLICEMEN RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2004**

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
10/1/99	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
10/1/04	20,819,322	25,273,970	4,454,648	82.37%	3,182,569	139.97%	CM

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
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%	*
2004	853,728	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, 2004**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Frozen Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage of Covered Payroll</u>	<u>Change Since Prior Valuation</u>
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
10/1/04	21,501,340	28,670,120	7,168,780	75.00%	2,411,859	297.23%	CM

CP = change plan provision

CA = change actuarial assumption

CM = change valuation method

N/A = information is not available

Schedule of Employer Contributions

<u>Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
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%	*
2004	899,173	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
SENIOR MANAGEMENT RETIREMENT FUND
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2004**

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) - Frozen Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL As A Percentage of Covered Payroll</u>	<u>Change Since Prior Valuation</u>
10/1/04	143,841	1,040,919	897,078	13.82%	974,245	92.08%	None

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

Schedule of Employer Contributions

<u>Year Ended September 30</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2004	102,149	102.12%	*

* Net Pension Obligation:

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, FIREMEN, AND SENIOR MANAGEMENT RETIREMENT FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
SEPTEMBER 30, 2004

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:

	Policemen Retirement Fund	Firemen Retirement Fund	Senior Management Retirement Fund
Actuarial Valuation:			
Valuation date	10/01/04	10/01/04	10/01/04
Actuarial cost method	Entry age normal	Entry age normal	Frozen entry age
Amortization:			
Amortization method	Level % of pay, closed	Level % of pay, closed	Level % of pay, closed
Remaining amortization period	29 years (closed)	29 years (closed)	29 years (closed)
Asset valuation method	4 Year Smooth (Market)	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	2% annual cost-of- living adjustment if member meets requirements
Investment rate of return	8%	8%	8%
Projected salary increases	6%	6%	4%
Includes inflation at	3%	3%	1.25% to 3.75%
Post retirement COLA	2% to social security retirement age	3% to social security retirement age	2% annual cost-of- living adjustment if member meets requirements

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, 2004

	Special Revenue	Debt Service	
		Capital Improvement Revenue Bonds of 1999	Transportation Improvement Revenue Bonds of 1997
ASSETS	General Grants		
Assets:			
Cash and cash equivalents-		\$ 215,653	\$ 322,783
Total Assets	\$ -	\$ 215,653	\$ 322,783
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accrued other liabilities		\$ 15,522	
Fund Balances:			
Reserved for:			
Debt service		199,873	\$ 322,472
Capital projects			
Unreserved - designated			
for debt service		258	311
Total fund balances		200,131	322,783
Total Liabilities and Fund Balances	\$ -	\$ 215,653	\$ 322,783

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
\$ 452,652	\$ 332,226		\$ 1,323,314
<u>\$ 452,652</u>	<u>\$ 332,226</u>	<u>\$ -</u>	<u>\$ 1,323,314</u>
			<u>\$ 15,522</u>
\$ 452,215	\$ 201,743		1,176,303
<u>437</u>	<u>130,483</u>		<u>131,489</u>
<u>452,652</u>	<u>332,226</u>		<u>1,307,792</u>
<u>\$ 452,652</u>	<u>\$ 332,226</u>	<u>\$ -</u>	<u>\$ 1,323,314</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, 2004

	<u>Special Revenue</u>	<u>Debt Service</u>	
		Capital Improvement Revenue Bonds of 1999	Transportation Improvement Revenue Bonds of 1997
	<u>General Grants</u>		
Revenues:			
Intergovernmental	\$ 137,348		
Charges for services	30,646		
Interest		\$ 405	\$ 796
Miscellaneous	217,572		
Total revenues	<u>385,566</u>	<u>405</u>	<u>796</u>
Expenditures:			
Current:			
Public safety			
Debt service-			
Principal retirement		130,000	210,000
Interest		163,683	209,355
Fiscal charges		1,050	539
Total expenditures	<u>0</u>	<u>294,733</u>	<u>419,894</u>
Excess (deficiency) of revenues over (under) expenditures	<u>385,566</u>	<u>(294,328)</u>	<u>(419,098)</u>
Other Financing Sources (Uses):			
Operating transfers - in		296,483	424,155
Operating transfers - out	<u>(385,566)</u>		
Total other financing sources (uses)	<u>(385,566)</u>	<u>296,483</u>	<u>424,155</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses		2,155	5,057
Fund Balances:			
Beginning of year		<u>197,976</u>	<u>317,726</u>
End of year	<u>\$ -</u>	<u>\$ 200,131</u>	<u>\$ 322,783</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
	\$ 39,013		\$ 176,361
			30,646
\$ 480	1,131	\$ 111	2,923
			217,572
480	40,144	111	427,502
		78,830	78,830
300,000	145,000		785,000
282,080	108,876		763,994
784	1,008		3,381
582,864	254,884	78,830	1,631,205
(582,384)	(214,740)	(78,719)	(1,203,703)
590,030			1,310,668
			(385,566)
590,030	0	0	925,102
7,646	(214,740)	(78,719)	(278,601)
445,006	546,966	78,719	1,586,393
\$ 452,652	\$ 332,226	\$ -	\$ 1,307,792

