

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
PANAMA CITY, FLORIDA
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**



Tipton, Marler, Garner & Chastain
The CPA Group

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
PANAMA CITY, FLORIDA
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Panama City - Bay County
Airport and Industrial District
Panama City, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Panama City - Bay County Airport and Industrial District as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Panama City - Bay County Airport and Industrial District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position as of September 30, 2013 and 2012, and the changes in financial position, and, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a matter

As discussed in Note 1 to the financial statements, in 2013, the District adopted Governmental Accounting Standards Board ("GASB") Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 and 9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements of the Panama City - Bay County Airport and Industrial District's financial statements. The introductory section, (management's discussion and analysis) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, state financial assistance, and passenger facility charges, and schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, as listed in the table of contents, 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*, Section 215.97, Florida Statutes, and as specified in the Passenger Facility Charge Audit Guide, issued by the Federal Aviation Administration, and are also not a required part of the basic financial statements.

The schedule of expenditures of federal awards, state financial assistance, and passenger facility charges, and schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, as listed in the table of contents, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, state financial assistance, and passenger facility charges, and schedule of receipts and expenditures of funds related to the Deepwater Horizon Oil Spill, as listed in the table of contents, are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2014, on our consideration of the Panama City - Bay County Airport and Industrial District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Panama City - Bay County Airport and Industrial District's internal control over financial reporting and compliance.

Jipton, Marler, Garner & Chastain,
CPAs

Panama City, Florida
February 18, 2014

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2013**

Management's discussion and analysis provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District, and should be read in conjunction with the District's financial statements, which begin on page 10.

FINANCIAL HIGHLIGHTS

- Total assets of the District exceeded total liabilities by \$299,746,384 (net position). Of this amount, \$695 is restricted for debt service, and \$9,444,465 is unrestricted.
- Total net position increased by \$712,494. Of this amount, \$4,000,105 is attributable to grant-funded projects, while (\$3,287,611) is attributable to the business-type activities of the District.
- Operating revenues decreased by \$602,450, or 5.83 percent, compared to the prior year operating revenues. Operating expenses increased by \$1,490,461, or 7.72 percent, over prior year operating expenses.
- Passenger facility charge revenues decreased \$157,558 or 9.61 percent compared to the prior year.

BRIEF DISCUSSION OF BASIC FINANCIAL STATEMENTS

This annual report consists of a series of financial statements.

One of the most important questions asked about the District's finances is, "Is the District better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District and about its activities in a way that helps answer this question.

These two statements report the District's net position and the changes in that net position. The District's net position – the difference between assets and liabilities – is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial health is improving or deteriorating.

Since the District charges a fee to tenants and concessionaires to cover the costs of the services it provides, the District records its activities in one proprietary fund. Proprietary funds are reported using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Under this method of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

CONDENSED COMPARATIVE FINANCIAL STATEMENTS

The following schedule provides a summary of the assets, liabilities, and net position of the District for the current and prior years.

Table 1
Net Assets

	2013	2012
Current and other assets	\$ 12,909,929	\$ 4,922,395
Capital assets	<u>333,498,764</u>	<u>340,484,490</u>
Total assets	<u>346,408,693</u>	<u>345,406,885</u>
Long-term debt outstanding	43,197,540	44,341,321
Other liabilities	<u>3,464,769</u>	<u>2,031,674</u>
Total liabilities	<u>46,662,309</u>	<u>46,372,995</u>
Net position:		
Invested in capital assets, net of debt	290,301,224	296,143,169
Restricted	695	695
Unrestricted	<u>9,444,465</u>	<u>2,890,026</u>
Total net position	<u>\$ 299,746,384</u>	<u>\$299,033,890</u>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the District's largest portion of net assets. These capital assets are utilized to provide services to the public; consequently, these assets are not available for future spending.

The following schedule provides a summary of the changes in net position for the current and prior years.

Table 2
Changes in Net Position

	2013	2012
Revenues		
Operating revenues	\$ 9,737,443	\$ 10,339,893
Grants and entitlements	4,000,105	2,858,891
PFC revenues	1,482,204	1,639,762
Interest	<u>5,916</u>	<u>5,887</u>
Total revenues	<u>15,225,668</u>	<u>14,844,433</u>
Program expenses		
Operating expenses	20,800,222	19,309,761
Interest expense	<u>1,945,793</u>	<u>2,483,106</u>
Total expenses	<u>22,746,015</u>	<u>21,792,867</u>
Excess (deficiency) before special items	<u>(7,520,347)</u>	<u>(6,948,434)</u>
Special items –		
Unrealized gain/loss	2,410	277
Proceeds from litigation	7,537,222	-
FAA reimbursement	316,339	349,694
Gain on disposal of assets	<u>376,870</u>	<u>33,037,667</u>
Total special items	<u>8,232,841</u>	<u>33,387,638</u>
Increase in net position	\$ <u>712,494</u>	\$ <u>26,439,204</u>

ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS

Operating revenues are primarily generated from users of the airport, and include airline fees and charges, concessions, parking, car rentals, general aviation space rentals, and building rentals. These collections are accounted for in the District's one proprietary fund.

The largest sources of revenues for the District are rental cars (36% of total revenues), airlines (29% of total revenues) and parking (21% of total revenues).

Operating expenses include salaries and benefits, purchased services, supplies and materials, utilities, insurance, and other expenses. Salaries and benefits represent approximately 35% of the airport's annual operating expenses, and purchased services account for the largest percentage at 47%. Purchased services makes up the largest percentage of total expenses this year due to the legal fees that were deducted from the BP settlement that was received by the District.

ANALYSIS OF BALANCES AND TRANSACTIONS

Unrestricted net position increased by \$6,554,439. This increase is primarily due to the receipt of \$7,537,222 as settlement from legal proceedings.

BUDGETARY ANALYSIS

As an independent special district, the District must adopt a budget each fiscal year. This adopted budget must regulate expenditures of the special district. It is unlawful for the District to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations.

No budget amendments were made during the course of the year.

Actual expenses exceeded budget by \$12,964,122, due to depreciation expense which was not budgeted.

Actual operating revenues were less than budget by \$2,078,557, due to a decline in passenger traffic as the airlines adjusted flight schedules, and due to a concerted effort by District staff to control costs in order to provide a larger revenue share to the airlines, allowing us to keep the cost per enplaned passenger to below \$7.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

At September 30, 2013, the District had \$377,221,723 invested in a broad range of capital assets, including buildings, police and fire equipment, maintenance equipment, and vehicles. (See Table 3). This amount represents a net increase (including additions and deductions) of \$5,685,921 or 1.5 percent, compared to last year.