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, 2004**

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Intergovernmental	\$ 22,388	\$ 357,887	\$ 137,348	\$ (220,539)
Charges for services			30,646	30,646
Miscellaneous	67,309	67,309	217,572	150,263
Total revenues	<u>89,697</u>	<u>425,196</u>	<u>385,566</u>	<u>(39,630)</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>89,697</u>	<u>425,196</u>	<u>385,566</u>	<u>(39,630)</u>
Other Financing Sources (Uses):				
Operating transfers - out	<u>(89,697)</u>	<u>(385,215)</u>	<u>(385,566)</u>	<u>(351)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	39,981	0	(39,981)
Fund Balances:				
Beginning of year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
End of year	<u>\$ -</u>	<u>\$ 39,981</u>	<u>\$ -</u>	<u>\$ (39,981)</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, 2004

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Miscellaneous -interest	\$ 1,000	\$ 1,000	\$ 2,910	\$ 1,910
Expenditures:				
Debt service -	335,000	335,000	335,000	
Interest	355,942	355,942	252,561	103,381
Fiscal charges	1,000	1,000	1,028	(28)
Total expenditures	691,942	691,942	588,589	103,353
Excess (deficiency) of revenues over (under) expenditures	(690,942)	(690,942)	(585,679)	105,263
Other Financing Sources (Uses):				
Operating transfers - in	690,942	690,942	690,945	3
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	105,266	105,266
Fund Balances:				
Beginning of year	9,023,455	9,023,455	9,023,455	0
End of year	\$ 9,023,455	\$ 9,023,455	\$ 9,128,721	\$ 105,266

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, 2004

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Miscellaneous -interest	\$ 1,000	\$ 1,000	\$ 405	\$ (595)
Expenditures:				
Debt service -				
Principal retirement	130,000	130,000	130,000	
Interest	163,683	163,683	163,683	
Fiscal charges	1,000	1,000	1,050	(50)
Total expenditures	294,683	294,683	294,733	(50)
Excess (deficiency) of revenues over (under) expenditures	(293,683)	(293,683)	(294,328)	(645)
Other Financing Sources (Uses):				
Operating transfers - in	293,683	293,683	296,483	2,800
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	0	2,155	2,155
Fund Balances:				
Beginning of year	197,976	197,976	197,976	0
End of year	\$ 197,976	\$ 197,976	\$ 200,131	\$ 2,155

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, 2004

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Miscellaneous - interest	\$ 1,000	\$ 1,000	\$ 796	\$ (204)
Expenditures:				
Debt service -				
Principal retirement	210,000	210,000	210,000	
Interest	209,355	209,355	209,355	
Fiscal charges	1,000	1,000	539	461
Total expenditures	420,355	420,355	419,894	461
Excess (deficiency) of revenues over (under) expenditures	(419,355)	(419,355)	(419,098)	257
Other Financing Sources (Uses):				
Operating transfers - in	419,355	419,355	424,155	4,800
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses			5,057	5,057
Fund Balances:				
Beginning of year	317,726	317,726	317,726	0
End of year	\$ 317,726	\$ 317,726	\$ 322,783	\$ 5,057

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, 2004

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Miscellaneous -interest	\$ 1,000	\$ 1,000	\$ 480	\$ (520)
Expenditures:				
Debt service -				
Principal retirement	300,000	300,000	300,000	
Interest	282,080	282,080	282,080	
Fiscal charges	1,000	1,000	784	216
Total expenditures	583,080	583,080	582,864	216
Excess (deficiency) of revenues over (under) expenditures	(582,080)	(582,080)	(582,384)	(304)
Other Financing Sources (Uses):				
Operating transfers - in	582,080	582,080	590,030	7,950
Excess of revenues and other financing sources over expenditures and other financing uses	0	0	7,646	7,646
Fund Balances:				
Beginning of year	445,006	445,006	445,006	0
End of year	\$ 445,006	\$ 445,006	\$ 452,652	\$ 7,646

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, 2004

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Intergovernmental			\$ 39,013	\$ 39,013
Miscellaneous - interest	\$ 1,000	\$ 1,000	1,131	131
Total revenues	1,000	1,000	40,144	39,144
Expenditures:				
Debt service -				
Principal retirement	145,000	145,000	145,000	
Interest	108,876	108,876	108,876	
Fiscal charges	1,000	1,000	1,008	(8)
Total expenditures	254,876	254,876	254,884	(8)
Excess (deficiency) of revenues over (under) expenditures	(253,876)	(253,876)	(214,740)	39,152
Other Financing Sources (Uses):				
Operating transfers - in sources	292,889	292,889	0	(292,889)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	39,013	39,013	(214,740)	(253,737)
Fund Balances:				
Beginning of year	546,966	546,966	546,966	0
End of year	\$ 585,979	\$ 585,979	\$ 332,226	\$ (253,737)