Table 3
Capital Assets at Year-end

	2013	2012
Land	\$ 67,698,373	\$ 67,127,613
Buildings and improvements	186,232,822	186,232,822
Improvements other than buildings	109,202,358	108,917,658
Furniture and equipment	7,852,733	7,698,610
Construction work-in-progress	<u>6,235,437</u>	<u>1,559,099</u>
Totals	<u>\$377,221,723</u>	<u>\$371,535,802</u>

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

- A Stormwater System Modification project was performed at a cost of \$2,752,568, of which \$2,586,382 was funded by Federal and State grants.
- Capital equipment purchased totaled \$321,973, of which \$158,501 was funded by State grants.
- Mitigation site development was ongoing at a cost of \$870,887, of which \$501,492 was funded by a Federal grant.

The fiscal year 2014 budget includes \$20,967,924 of grant and non-grant projects. These projects include expansion of the terminal south aircraft apron, air traffic control tower and safety security building site modifications, construction of the crosswind runway, continued mitigation site development and the purchase of additional capital equipment.

Debt

At year-end, the District had long-term debt of \$43,197,540, as shown in Table 4:

Table 4
Outstanding Debt at Year-end

	2013	2012
SIB Loan (backed by passenger facility charges and airport operations)	<u>\$43,197,540</u>	<u>\$44,341,321</u>

CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

Fiscal year 2013 represented the third full fiscal year of operation at the Northwest Florida Beaches International Airport. The airport opened on May 23, 2010 with increased flights, improved competition and lower air fares. Passenger volumes have continued to improve, generating an increase in our market share to 25% of the Panhandle region. As we close out the third fiscal year of operation, the airport is poised to continue the development of a sound financial structure. To accomplish this, several goals must be completed during fiscal year 2014. These efforts include developing additional air service opportunities for our region, completing the environmental assessment and 404 permit for additional land development, and completing the master plan for the airport.

Additionally, continued business process improvement, improved cost effectiveness and marketing initiatives will guide our vision for fiscal year 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Administration, Northwest Florida Beaches International Airport, 6300 West Bay Parkway, Panama City Beach, Florida 32409.

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LIABILITIES AND NET POSITION

	2013	2012
Current Liabilities		
Accounts payable	\$ 3,152,183	\$ 1,768,412
Accrued expenses	142,164	114,973
Current maturities of long-term debt	30,100	30,394
Total current liabilities	<u>3,324,447</u>	<u>1,913,779</u>
 Long-term Liabilities		
Long-term debt, less current maturities	43,197,540	44,341,321
Accrued vacation	127,382	108,146
Accrued sick leave	12,940	9,749
Total long-term liabilities	<u>43,337,862</u>	<u>44,459,216</u>
 Total liabilities	<u>46,662,309</u>	<u>46,372,995</u>
 Net Position		
Invested in capital assets, net of related debt	290,301,224	296,143,169
Restricted for:		
Debt service	695	695
Unrestricted	9,444,465	2,890,026
Total net position	<u>299,746,384</u>	<u>299,033,890</u>
 Total Liabilities and Net Position	 <u>\$ 346,408,693</u>	 <u>\$ 345,406,885</u>

See the accompanying notes.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	<u>2013</u>	<u>2012</u>
Operating Revenues		
Airline	\$ 2,810,002	\$ 2,920,833
Car rental	3,549,976	4,073,720
Terminal complex	2,700,461	2,656,032
General aviation	450,602	483,725
Other revenue	226,402	205,583
Total operating revenues	<u>9,737,443</u>	<u>10,339,893</u>
Operating Expenses		
Personnel costs	2,873,030	2,647,270
Purchased services	3,782,983	3,565,702
Supplies and materials	353,324	390,728
Utilities	825,223	933,244
Insurance	237,824	228,847
Other expenses	56,191	67,421
Relocation expense	-	4,993
Depreciation	12,671,647	12,279,297
(Less expenses reclassified to work in progress)	-	(807,741)
Total operating expenses	<u>20,800,222</u>	<u>19,309,761</u>
Income (loss) from operations	<u>(11,062,779)</u>	<u>(8,969,868)</u>
Nonoperating Revenues (Expenses)		
Unrealized gain on investments	2,410	277
Gain on disposal of assets/land	376,870	33,037,667
PFC revenues	1,482,204	1,639,762
Proceeds from litigation	7,537,222	-
Interest earned	5,916	5,887
Interest expense	(1,945,793)	(2,483,106)
Grants	4,000,105	2,858,891
Other revenue	316,339	349,694
Total nonoperating revenues (expenses)	<u>11,775,273</u>	<u>35,409,072</u>
Change in Net Position	712,494	26,439,204
Total Net Position at Beginning of Year	<u>299,033,890</u>	<u>272,594,686</u>
Total Net Position at End of Year	<u>\$ 299,746,384</u>	<u>\$ 299,033,890</u>

See the accompanying notes.

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	2013	2012
Reconciliation of Operating Income to Net Cash Provided		
(Used) By Operating Activities		
Operating loss	\$ (11,062,779)	\$ (8,969,868)
Adjustments to reconcile operating income to net cash provided by operating activities-		
Depreciation	12,671,647	12,279,297
Change in assets and liabilities-		
Accounts receivable	(633,675)	(289,670)
Prepaid expenses	(2,453)	(9,020)
Accounts payable	1,383,771	482,262
Accrued expenses	27,191	(2,051,844)
Accrued vacation	18,942	(24,465)
Accrued sick leave	3,191	1,106
Net cash provided by operating activities	<u>\$ 2,405,835</u>	<u>\$ 1,417,798</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 2,366,933</u>	<u>\$ 4,477,237</u>
Reconciliation of Cash and Cash Equivalents per Statement		
of Cash Flows to the Statement of Net Position		
Cash and cash equivalents	\$ 10,541,002	\$ 3,307,459
Restricted cash and cash equivalents	292,909	177,456
	<u>\$ 10,833,911</u>	<u>\$ 3,484,915</u>

See the accompanying notes.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

The Panama City - Bay County Airport and Industrial District ("the District") is an independent special district created by an act of the Legislature of the State of Florida and is not considered a component unit of any other local governmental unit. The special act which created the District was Chapter 67-1099 of House Bill 1608 filed June 19, 1967, which was later repealed and replaced by Chapter 98-527 of House Bill 4545 filed May 22, 1998, Chapter 2005-311 of House Bill 939 filed June 14, 2005, and Chapter 2005-311 of House Bill 1635 filed July 1, 2010. The Panama City - Bay County Airport and Industrial District operates the Northwest Florida Beaches International Airport.

Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The financial statements are reported using the flow of economic resources measurement focus (accrual basis of accounting). This means that all assets and liabilities (whether current or noncurrent) associated with this activity are included on the balance sheet. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The annual budget is adopted on a basis consistent with generally accepted accounting principles.

The District is accounted for as an enterprise fund. Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The District operates as a proprietary (enterprise) fund and applies Financial Accounting Standards Board (FASB) Codification pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements, in which case, GASB prevails.

Enterprise 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 an enterprise fund's principal ongoing operations. The principal operating revenues of the District are lease fees and related charges. Operating expenses of the District include personnel services, contractual and professional services, supplies, repairs and maintenance, utilities, advertising and promotions, other expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenue and expenses. Capital grants are reported as nonoperating revenue in compliance with GASB Statement No. 33.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Advertising:

Advertising costs are generally charged to operations in the year incurred. Advertising expense was \$166,876 and \$160,837 for the years ended September 30, 2013 and 2012, respectively.

Investment:

Investments are recorded at cost and consist primarily of certificates of deposit. These are classified as held-to-maturity and carried at amortized cost, and there were no significant unrecognized holding gains or losses.

Capital Assets:

Capital assets are recorded at cost and are depreciated principally by the straight-line method over the estimated useful lives of individual assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

Estimated useful lives are generally as follows:

Buildings and improvements	10-39 years
Improvements	5-39 years
Equipment, furniture and fixtures	3-15 years

Cash Equivalents:

For purposes of the statement of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable:

Accounts are charged to bad debt expense as they are deemed uncollectible. At September 30, 2013 and 2012, no allowance for uncollectible accounts was considered necessary.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates:

Management uses estimates and assumptions in preparing these financial statements in accordance with generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Recently Issued Accounting Pronouncements:

In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The Statement established new reporting requirements of two elements (deferred outflows of resources and deferred inflows of resources) and renamed the statement of net assets to statement of net position, as well as reported net assets, and components thereof, to net position. The Statement was effective for financial statements for periods beginning after December 15, 2011. The District has implemented GASB Statement No. 63 in fiscal year 2013 and, as a result, it has renamed its financial statements to the Statement of Net Position and components thereof, with no financial impact.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB statement No. 65 established accounting and reporting standards that reclassified certain items that were previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and that recognized certain items previously reported as assets and liabilities as outflows of resources. In addition, it limits the use of the term deferred in the financial statement presentation. The provisions of GASB Statement No. 65 are effective for financial statement for periods beginning after December 15, 2012.

In June 2012, GASB also issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. GASB Statement No. 68 establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions provided to the employees of the state and local governmental employers. The requirements of GASB Statement No. 68 are effective for fiscal years beginning after June 15, 2014. The District has not completed the process of evaluating GASB Statement No. 68, but because the District participates in a cost sharing multiple-employer pension system as defined by GASB Statement No. 68, implementation is expected to result in recognition of pension expense as well as the reporting of deferred outflows and inflows of resources and a net pension liability based in the District's proportionate share of those of the plan, calculated as specified in GASB Statement No. 68. Additional footnote and supplementary disclosures will also be required upon implementation.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 2 - RESTRICTED ASSETS

The restricted assets primarily represent cash and investments reserved in accordance with the loan ordinances and with requirements of the Passenger Facility Charge program.

At September 30, 2013 and 2012, restricted assets consisted of the following:

	<u>2013</u>	<u>2012</u>
Cash and Cash Equivalents -		
Construction	\$ 257,718	\$ 80,100
PFC Excess Cash	4,811	75,733
Debt Service Reserve	695	695
Forfeiture Funds	8,936	8,928
Law Enforcement Trust	8,749	-
Escrow Fund	12,000	12,000
Accounts Receivable - PFC	<u>157,478</u>	<u>164,316</u>
	<u>\$ 450,387</u>	<u>\$ 341,772</u>

NOTE 3 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; business interruption; job-related illnesses or injuries to employees; and natural disasters for which the District carries commercial insurance.

There have been no significant reductions in insurance coverage from coverage in the prior year. The amounts of settlements have not exceeded insurance coverage for any of the past three fiscal years.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 4 - LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized as follows:

	<u>Balance October 1, 2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2013</u>	<u>Due in One Year</u>
State Infrastructure Bank Loan: Agreement dated December 21, 2007 authorized a total principal of \$25,000,000, interest payable at 4.6% beginning October 1, 2011 with principal and interest payments of \$1,668,074 due annually beginning October 1, 2011 and maturing in 2036; the loan is collateralized by a pledge of net revenues and eligible PFC revenues.	\$23,940,020	\$ 1,080,489	\$ 1,668,074	\$ 23,352,435	\$ 0
State Infrastructure Bank Loan: Agreement dated April 27, 2009 authorized a total principal of \$20,000,000, interest payable at 4.6% beginning October 1, 2011 with principal and interest payments of \$1,421,500 due annually beginning October 1, 2012 and maturing in 2036; the loan is collateralized by a pledge of net revenues and eligible PFC revenues.	<u>20,401,301</u>	<u>865,304</u>	<u>1,421,500</u>	<u>19,845,105</u>	<u>0</u>

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 4 - LONG-TERM LIABILITIES (Continued)

Changes in long-term liabilities are summarized as follows:

	Balance October 1, 2012	Increases	Decreases	Balance September 30, 2013	Due in One Year
Total Long-term Debt	<u>44,341,321</u>	<u>1,945,793</u>	<u>3,089,574</u>	<u>43,197,540</u>	<u>0</u>
Total Compensated Absences	<u>148,289</u>	<u>172,458</u>	<u>150,325</u>	<u>170,422</u>	<u>30,100</u>
Total Long-term Liabilities	<u>\$ 44,489,610</u>	<u>\$2,118,251</u>	<u>\$ 3,239,899</u>	<u>\$ 43,367,962</u>	<u>\$ 30,100</u>

Debt service requirements to maturity for long-term debt subsequent to September 30, 2013, are as follows:

Year Ended	State Infrastructure Bank Loan Agreement		State Infrastructure Bank Loan Agreement	
	Principal	Interest	Principal	Interest
2015	\$ 593,862	\$ 1,074,212	\$ 508,625	\$ 912,875
2016	621,180	1,046,894	532,022	889,478
2017	649,754	1,018,320	556,495	865,005
2018	679,643	988,431	582,094	839,406
2019-2023	3,896,939	4,443,431	3,337,613	3,769,887
2024-2028	4,879,576	3,460,794	4,179,212	2,928,288
2029-2033	6,109,990	2,230,380	5,233,025	1,874,475
2034-2036	<u>5,921,492</u>	<u>692,396</u>	<u>4,916,019</u>	<u>564,393</u>
	<u>\$ 23,352,436</u>	<u>\$ 14,954,858</u>	<u>\$ 19,845,105</u>	<u>\$ 12,643,807</u>

The Florida Department of Environmental Protection ("DEP") required the Airport to establish a management endowment to earn interest, which would be used to pay mitigation costs. In lieu of an endowment, the Airport established a \$6,000,000 letter of credit as agreed upon with the DEP. The DEP is authorized to draw down on the letter of credit. As of September 30, 2013, there were no draws on the letter of credit.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 5 - LEASES

The District leases a substantial portion of its property to various organizations under operating leases. Rental income was as follows:

	<u>2013</u>	<u>2012</u>
Noncancellable leases-		
Minimum rentals	\$ 2,801,195	\$2,594,783
Contingent rentals	<u>3,527,163</u>	<u>3,593,388</u>
	<u>\$ 6,328,358</u>	<u>\$6,188,171</u>

The bases of rentals are as follows:

Airlines - A fixed amount annually, plus a variable amount based on aircraft operations and enplaned passengers.