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, 2004**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Miscellaneous -				
Interest revenue	\$ 200,000	\$ 200,000	\$ 94,602	\$ (105,398)
Expenditures:				
Current-				
General government	150,000	766,351	8,927	757,424
Transportation	862,500	1,971,644	1,197,642	774,002
Culture/recreation	185,000	352,050	268,088	83,962
Capital outlay-				
Public works	267,150	467,150		467,150
Public safety	324,000	796,216	325,984	470,232
Transportation	862,500	1,971,644	1,214,053	757,591
Culture/recreation	421,000	734,549	395,820	338,729
Total expenditures	3,072,150	7,059,604	3,410,514	3,649,090
Excess (deficiency) of revenues over (under) expenditures	(2,872,150)	(6,859,604)	(3,315,912)	3,543,692
Other Financing Sources (Uses)				
Operating transfers - in	4,300,000	4,300,000	4,989,194	689,194
Operating transfers - out	(167,693)	(170,343)	(167,693)	2,650
Total other financing sources (uses)	4,132,307	4,129,657	4,821,501	691,844
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	1,260,157	(2,729,947)	1,505,589	4,235,536
Fund Balances:				
Beginning of year	5,376,782	5,376,782	5,376,782	0
End of year	\$ 6,636,939	\$ 2,646,835	\$ 6,882,371	\$ 4,235,536

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, 2004**

	Budgeted Amounts			
	Original	Final	Actual	Variance
Revenues:				
Miscellaneous - interest	\$ -	\$ -	\$ 111	\$ 111
Expenditures:				
Current-				
Public safety		79,000	78,830	170
Excess (deficiency) of revenues over (under) expenditures	0	(79,000)	(78,719)	281
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	0	(79,000)	(78,719)	281
Other Financing Sources (Uses)				
Contribution to other government	0	0	0	0
Fund Balances:				
Beginning of year	78,719	78,719	78,719	0
End of year	\$ 78,719	\$ (281)	\$ -	\$ 281

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, 2004**

ASSETS	Equipment Maintenance	Medical Self- Insurance	Dental Self- Insurance	Total
Current Assets:				
Cash and cash equivalents	\$ 10,007	\$ 1,350,304	\$ 143,492	\$ 1,503,803
Accounts receivable	1,894	6,859	10,798	19,551
Due from other funds	597			597
Due from other government units	4,806			4,806
Inventory	11,468			11,468
Total current assets	<u>28,772</u>	<u>1,357,163</u>	<u>154,290</u>	<u>1,540,225</u>
Property, Plant and Equipment:				
Machinery and equipment	168,064			168,064
Less accumulated depreciation	<u>(145,365)</u>			<u>(145,365)</u>
Total property, plant and equipment	<u>22,699</u>	<u>0</u>	<u>0</u>	<u>22,699</u>
Total Assets	<u><u>\$ 51,471</u></u>	<u><u>\$ 1,357,163</u></u>	<u><u>\$ 154,290</u></u>	<u><u>\$ 1,562,924</u></u>
LIABILITIES				
Current Liabilities:				
Due to other funds	\$ 794			\$ 794
Accounts payable	37,488	\$ 372,390		409,878
Accrued wages payable	9,508			9,508
Accrued annual leave - current portion	6,376			6,376
Total current liabilities	<u>54,166</u>	<u>372,390</u>	<u>0</u>	<u>426,556</u>
Noncurrent Liabilities:				
Accrued wages payable - Accrued annual leave (net of current portion)	<u>19,131</u>			<u>19,131</u>
Total liabilities	<u>73,297</u>	<u>372,390</u>	<u>0</u>	<u>445,687</u>
NET ASSETS				
Invested in Capital assets, net of related debt	22,699			22,699
Restricted for claims		984,773	\$ 154,290	1,139,063
Unrestricted (deficit)	<u>(44,525)</u>			<u>(44,525)</u>
Total net assets (deficit)	<u>(21,826)</u>	<u>984,773</u>	<u>154,290</u>	<u>1,117,237</u>
Total Liabilities and Net Assets	<u><u>\$ 51,471</u></u>	<u><u>\$ 1,357,163</u></u>	<u><u>\$ 154,290</u></u>	<u><u>\$ 1,562,924</u></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, 2004

	Equipment Maintenance	Medical Self- Insurance	Dental Self- Insurance	Total
Operating Revenues:				
Charges for services	\$ 1,060,839			\$ 1,060,839
Contributions -				
Employee contributions		\$ 353,250	\$ 64,181	417,431
Other agency contributions		311,803	19,675	331,478
Retired employee contributions		392,089	39,584	431,673
Miscellaneous	2,360			2,360
Total operating revenues	<u>1,063,199</u>	<u>1,057,142</u>	<u>123,440</u>	<u>2,243,781</u>
Operating Expenses:				
Personal services	318,122			318,122
Operating expenses -				
Operating expenses	671,281			671,281
Depreciation	7,006			7,006
Administration fees		720,685	15,296	735,981
Claims		2,401,113	153,120	2,554,233
Total operating expenses	<u>996,409</u>	<u>3,121,798</u>	<u>168,416</u>	<u>4,286,623</u>
Operating income (loss)	<u>66,790</u>	<u>(2,064,656)</u>	<u>(44,976)</u>	<u>(2,042,842)</u>
Nonoperating Revenue (Expense):				
Interest revenue	<u>0</u>	<u>9,036</u>	<u>490</u>	<u>9,526</u>
Income (loss) before operating transfers	<u>66,790</u>	<u>(2,055,620)</u>	<u>(44,486)</u>	<u>(2,033,316)</u>
Operating Transfers:				
Operating transfers - in		1,825,233	91,366	1,916,599
Operating transfers - out	<u>(34,838)</u>			<u>(34,838)</u>
Total operating transfers in (out)	<u>(34,838)</u>	<u>1,825,233</u>	<u>91,366</u>	<u>1,881,761</u>
Change in Net Assets	31,952	(230,387)	46,880	(151,555)
Net Assets - Beginning of year (Deficit)	<u>(53,778)</u>	<u>1,215,160</u>	<u>107,410</u>	<u>1,268,792</u>
Net Assets - End of year (Deficit)	<u>\$ (21,826)</u>	<u>\$ 984,773</u>	<u>\$ 154,290</u>	<u>\$ 1,117,237</u>

See independent auditor's report.



CITY OF PANAMA CITY, FLORIDA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FISCAL YEAR ENDED SEPTEMBER 30, 2004

	Equipment Maintenance	Medical Self- Insurance	Dental Self- Insurance	Total
Cash Flows From Operating Activities:				
Cash received from customers	\$ 1,061,568			\$ 1,061,568
Cash paid to suppliers	(701,807)			(701,807)
Cash paid to employees	(305,100)			(305,100)
Cash received for insurance contributions		\$ 1,050,283	\$ 112,642	1,162,925
Cash paid for insurance claims		(3,132,464)	(170,742)	(3,303,206)
Net cash provided (used) by operating activities	54,661	(2,082,181)	(58,100)	(2,085,620)
Cash Flows From Noncapital Financing Activities:				
Operating transfers - in		1,825,233	91,366	1,916,599
Operating transfers - out	(34,838)			(34,838)
Net cash provided (used) by noncapital financing activities	(34,838)	1,825,233	91,366	1,881,761
Cash Flows From Capital Related Financing Activities:				
Purchases of capital assets	(9,816)			(9,816)
Cash Flows From Investing Activities:				
Interest on investments		9,036	490	9,526
Net Increase (Decrease) in Cash and Cash Equivalents	10,007	(247,912)	33,756	(204,149)
Cash and Cash Equivalents				
Beginning of year	0	1,598,216	109,736	1,707,952
End of Year	\$ 10,007	\$ 1,350,304	\$ 143,492	\$ 1,503,803

See independent auditor's report.

	<u>Equipment Maintenance</u>	<u>Medical Self - Insurance</u>	<u>Dental Self - Insurance</u>	<u>Total</u>
Reconciliation of Operating Income (Loss) to Net Cash provided (used) By Operating Activities:				
Operating income (loss)	\$ 66,790	\$ (2,064,656)	\$ (44,976)	\$ (2,042,842)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	7,006			7,006
Change in assets and liabilities - (Increase) Decrease -				
Due from other governmental units	(842)			(842)
Accounts receivable	(192)	(6,859)	(10,798)	(17,849)
Due from other funds	(597)			(597)
Inventory	7,144			7,144
Increase (Decrease) -				
Accounts payable	14,280	(10,666)	(2,326)	1,288
Due to other funds	(51,950)			(51,950)
Accrued wages	8,507			8,507
Accrued annual leave	4,515			4,515
Net cash provided (used) by operating activities	<u>\$ 54,661</u>	<u>\$ (2,082,181)</u>	<u>\$ (58,100)</u>	<u>\$ (2,085,620)</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

Senior Management'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
PENSION TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
SEPTEMBER 30, 2004**

	<u>Policemen's Pension</u>	<u>Firemen's Pension</u>	<u>Sr. Management's Pension</u>	<u>Totals</u>
Assets:				
Investments	\$ 19,644,958	\$ 21,829,191	\$ 143,841	\$ 41,617,990
Total Assets	<u>\$ 19,644,958</u>	<u>\$ 21,829,191</u>	<u>\$ 143,841</u>	<u>\$ 41,617,990</u>
Liabilities:				
Accounts payable	\$ 3,115	\$ 2,128		\$ 5,243
Deferred revenue	49,404	56,304		105,708
Total liabilities	<u>52,519</u>	<u>58,432</u>		<u>110,951</u>
Net assets:				
Net assets held in trust for pension benefits	<u>19,592,439</u>	<u>21,770,759</u>	<u>143,841</u>	<u>41,507,039</u>
Total Liabilities and Net Assets	<u>\$ 19,644,958</u>	<u>\$ 21,829,191</u>	<u>\$ 143,841</u>	<u>\$ 41,617,990</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, 2004