Rental Cars - The greater of an amount fixed annually or a percentage of revenues, and a fixed amount for terminal area and maintenance facility rent.

Restaurant/Gift Shop - The greater of a fixed annual amount or a percentage of revenues, which percentage is periodically renegotiated.

Fixed Base Operations - Fixed amounts annually based on amounts of acreage plus a variable amount based on gallons of fuel flowage.

All Others - Advertisements in the airport are on a percentage of fee basis; all others are fixed monthly amounts.

Future minimum rental commitments as of September 30, 2013, for the next five years are as follows:

2014	\$ 2,878,330
2015	2,465,164
2016	565,410
2017	506,004
2018	500,000

The approximate carrying value and accumulated depreciation pertaining to property held for rental included on the Statements of Net Position at September 30, 2013 is not readily determinable.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 6 - PASSENGER FACILITY CHARGE

The District imposes a passenger facility charge of \$4.50 per enplaned passenger (except for those passengers exempt under the application or the regulation) at the District. The air carriers receive an \$.11 handling fee per passenger, so the Airport nets \$4.39 per enplaned passenger. The PFC application allows PFC funds to be collected up to five years in advance of an anticipated project or an alternative project in the event the anticipated project is not undertaken.

NOTE 7 - COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS

Litigation:

One lawsuit related to construction costs of the new airport remains pending. On November 24, 2010 Phoenix Construction Services, Inc. filed suit against the District and Post, Buckley, Schuh and Jernigan, Inc. in the Circuit Court, Fourteenth Judicial Circuit of the State of Florida, in and for Bay County, case no. 10002839CA. This lawsuit related to responsibility for various costs of construction of the new airport, various contractual damage claims, and a statutory claim alleging late payments on certain invoices, as well as contractual and professional negligence claims against Post, Buckley, Schuh & Jernigan, Inc. ("Atkins"). In response, the District filed counter claims against Phoenix Construction, Atkins and Kellogg Brown and Root Services, Inc. ("KBR") and KBR filed a claim against the District for unpaid fees. On January 5, 2012, a settlement agreement was reached between the District and Phoenix Construction. The District and Phoenix agreed to pursue claims against third parties. The claims against Atkins were subsequently settled, and the case between the District and KBR went to court, with KBR prevailing on all claims. Thereafter, the District's share of the settlement was disbursed, with the District receiving \$1,333,719. The claims against KBR are presently being appealed by the District. The District does not have potential for additional liability, but could achieve a more favorable outcome if the appeal is successful.

With the exception of the appeal of the claims against KBR, there is no pending or, to the knowledge of the District, threatened litigation regarding the construction project.

Contract Commitments:

At September 30, 2013, the District had contractual commitments of approximately \$1,742,124 for construction of airport projects. Funding of these future expenditures is expected to be received from federal grants, state grants, and current operations.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 7 - COMMITMENTS, CONTINGENCIES AND SUBSEQUENT EVENTS (Continued)

Parking Lot:

In December 2012, the District reached an agreement with The St. Joe Corporation to close down the Covered Airport Parking lot that was located adjacent to the Airport. The lot closed on December 19, 2012. This will result in increased parking revenues to the District, since there will be no other parking options available. The District does have plans to construct an area of covered parking in the existing Airport lot. The District has already begun the process of securing grant funding for this project, which is estimated to be done in December of 2013.

The District is progressing on the corrective actions described above in compliance with the Consent Order. This work will be funded by Federal and State grants and airport funds. It is anticipated that the work will be completed by the end of December, 2013.

Subsequent Events:

The District did not have any other subsequent events requiring disclosure or recording in these financial statements through February 18, 2014, which is the date these financial statements were issued.

NOTE 8 – COMPENSATED ABSENCES

All full-time employees of the District earn vacation pay based on years of service.

Employees are not paid in lieu of vacation except in the event of resignation or termination, in which case unused vacation pay is paid up to the amount earned or the maximum cumulative amount, whichever is less. Vacation benefits are accrued in the period they are earned. The liability for accumulated annual leave at September 30, 2013 and 2012, is \$157,482 and \$138,540, respectively.

All full-time employees, excluding firefighters, of the District earn or accumulate sick leave with pay at the rate of one day per month and may accumulate a maximum of 60 days. Firefighters earn or accumulate sick leave with pay at 4.89 hours per pay period or 127 hours annually and may accumulate a maximum of 636 hours. Employees accumulating the maximum sick leave may be paid annually for one-third of the excess sick leave earned over the maximum, provided the maximum accumulation is maintained. The amount of excess sick leave paid to an employee may not exceed four days per annum. If hired before June 30, 1999, a percentage of accumulated sick leave is paid upon termination. The amount paid is dependent upon retirement age and years of service.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 9 - RETIREMENT PLAN

The District provides pension benefits for all of its full-time employees through the Panama City - Bay County Airport and Industrial District Money Purchase Plan, a defined contribution plan. The plan is administered by the District with Regions Morgan Keegan Trust serving as trustee. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate one month after the date of employment. Benefits fully vest after six years of employment. Contributions in the amount of 10% of the preceding month's compensation are made each month by the District, as outlined in the adoption agreement which was approved by the board on November 2, 1982. The Plan is noncontributory. Plan assets are invested in annuity contracts. Contributions made equaled required contributions for the current and two preceding years.

The District's total salaries expensed in fiscal year 2013 and 2012 were \$2,045,646 and \$1,909,743, respectively. The District's contributions were calculated using the salary amount of approximately \$2,043,641 and \$2,005,905 for September 30, 2013 and 2012, respectively. The retirement expense by the District was \$207,210 and the amount contributed was \$207,210 for the year ended September 30, 2013; the expense for the year ended September 30, 2012 was \$200,456 and the amount contributed was \$200,456. Any difference between pension expense and the amount contributed results from pension forfeitures.

NOTE 10 - DEPOSITS AND INVESTMENTS

In compliance with the District's investment policy and Section 218.345 of the Florida Statutes, the District may invest in obligations of the U.S. Treasury and its agencies, interest bearing time deposits or savings accounts in banks provided that such deposits are secured by collateral as prescribed by Chapter 280, Florida Security for Public Deposits Act, of the Florida Statutes and the State Treasurer's investment pool.

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

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 10 - DEPOSITS AND INVESTMENTS (Continued)

The Florida Security for Public Deposits Act (the Act) establishes guidelines for qualification and participation by banks and savings associations, procedures for the administration of the collateral requirements and characteristics of eligible collateral. Under the Act, District's deposits in qualified public depositories are considered totally insured. The qualified public depository must pledge at least 50% of the average daily balance for each month of all public deposits in excess of any applicable deposit insurance. Additional collateral, up to a maximum of 125% may be required, if deemed necessary under the conditions set forth in the Act. Obligations pledged to secure deposits must be delivered to the State Treasurer or, with the approval of the State Treasurer, to a bank, savings association, or trust company provided a power of attorney is delivered to the State Treasurer.

As of September 30, 2013, the District held the following investments:

Investment Maturities		
<u>Investment Type</u>	<u>Less than 1 Year</u>	<u>More than 1 Year</u>
Other	\$ 0	\$ 3,940

NOTE 11 - BUDGET TO ACTUAL - REVENUES AND EXPENSES

The annual budget is adopted on a basis consistent with generally accepted accounting principles. Management may not increase a department's total expenditures without seeking the approval of the Board of Directors, 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. All unencumbered budget appropriations lapse at the end of each fiscal year. Encumbrance accounting is not employed.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 11 - BUDGET TO ACTUAL - REVENUES AND EXPENSES (Continued)

For the year ended September 30, 2013, the District's actual operating revenues were less than budgeted operating revenues by \$2,078,557 due to revenue sharing with the airlines of \$1,818,352, and actual operating expenses exceeded budgeted operating expenses by \$12,964,122. The actual operating expenses increase over budgeted operating expenses was due to the following:

- \$12,671,647 in depreciation expense that was not budgeted by the District in 2013.

For the year ended September 30, 2012, the District's actual operating revenues exceeded budgeted operating revenues by \$688,093 and actual operating expenses exceeded budgeted operating expenses by \$11,871,066. The actual operating expenses increase over budgeted operating expenses was primarily due to \$12,279,297 in depreciation expense that was not budgeted by the District in 2012.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2013 AND 2012**

NOTE 12 - CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance 9/30/11	Increases	Decreases	Balance 9/30/12	Increases	Decreases	Balance 9/30/13
Capital assets, not being depreciated:							
Land	\$ 71,225,346	-	\$ 4,097,733	\$ 67,127,613	\$ 570,760	-	\$ 67,698,373
Construction in progress	11,243,838	\$ 6,091,943	15,776,682	1,559,099	5,582,930	\$ 906,592	6,235,437
Total capital assets, not being depreciated	82,469,184	6,091,943	19,874,415	68,686,712	6,153,690	906,592	73,933,810
Capital assets, being depreciated:							
Buildings and improvements	191,212,520	3,241,516	8,221,214	186,232,822	-	-	186,232,822
Improvements other than buildings	123,410,912	12,536,465	27,029,719	108,917,658	284,700	-	109,202,358
Furniture and equipment	6,912,714	785,896	-	7,698,610	154,123	-	7,852,733
Total capital assets, being depreciated	321,536,146	16,563,877	35,250,933	302,849,090	438,823	-	303,287,913
Less accumulated depreciation for:							
Buildings and improvements	9,291,691	4,736,913	3,351,054	10,677,550	4,775,210	-	15,452,760
Improvements other than buildings	26,509,374	6,949,237	17,635,522	15,823,089	7,223,749	-	23,046,838
Furniture and equipment	3,957,526	593,147	-	4,550,673	672,688	-	5,223,361
Total accumulated depreciation	39,758,591	12,279,297	20,986,576	31,051,312	12,671,647	-	43,722,959
Total capital assets being depreciated, net	281,777,555	4,284,580	14,264,357	271,797,778	(12,232,824)	-	259,564,954
Capital Assets, Net	\$ 364,246,739	\$ 10,376,523	\$ 34,138,772	\$ 340,484,490	\$ (6,079,134)	\$ 906,592	\$ 333,498,764

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013		2012
	Budget	Actual	Actual
Operating Revenues			
Airline-			
Passenger airline landing fees	\$ 2,828,300	\$ 1,848,997	\$ 1,873,381
Cargo airline landing fees	25,000	22,053	26,519
Terminal rentals and common use	1,700,600	938,952	1,020,933
Total airline revenue	<u>4,553,900</u>	<u>2,810,002</u>	<u>2,920,833</u>
Car rentals-			
Ticket counter & office space	-	-	20,757
Ready return parking spaces	-	-	14,607
Service facility rents	-	-	39,621
Concession fee	1,903,500	1,810,797	2,118,676
Customer facility charge	1,840,000	1,739,179	1,880,059
Total car rental	<u>3,743,500</u>	<u>3,549,976</u>	<u>4,073,720</u>
Terminal complex-			
Public and employee parking	2,128,000	2,089,264	2,012,225
Ground transportation fees	60,000	70,075	70,697
Food & beverage concession	245,700	221,412	249,703
Retail merchandise concession	89,500	77,324	82,211
Advertising	136,000	135,151	136,709
Other terminal revenue	105,400	107,235	104,487
Total terminal complex revenues	<u>2,764,600</u>	<u>2,700,461</u>	<u>2,656,032</u>
General aviation -			
Fixed base operator rents	152,200	171,105	84,722
Fuel flowage fees	30,000	31,453	28,603
Hangar rentals	227,100	248,044	370,400
Land rental	143,700	-	-
Total general aviation revenue	<u>553,000</u>	<u>450,602</u>	<u>483,725</u>
Other revenue -			
Other tenants/miscellaneous	57,000	68,391	62,194
Fuel farm	140,000	139,714	139,714
Cargo building rental	4,000	18,297	3,675
Total other revenue	<u>201,000</u>	<u>226,402</u>	<u>205,583</u>
Total operating revenues	<u>11,816,000</u>	<u>9,737,443</u>	<u>10,339,893</u>

See independent auditor's report.

PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2013 AND 2012

	2013		2012
	Budget	Actual	Actual
Operating Expenses			
Salaries and benefits -			
Salary and wages	\$ 2,275,600	\$ 2,045,646	\$ 1,909,743
Overtime	60,500	58,556	66,265
FICA contributions	179,600	151,570	149,475
Group insurance	330,900	327,163	245,681
Retirement	228,100	207,210	200,456
Workers compensation insurance	61,000	49,595	40,495
Other employee costs	35,600	33,290	35,155
Total personnel costs	<u>3,171,300</u>	<u>2,873,030</u>	<u>2,647,270</u>
Purchased services -			
Janitorial	607,300	607,311	607,311
Bank charges	108,000	102,670	146,079
Computer services	121,000	120,760	30,457
Elevator/escalator services	35,000	27,886	34,098
Financial	58,500	34,165	26,850
Grounds maintenance	-	-	175,791
Legal services	175,000	1,360,381	953,220
BHS/loading bridge maintenance	386,100	374,880	397,335
Marketing and advertising	230,000	163,540	153,884
Parking lot management	410,500	346,594	331,880
Professional services	520,100	331,086	371,151
Security services and system maintenance	142,000	104,718	173,930
Trash removal	19,000	19,634	17,887
Postage/copy services	12,000	11,101	11,197
Radios and PA	25,600	20,857	37,521
Terminal/facility services	86,000	46,897	41,058
Other services and maintenance	112,300	110,503	56,053
Total purchased services	<u>3,048,400</u>	<u>3,782,983</u>	<u>3,565,702</u>
Supplies and materials -			
Office supplies	15,800	21,031	24,408
Fuel, oil, tires, vehicles, equipment	87,300	77,353	77,772
Airfield and grounds	185,500	134,088	173,975
Buildings (including loading bridges)	45,800	50,384	51,303
Uniforms	17,300	14,215	13,164
Other materials and supplies	66,100	56,253	50,106
Total supplies and materials	<u>417,800</u>	<u>353,324</u>	<u>390,728</u>
Utilities -			
Electricity	642,000	609,931	726,761
Natural gas	-	-	21,091
Telephone	73,100	88,624	69,732
Water and sewer	126,000	126,668	115,660
Total utilities	<u>841,100</u>	<u>825,223</u>	<u>933,244</u>

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2013 AND 2012**

	2013		2012
	Budget	Actual	Actual
Operating Expenses (continued)			
Insurance -			
Building and contents	\$ 203,300	\$ 183,929	\$ 186,542
Liability	38,800	46,451	35,524
Vehicle and equipment	6,400	7,444	6,781
Total insurance expense	<u>248,500</u>	<u>237,824</u>	<u>228,847</u>
Other expenses -			
Dues and subscriptions	40,600	33,267	35,859
Promotions and special events	10,300	4,353	3,591
Travel and conference	32,300	15,649	16,583
Training	23,500	2,695	10,539
Miscellaneous expense	2,300	227	849
Total other expense	<u>109,000</u>	<u>56,191</u>	<u>67,421</u>
(Less expenses reclassified to work in progress)	<u>-</u>	<u>-</u>	<u>(807,741)</u>
Total	7,836,100	8,128,575	7,025,471
Relocation expense	-	-	4,993
Depreciation	<u>-</u>	<u>12,671,647</u>	<u>12,279,297</u>
Total operating expense	<u>7,836,100</u>	<u>20,800,222</u>	<u>19,309,761</u>
Excess operating revenues (expenses)	<u>3,979,900</u>	<u>(11,062,779)</u>	<u>(8,969,868)</u>
Nonoperating Receipts (Expenses)			
PFC revenues	1,721,000	1,482,204	1,639,762
Unrealized gain (loss) on investments	-	2,410	277
Gain on disposal of assets/land	-	376,870	33,037,667
Interest earned	6,000	5,916	5,887
Interest expense	(2,441,002)	(1,945,793)	(2,483,106)
Grants	2,880,800	4,000,105	2,858,891
Other revenue	-	316,339	349,694
Proceeds from litigation	-	7,537,222	-
Capital projects expense -			
Airport portion	(565,200)	(1,868,595)	(4,986,100)
Non-Airport portion	<u>(2,880,800)</u>	<u>(3,905,205)</u>	<u>(2,858,891)</u>
	<u>(1,279,202)</u>	<u>6,001,473</u>	<u>27,564,081</u>
Excess Receipts (Expenses)	<u>\$ 2,700,698</u>	<u>\$ (5,061,306)</u>	<u>\$ 18,594,213</u>

See independent auditor's report.

PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF CONSTRUCTION WORK-IN-PROGRESS
SEPTEMBER 30, 2013

<u>Project Number</u>			
AIP4	Mitigation	\$	872,618
Not Awarded	Crosswind runway		27,667
AQF14	Covered parking		834,767
AR057	Apron expand		67,179
AQF12/AQF13/AQF14	Equipment		297,867
AIP5/AP976	Master plan		297,387
Not Awarded	404 permit		200,699
AO264/AOM25	Environmental assessment		764,333
AQF14	SMS Mods		<u>2,872,920</u>
		\$	<u>6,235,437</u>

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF REVENUES AND EXPENSES - BY FUNDING SOURCE
YEAR ENDED SEPTEMBER 30, 2013**

	<u>Airport Funding</u>	<u>FAA/FDOT Funding</u>	<u>DHS Funding</u>	<u>Total</u>
Revenues				
Operating revenues	\$ 9,737,443	-	-	\$ 9,737,443
Capital grants -				
FAA	-	\$ 3,135,260	-	3,135,260
FDOT	-	769,945	-	769,945
DHS	-	-	\$ 94,900	94,900
Other revenue	316,339	-	-	316,339
PFC revenues	1,482,204	-	-	1,482,204
Unrealized gain on investments	2,410	-	-	2,410
Gain on disposal of land	376,870	-	-	376,870
Proceeds from litigation	7,537,222	-	-	7,537,222
Interest revenue	5,916	-	-	5,916
Total revenues	<u>19,458,404</u>	<u>3,905,205</u>	<u>94,900</u>	<u>23,458,509</u>
Expenses				
Personnel	2,778,130	-	94,900	2,873,030
Purchased services	3,782,983	-	-	3,782,983
Supplies and materials	353,324	-	-	353,324
Utilities	825,223	-	-	825,223
Insurance	237,824	-	-	237,824
Other expense	56,191	-	-	56,191
Depreciation	12,671,647	-	-	12,671,647
Interest expense	1,945,793	-	-	1,945,793
Non-Grant funded capital items	743,932	-	-	743,932
Grant funded capital project	1,124,663	3,905,205	-	5,029,868
Total expenses	<u>24,519,710</u>	<u>3,905,205</u>	<u>94,900</u>	<u>28,519,815</u>
Excess Revenues (Expenses)	<u>\$ (5,061,306)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,061,306)</u>

See independent auditor's report.

PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF NON-GRANT FUNDED CAPITAL ITEMS
ACQUIRED DURING THE YEAR ENDED SEPTEMBER 30, 2013

Utilities	\$ 31,769
Crosswind runway	27,668
Site stabilization	291,926
Environmental assessment	195,372
Apron expansion	67,179
T Hangar door	27,028
Firearms	821
Blinds for terminal building	14,009
Resurfacing fuel tanks	40,835
Rescue mannequin	1,214
Kiosks	2,000
Ipads	1,570
Computers	10,181
Ice machine	2,894
Bunker gear	21,154
Bullet proof vests	8,312
	<hr/>
	\$ 743,932
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See independent auditor's report.

**PANAMA CITY - JAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF GRANT FUNDED CAPITAL PROJECTS
EXPENDED DURING THE YEAR ENDED SEPTEMBER 30, 2013**

Project Number	Description	Airport Funding	FAA Funding	FDOT Funding	Total
Capital Projects:					
AIP3	Construction	-	\$ 89,610	-	\$ 89,610
AIP4	Mitigation	\$ 369,395	501,492	-	870,887
AIP 5/AP976	Master plan	3,468	131,775	\$ 3,468	138,711
AQF14	Covered parking	409,086	-	425,682	834,768
AQF14	Water harvesting	13,056	-	8,295	21,351
AJP6/AQF14	SMS modifications	166,186	2,412,383	173,999	2,752,568
Total		961,191	3,135,260	611,444	4,707,895
Equipment Purchases:					
AQF12/AQF13/AQF14	Maintenance equipment	163,472	-	158,501	321,973
Total		163,472	-	158,501	321,973
Total Grant Funding		\$ 1,124,663	\$ 3,135,260	\$ 769,945	\$ 5,029,868

See independent auditor's report.

**PANAMA CITY - BAY COUNTY AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF OPERATIONS, GRANTS, AND CAPITAL EXPENDITURES
LAST TEN FISCAL YEARS**

Year Ended 9/30	Percentage Increase (Decrease) of Operating Revenue Over Prior Year	Operating Revenue	Operating Expense	Net Operating Income (Loss)	PFC Revenues	Contributions/ Grants for Capital Outlay	Net Operating Income, PFC Revenues and Contributions	Capital/ Grants Expenditures
2013	-6%	\$ 9,737,443	\$ 20,800,222	\$ (11,062,779)	\$ 1,482,204	\$ 4,000,105	\$ (5,580,470)	\$ 5,773,800
2012	27%	10,339,893	19,309,761	(8,969,868)	1,639,762	2,858,891	(4,471,215)	7,844,991
2011	52%	8,158,802	18,881,027	(10,722,225)	1,646,924	975,501	(8,099,800)	18,115,240
2010	49%	5,380,727	10,112,199	(4,731,472)	1,059,557	49,154,767	45,482,852	87,537,401
2009	1%	3,618,245	4,088,439	(470,194)	574,597	70,803,689	70,908,092	113,650,503
2008	6%	3,595,524	4,475,771	(880,247)	678,352	52,278,001	52,076,106	59,151,245
2007	5%	3,365,907	4,380,660	(1,014,753)	781,950	5,946,307	5,713,504	7,371,227
2006	1%	3,190,177	3,906,948	(716,771)	792,933	6,192,073	6,268,235	5,634,036
2005	9%	3,164,083	3,741,615	(577,532)	803,093	3,632,311	3,857,872	3,781,115
2004	6%	2,911,704	3,574,468	(662,764)	589,960	6,707,369	6,634,565	6,889,486

The following are omitted from the above data:

- (1) Interest earnings
- (2) Interest expenses
- (3) Gain (loss) on sale of fixed assets
- (4) Miscellaneous nonoperating revenues

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
DEBT COVERAGE REQUIREMENTS
LAST TEN FISCAL YEARS**

Year Ended 9/30	Required Debt Coverage on 1993 Series Revenue Bonds
2013	\$ 0
2012	0
2011	0
2010	0
2009	0
2008	0
2007	430,631
2006	430,631
2005	430,631
2004	430,744

* The Series 1993 Bonds were paid in full during 2008.

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE, AND PASSENGER FACILITY CHARGES
YEAR ENDED SEPTEMBER 30, 2013**

	CFDA/ CFSA Number	Balance October 1, 2012	Adjustments(3)	Cash Receipts	Expenditures	Balance September 30, 2013 (1)
<u>Federal Aviation Administration</u>						
3-12-0159-003-2009	20.106	-	\$ (89,610)	\$ 89,610	-	-
3-12-0159-004-2011	20.106	\$ (112,142)	1,731	362,740	\$ (503,223)	\$ (250,894)
3-12-0159-005-2011	20.106	(87,161)	-	207,572	(131,775)	(11,364)
3-12-0159-006-2012	20.106	-	-	2,258,692	(2,412,385)	(153,693)
Total		<u>\$ (199,303)</u>	<u>\$ (87,879)</u>	<u>\$ 2,918,614</u>	<u>\$ (3,047,383)</u>	<u>\$ (415,951)</u>
<u>Florida Department of Transportation (2)</u>						
AQF 12		\$ (85,938)	\$ -	\$ 85,938	\$ (2,635)	\$ (2,635)
AQF 13		(18,534)	-	18,534	(15,888)	(15,888)
AQF 14		(150,678)	-	406,867	(747,954)	(491,765)
APR 20		(24,711)	-	24,711	-	-
AP 976		(2,293)	-	5,761	(3,468)	-
Total State		<u>\$ (282,154)</u>	<u>\$ -</u>	<u>\$ 541,811</u>	<u>\$ (769,945)</u>	<u>\$ (510,288)</u>
<u>Department of Homeland Security</u>						
HSTS02-13-HS-LR017		<u>\$ -</u>	<u>-</u>	<u>\$ 94,900</u>	<u>\$ (94,900)</u>	<u>\$ -</u>
		Cash/Investments/ Receivables October 1, 2012		Revenue*	Expended	Cash/Investments/ Receivables September 30, 2013 (1)
Passenger facility charges		<u>\$ 240,049</u>		<u>\$ 1,482,204</u>	<u>\$ (1,559,964)</u>	<u>\$ 162,289</u>

* Includes interest earnings of \$583

(1) Includes receivable.

(2) The Florida Department of Transportation does not assign CFSA numbers to projects that receive federal awards.

(3) Prior period expenses that were deemed eligible by the FAA.

See independent auditor's report.