	Policemen's Pension	Firemen's Pension	Senior Management's Pension	Totals
Additions				
Contributions -				
Employee	\$ 182,651	\$ 175,109	\$ 42,711	\$ 400,471
City	556,530	705,720	101,431	1,363,681
State	363,396	232,760		596,156
Other	790	1,415		2,205
Total contributions	<u>1,103,367</u>	<u>1,115,004</u>	<u>144,142</u>	<u>2,362,513</u>
Investment income -				
Net appreciation (depreciation) in fair value of investments	995,460	1,431,105		2,426,565
Interest revenue	423,971	705,170	522	1,129,663
	<u>1,419,431</u>	<u>2,136,275</u>	<u>522</u>	<u>3,556,228</u>
Less investment expense	<u>(170,743)</u>	<u>(210,229)</u>	<u>(823)</u>	<u>(381,795)</u>
Net investment income (loss)	<u>1,248,688</u>	<u>1,926,046</u>	<u>(301)</u>	<u>3,174,433</u>
Total additions	<u>2,352,055</u>	<u>3,041,050</u>	<u>143,841</u>	<u>5,536,946</u>
Deductions				
Benefits	(1,287,640)	(1,488,568)		(2,776,208)
Refunds of contributions	(37,690)	(39,089)		(76,779)
Administration	<u>(3,568)</u>	<u>(2,978)</u>		<u>(6,546)</u>
Total deductions	<u>(1,328,898)</u>	<u>(1,530,635)</u>		<u>(2,859,533)</u>
Net Increase	1,023,157	1,510,415	143,841	2,677,413
Net Assets Held in Trust for Pension Benefits:				
Beginning of year	<u>18,569,282</u>	<u>20,260,344</u>		<u>38,829,626</u>
End of year	<u>\$ 19,592,439</u>	<u>\$ 21,770,759</u>	<u>\$ 143,841</u>	<u>\$ 41,507,039</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, 2004**

	Balance October 1, 2003	Additions	Deductions	Balance September 30, 2004
ASSETS				
Cash	\$ 7,593	\$ 82,733	\$ 80,519	\$ 9,807
Total Assets	<u>\$ 7,593</u>	<u>\$ 82,733</u>	<u>\$ 80,519</u>	<u>\$ 9,807</u>
LIABILITIES				
Payroll deductions and matchings - Due to employees	\$ 7,593	\$ 82,733	\$ 80,519	\$ 9,807
Total Liabilities	<u>\$ 7,593</u>	<u>\$ 82,733</u>	<u>\$ 80,519</u>	<u>\$ 9,807</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, 2004**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 11,100,000	\$ 10,924,299	\$ (175,701)
Tap fees and penalties-			
Connection fees	219,000	362,960	143,960
Hydrant fees	49,500	49,500	
Miscellaneous		17,471	17,471
Total operating revenues	<u>11,368,500</u>	<u>11,354,230</u>	<u>(14,270)</u>
Operating Expenses:			
Personal services	3,669,465	2,860,792	808,673
Operating expenses	5,880,940	4,339,503	1,541,437
Depreciation	1,389,471	1,694,887	(305,416)
Total operating expenses	<u>10,939,876</u>	<u>8,895,182</u>	<u>2,044,694</u>
Operating income	<u>428,624</u>	<u>2,459,048</u>	<u>2,030,424</u>
Nonoperating Revenues (Expenses):			
Interest revenue	300,000	211,814	(88,186)
Impact fees	275,000	457,135	182,135
Interest expense	(1,080,989)	(839,338)	241,651
Other debt service costs	(994,077)	(27,582)	966,495
Loss on sale of asset		(5,554)	(5,554)
Total nonoperating revenues (expenses)	<u>(1,500,066)</u>	<u>(203,525)</u>	<u>1,296,541</u>
Income before operating transfers	<u>(1,071,442)</u>	<u>2,255,523</u>	<u>3,326,965</u>
Operating Transfers:			
Operating transfers - out	<u>(1,184,699)</u>	<u>(1,156,610)</u>	<u>28,089</u>
Change in Net Assets	<u>(2,256,141)</u>	<u>1,098,913</u>	<u>3,355,054</u>
Net Assets - Beginning of year	<u>33,570,584</u>	<u>33,570,584</u>	<u>0</u>
Net Assets - End of year	<u>\$ 31,314,443</u>	<u>\$ 34,669,497</u>	<u>\$ 3,355,054</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, 2004**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 4,800,000	\$ 5,255,207	\$ 455,207
Miscellaneous		9,196	9,196
Total operating revenues	<u>4,800,000</u>	<u>5,264,403</u>	<u>464,403</u>
Operating Expenses:			
Personal services	1,405,528	1,444,074	(38,546)
Operating expenses	2,844,147	2,356,597	487,550
Depreciation	<u>3,274,688</u>	<u>329,081</u>	<u>2,945,607</u>
Total operating expenses	<u>7,524,363</u>	<u>4,129,752</u>	<u>3,394,611</u>
Operating income	<u>(2,724,363)</u>	<u>1,134,651</u>	<u>3,859,014</u>
Nonoperating Revenues (Expenses):			
Interest revenue	50,000	42,956	(7,044)
Interest expense	(2,065)	(25)	2,040
Loss on sale of asset		<u>(57,593)</u>	<u>(57,593)</u>
Total nonoperating revenues (expenses)	<u>47,935</u>	<u>(14,662)</u>	<u>(62,597)</u>
Income before operating transfers	<u>(2,676,428)</u>	<u>1,119,989</u>	<u>3,796,417</u>
Operating Transfers - Out	<u>(900,338)</u>	<u>(887,979)</u>	<u>12,359</u>
Change in Net Assets	<u>(3,576,766)</u>	<u>232,010</u>	<u>3,808,776</u>
Net Assets - Beginning of year	<u>5,797,174</u>	<u>5,797,174</u>	<u>0</u>
Net Assets - End of year	<u>\$ 2,220,408</u>	<u>\$ 6,029,184</u>	<u>\$ 3,808,776</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, 2004