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

Board of Directors
Panama City - Bay County Airport
and Industrial District
Panama City, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Panama City - Bay County Airport and Industrial District, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise Panama City - Bay County Airport and Industrial District's basic financial statements, and have issued our report thereon dated February 18, 2014.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Panama City, Florida
February 18, 2014

Jipton, Marler, Garner & Chastain, CPAs



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, STATE PROJECT, AND PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

Board of Directors
Panama City – Bay County Airport
and Industrial District
Panama City, Florida

Report on Compliance for Each Major Federal Program

We have audited Panama City – Bay County Airport and Industrial District's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the Department of Financial Services' State Projects Compliance Supplement, and the requirement described in the Passenger Facility Audit Guide for public agencies, issued by the Federal Aviation Administration for its passenger facility charge program that could have a direct and material effect on each of Panama City - Bay County Airport and Industrial District's major federal programs for the year ended September 30, 2013. Panama City - Bay County Airport and Industrial District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Panama City - Bay County Airport and Industrial District's major federal and state programs and Passenger Facility Charge program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and Chapter 10.550, *Rules of the Auditor General*. Those

standards and OMB Circular A-133 and Chapter 10.550 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 and state program occurred. An audit includes examining, on a test basis, evidence about Panama City - Bay County Airport and Industrial District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program and Passenger Facility Charge program. However, our audit does not provide a legal determination of Panama City - Bay County Airport and Industrial District's compliance.

Opinion on Each Major Federal Program, State Project, and Passenger Facility Charge Program

In our opinion, Panama City - Bay County Airport and Industrial District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, state programs, and Passenger Facility Charge program for the year ended September 30, 2013.

Report on Internal Control Over Compliance

Management of Panama City - Bay County Airport and Industrial District, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Panama City - Bay County Airport and Industrial District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program and Passenger Facility Charge Program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and Passenger Facility Charge Program and to test and report on internal control over compliance in accordance with OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Panama City - Bay County Airport and Industrial District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Jipton, Marler, Garner & Chastain, CPAs

Panama City, Florida
February 18, 2014

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the basic financial statements of Panama City – Bay County Airport and Industrial District.
2. No significant deficiency in internal control was disclosed during the audit of the financial statements as reported in the Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Panama City – Bay County Airport and Industrial District, were disclosed during the audit.
4. No significant deficiency in internal control over a major Federal program or State project is reported in the Independent Auditor's Report on Compliance for each major Federal program, State project and Passenger Facility Charge Program and on Internal Control Over Compliance Required by OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General.
5. The auditor's report on compliance with requirements that would have a direct and material effect on each major Federal awards program and State project for Panama City – Bay County Airport and Industrial District expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to Federal programs under Section 510(a) of OMB Circular A-133 nor did our audit disclose any finding related to State projects required to be disclosed under Chapter 10.557, Rules of the Auditor General.
7. The programs/projects tested as major programs/projects included the following:

<u>Federal Program</u>	<u>CFDA No.</u>
Federal Aviation Administration	20.106
<u>State Project</u>	<u>State CSFA No.</u>
Florida Department of Transportation	None
8. The threshold for distinguishing types A and B programs/projects was \$300,000 for major Federal Programs.
9. The Panama City - Bay County Airport and Industrial District was determined to be a low risk audit pursuant to OMB A-133.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2013**

B. FINDING – FINANCIAL STATEMENT AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS

NONE

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 Acts.



INDEPENDENT AUDITOR'S MANAGEMENT LETTER

Board of Directors
Panama City - Bay County Airport
and Industrial District
Panama City, Florida

We have audited the financial statements of the Panama City-Bay County Airport and Industrial District as of and for the fiscal year ended September 30, 2013 and have issued our report thereon dated February 18, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Florida Auditor General. We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*, Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program, State project, and Passenger Facility Charge Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 18, 2014, 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, which governs the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor's reports or schedule:

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no recommendations made in the preceding annual financial audit report.

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include 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 Panama City - Bay County Airport and Industrial District complied with Section 218.415, Florida Statutes.

Section 10.554(1) (i) 3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Section 10.554(1)(i)5., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Panama City - Bay County Airport and Industrial District is an independent special district created by an act of the Legislature of the State of Florida and is not considered a component unit of any other local government unit. The special act which created the District was Chapter 67-1099 of House Bill 1608 file June 19, 1967, which was later repealed and replaced by Chapter 98-527 of House Bill 4545 filed May 22, 1998, Chapter 2005-311 of House Bill 939 filed June 14, 2005, and Chapter 2005-311 of House Bill 1635 filed July 1, 2010.

Section 10.554(1)(i)6.a., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Panama City - Bay County Airport and Industrial District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Section 10.554(1) (i) 6.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Panama City - Bay County Airport and Industrial District for the fiscal year ended September 30, 2013, filed with the Florida Department of Financial Services pursuant to Section 218.32(1) (a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2013. In connection with our audit, we determined that these two reports were in agreement.

Pursuant to Sections 10.554(1) (i) 6.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Panama City - Bay County Airport and Industrial District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Section 10.554(1)(i)6.e., Rules of the Auditor General, requires a statement be included as to whether or not the local governmental entity complied with State and Federal laws, rules, regulations, contracts, or grant agreements governing the receipt and expenditure of those funds. Funds related to the Deepwater Horizon oil spill may include, but are not limited to, funds received pursuant to Section 288.8017, Florida Statutes, and Public Law 112-141 (33 U.S.C.A. ss. 1321(t)); State or Local grants; and moneys received directly from British Petroleum. In connection with our audit, we determined that the Panama City - Bay County Airport and Industrial District has complied in all material respects with the State and Federal laws, rules, regulations, contracts, and grant agreements governing the receipt and expenditures of funds related to the Deepwater Horizon Oil Spill.

Our management letter is intended solely for the information and use of the legislative auditing committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

*Jiptm, Marler, Garner & Chastain,
CPAs*

Panama City, Florida
February 18, 2014

**PANAMA CITY - BAY COUNTY AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF RECEIPTS AND EXPENDITURES OF FUNDS RELATED TO THE
DEEPWATER HORIZON OIL SPILL
YEAR ENDED SEPTEMBER 30, 2013**

<u>Source</u>	<u>Amount Received in the 9/30/2013 Fiscal Year</u>	<u>Amount Expended in the 9/30/2013 Fiscal Year</u>
British Petroleum: Claims Settlement	\$ 5,980,000	\$ 1,244,045

Note: This does not include funds related to the Deepwater Horizon Oil spill that are considered Federal awards or State financial assistance. The Schedule of Expenditures of Federal Awards and State Financial Assistance includes \$0 of expenditures of Federal awards, and \$0 of expenditures of State financial assistance, that are related to the Deepwater Horizon Oil Spill.