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Rent	\$ 932,000	\$ 1,023,536	\$ 91,536
Gas	228,000	339,568	111,568
Diesel	950,000	1,098,501	148,501
Other merchandise and fees	254,000	325,074	71,074
Total operating revenues	<u>2,364,000</u>	<u>2,786,679</u>	<u>422,679</u>
Operating Expenses:			
Personal services	309,302	303,650	5,652
Operating expenses	1,794,735	1,870,396	(75,661)
Depreciation	802,463	312,752	489,711
Total operating expenses	<u>2,906,500</u>	<u>2,486,798</u>	<u>419,702</u>
Operating income	<u>(542,500)</u>	<u>299,881</u>	<u>842,381</u>
Nonoperating Revenues (Expenses):			
Interest revenue	22,000	18,974	(3,026)
Capital contributions		44,000	44,000
Total nonoperating revenues (expenses)	<u>22,000</u>	<u>62,974</u>	<u>40,974</u>
Income before operating transfers	<u>(520,500)</u>	<u>362,855</u>	<u>883,355</u>
Operating Transfers:			
Operating Transfers - out	<u>(526,715)</u>	<u>(523,441)</u>	<u>3,274</u>
Change in Net Assets	<u>(1,047,215)</u>	<u>(160,586)</u>	<u>886,629</u>
Net Assets - Beginning of year	<u>5,863,585</u>	<u>5,863,585</u>	<u>0</u>
Net Assets - End of year	<u>\$ 4,816,370</u>	<u>\$ 5,702,999</u>	<u>\$ 886,629</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, 2004**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Charges for services	\$ 1,071,034	\$ 1,060,839	\$ (10,195)
Miscellaneous		2,360	2,360
Total operating revenues	<u>1,071,034</u>	<u>1,063,199</u>	<u>(7,835)</u>
Operating Expenses:			
Personal services	314,489	318,122	(3,633)
Operating expenses	698,327	671,281	27,046
Depreciation	10,150	7,006	3,144
Total operating expenses	<u>1,022,966</u>	<u>996,409</u>	<u>26,557</u>
Operating income (loss)	<u>48,068</u>	<u>66,790</u>	<u>18,722</u>
Income (loss) before operating transfers	48,068	66,790	18,722
Operating Transfers			
Operating transfers - out	<u>(35,107)</u>	<u>(34,838)</u>	<u>(269)</u>
Change in Net Assets	12,961	31,952	18,453
Net Assets - Beginning of year	<u>(53,778)</u>	<u>(53,778)</u>	<u>0</u>
Net Assets - End of year	<u>\$ (40,817)</u>	<u>\$ (21,826)</u>	<u>\$ 18,453</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, 2004**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Contributions -			
Employee contributions	\$ 330,000	\$ 353,250	\$ 23,250
Other agency contributions	220,000	311,803	91,803
Retired employee contributions	317,500	392,089	74,589
Total operating revenues	<u>867,500</u>	<u>1,057,142</u>	<u>189,642</u>
Operating Expenses:			
Administrative fees	533,360	720,685	(187,325)
Claims	2,400,000	2,401,113	(1,113)
Total operating expenses	<u>2,933,360</u>	<u>3,121,798</u>	<u>(188,438)</u>
Operating income (loss)	(2,065,860)	(2,064,656)	1,204
Nonoperating Revenue:			
Interest revenue	<u>25,000</u>	<u>9,036</u>	<u>(15,964)</u>
Income (loss) before operating transfers	(2,040,860)	(2,055,620)	(14,760)
Operating Transfers - In	<u>2,140,752</u>	<u>1,825,233</u>	<u>(315,519)</u>
Change in Net Assets	99,892	(230,387)	(330,279)
Net Assets - Beginning of year	<u>1,215,160</u>	<u>1,215,160</u>	<u>0</u>
Net Assets - End of year	<u>\$ 1,315,052</u>	<u>\$ 984,773</u>	<u>\$ (330,279)</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, 2004**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Revenues:			
Contributions -			
Employee contributions	\$ 60,000	\$ 64,181	\$ 4,181
Other agency contributions	15,000	19,675	4,675
Retired employee contributions	30,000	39,584	9,584
Total operating revenues	<u>105,000</u>	<u>123,440</u>	<u>18,440</u>
Operating Expenses:			
Administrative charges	15,000	15,296	(296)
Claims	<u>158,000</u>	<u>153,120</u>	<u>4,880</u>
Total operating expenses	<u>173,000</u>	<u>168,416</u>	<u>4,584</u>
Operating income (loss)	(68,000)	(44,976)	23,024
Nonoperating Revenue:			
Interest revenue	<u>1,000</u>	<u>490</u>	<u>(510)</u>
Income (loss) before operating transfers	(67,000)	(44,486)	22,514
Operating Transfers - In	<u>98,081</u>	<u>91,366</u>	<u>(6,715)</u>
Change in Net Assets	31,081	46,880	15,799
Net Assets - Beginning of year	<u>107,410</u>	<u>107,410</u>	<u>0</u>
Net Assets - End of year	<u>\$ 138,491</u>	<u>\$ 154,290</u>	<u>\$ 15,799</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
FISCAL YEAR ENDED SEPTEMBER 30, 2004

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
2005	\$ 135,000	\$ 157,918	\$ 220,000	\$ 200,215	\$ 5,045,000	\$ 184,815
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	7,560				
	<u>\$ 3,175,000</u>	<u>\$ 1,494,388</u>	<u>\$ 4,245,000</u>	<u>\$ 1,625,728</u>	<u>\$ 5,045,000</u>	<u>\$ 184,815</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
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>\$ 1,750,000</u>	<u>\$ 522,957</u>	<u>\$ 3,685,000</u>	<u>\$ 719,705</u>	<u>\$ 4,810,000</u>	<u>\$ 1,404,670</u>

See independent auditor's report.

CITY OF PANAMA CITY, FLORIDA
SUMMARY OF DEBT SERVICE REQUIREMENTS TO MATURITY
FISCAL YEAR ENDED SEPTEMBER 30, 2004

Business-type Activities

Year Ending September 30	Water and Sewer Revenue Refunding Bonds - Series 2003A		Water and Sewer Revenue Bonds - Series 2003B		Water and Sewer Revenue Refunding Bonds - Series 2004	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	\$ 830,000	\$ 160,275		\$ 261,450		\$ 83,847
2006	850,000	143,275		261,450	\$ 100,000	503,085
2007	865,000	123,812		261,450	105,000	501,085
2008	890,000	101,563		261,450	105,000	498,985
2009	475,000	88,500		261,450	545,000	496,360
2010	490,000	73,800		261,450	555,000	480,010
2011	505,000	57,387		261,450	580,000	462,666
2012	520,000	37,888		261,450	600,000	442,366
2013	545,000	16,087		261,450	615,000	421,366
2014	390,000			261,450	815,000	398,304
2015				261,450	1,285,000	365,704
2016				261,450	1,335,000	314,304
2017				261,450	1,385,000	260,904
2018				261,450	1,460,000	189,923
2019				261,450	1,520,000	130,063
2020				261,450	1,585,000	67,362
2021			\$ 1,575,000	178,763		
2022			1,660,000	91,612		
2023			1,745,000			
	<u>\$ 6,360,000</u>	<u>\$ 802,587</u>	<u>\$ 4,980,000</u>	<u>\$ 4,453,575</u>	<u>\$ 12,590,000</u>	<u>\$ 5,616,334</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
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
2004	4,425,548	13,417,430		5,261,170	719,619	174,972	2,586,156	2,140,964	28,725,859

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
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
2004	14,771,375	8,088,609	5,177,827	1,147,999		776,007	29,961,817

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

Fiscal Year	Total Tax		Current Collections Net of Discounts Allowed
		Levy	
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
2003		7,392,167	7,091,173

(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	
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%
2004	1,259,555	1,927,475	267,300	440,368	4,431	1,531,316	2,372,274	64.55%

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>
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
2004	5.000	5.8472	8.1480	.0500	19.0452

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>
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%
2004	1,120,000	1,020,964	2,140,964	28,725,859	7.45%

* 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, 2004	Estimated Percent Applicable	Direct and Overlapping Net Bonded Debt
City of Panama City	\$ 16,956,855	100.00	\$ 16,956,855
Bay County School Board	\$ 36,630,000	23.5	8,608,050
Total direct and overlapping bonded debt payable from taxes			\$ 25,564,905
Estimated population			37,207
Overlapping net debt per capita			\$ 687

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	Coverage
1995	\$ 8,885,151	\$ 5,396,133	\$ 3,489,018	\$ 265,000	\$ 557,368	4.24
1996	8,861,533	5,612,370	3,249,163	1,360,426	1,214,119	1.26
1997	9,478,086	5,680,686	3,797,400	432,067	1,255,988	2.25
1998	10,974,025	5,695,331	5,278,694	540,000	1,122,826	3.17
1999	10,631,800	5,750,308	4,881,492	565,000	1,091,855	2.95
2000	11,827,208	5,920,948	5,906,260	600,000	1,057,955	3.56
2001	12,031,234	6,319,966	5,711,268	635,000	1,027,793	3.43
2002	11,179,844	6,370,056	4,809,788	655,000	996,353	2.91
2003	11,113,815	6,977,784	4,136,031	100,000	1,080,938	3.50
2004	11,566,044	7,167,159	4,398,885	100,000	839,338	4.68

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>
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	37.5	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%
2004	37,207	158,437	Not Available	Not Available	28,726	5.1%

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		
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	Not Available	Not Available	Not Available	Not Available	Not Available	2,252,001
2004	Not Available	Not Available	Not Available	Not Available	Not Available	2,372,274

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 2004
UNAUDITED

	Real Estate	Percent of Total	Personal Property	Percent of Total	Total	Percent of Total
Southern Bell Tel & Tel Co	\$ 30,733,395	28.64%	\$ 6,764,020	6.88%	\$ 6,764,020	6.88%
Gulf Power Company	3,988,149	3.72%	26,050,872	26.51%	26,050,872	26.51%
Berg Steel Pipe Corporation	4,178,870	3.89%	25,300,413	25.74%	25,300,413	25.74%
Columbia HCA Hospital	16,159,920	15.06%	12,828,747	13.05%	12,828,747	13.05%
Wellstream Corporation	18,223,928	16.98%	103,904	0.11%	103,904	0.11%
Panama City Associates (Mall)	228,276	0.21%	16,636,826	16.93%	16,636,826	16.93%
Panama City Square, Ltd.	14,146,532	13.18%	4,095	0.00%	4,095	0.00%
Mercantile Properties, Inc.	1,954,043	1.82%	9,296,004	9.46%	9,296,004	9.46%
Sears Roebuck & Company	10,622,472	9.90%	-	0.00%	-	0.00%
Peoples First Community Bank	7,079,401	6.60%	1,294,264	1.32%	1,294,264	1.32%
Total Assessments	\$ 107,314,986	100.00%	\$ 98,279,145	100.00%	\$ 98,279,146	100.00%

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

**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	523	Sewage system:
Area in square miles	34	Miles of sanitary sewers
		Miles of storm sewers
		Number of treatment plants
City of Panama City facilities and services:		Number of service connections
Miles of streets	198	Daily average treatment in gallons
Number of street lights	4,353	Maximum daily capacity of treatment plant in gallons
Culture and recreation:		
Community Centers	7	Water system:
Parks	29	Miles of water mains
Park acreage	150	Number of service connections
Baseball and softball fields	14	Number of fire hydrants
Public marinas	2	Daily average consumption in gallons
Public boat launching areas	4	Facilities and services not included in the reporting entity:
Civic Centers	1	Education:
Fire protection:		Number of elementary schools
Number of stations	5	Number of middle schools
Number of fire personnel and officers	87	Number of high schools
Police protection:		Number of community colleges
Number of stations	1	Number of universities
Number of substations	8	Number of vocational/technical schools
Number of police personnel and officers	140	Number of special purpose schools
Number of vehicles in fleet	120	Hospitals:
Number of law violations:		Number of hospitals
Physical arrests	4,958	Number of patient beds:
Traffic violations	11,034	Bay Medical Center
Parking violations	628	Gulf Coast Medical Center
Code enforcement reports	830	



SINGLE AUDIT SECTION

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND STATE FINANCIAL ASSISTANCE
FISCAL YEAR ENDED SEPTEMBER 30, 2004

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	\$ 733,693
U.S. Department of Justice:		
Direct programs:		
COPS Universal Hiring	16.710	22,388
BVD Vest Grant	16.607	5,107
Law Enforcement Block Grant	16.592	39,981
Passed through Florida Department of Law Enforcement:		
Edward Byrne Grant	16.580	48,655
Total U.S. Department of Justice		116,131
Total Expenditures of Federal Awards		\$ 849,824
Florida Housing Finance Corp:		
State Housing Institutions Partnership Program	52.901	\$ 398,869

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.

**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, 2004, and have issued our report thereon dated December 17, 2004. 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 one instance of noncompliance that is required to be reported under *Government Auditing Standard*, which is described in the accompanying schedule of findings and questioned costs as item 04-1.

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.

Tipton, Mauler, Garner & Chastain

Panama City, Florida
December 17, 2004

**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, 2004. 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.

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, 2004. However, the results of our auditing procedures disclosed one instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 04-1.

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.

Tipton, Mauler, Garner & Chastain

Panama City, Florida
December 17, 2004

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT
FISCAL YEAR ENDED SEPTEMBER 30, 2004

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 in internal control were disclosed by the audit of the financial statements as 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 in internal control were disclosed by the audit of the major federal awards programs.
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

(Continued on page 124)

CITY OF PANAMA CITY, FLORIDA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS – PRIMARY GOVERNMENT
FISCAL YEAR ENDED SEPTEMBER 30, 2004

C. Findings and Questioned Costs - Major Federal Award Programs

**04-1 – U.S. Department of Housing and Urban Development – CFDA Number 14.218;
Grant period-year ended September 30, 2004.**

Statement of Condition: The City failed to sufficiently update and maintain some of the Environmental Review Records.

Criteria: Each project is required to have an initial assessment along with re-evaluations on a categorical exclusion.

Effect of Condition: The City is not considered in compliance with CDBG's environmental review regulations.

Population and sample size:

Not applicable

Cause of Condition: The Acting Director during the review had no formal training or experience in environmental compliance.

Recommendation: According to the U.S. Department of Housing and Urban Development Environmental Monitoring Review, Staff and the Director of Community Development must attend environmental compliance training as soon as possible.

Entity's Response: City staff has scheduled training in order to comply with HUD's requirements, and has initiated corrective action measures to prevent future non-compliance occurrences..

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.

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, 2004, and have issued our report thereon dated December 17, 2004.

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 17, 2004, 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)(h)) 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)(h)) 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 satisfactorily addressed.

As required by the Rules of the Auditor General (Section 10.554(1)(h)), 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.

The Rules of Auditor General (Section 10.554(1)(h)) 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 transactions; and (5) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of the auditor. There were no matters to disclose.

As required by the Rules of the Auditor General (Sections 10.554(h) 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.

Tipton, Markle, Harris & Chastain

Panama City, Florida
December 17, 2004

