

**PANAMA CITY - BAY COUNTY**  
**AIRPORT AND INDUSTRIAL DISTRICT**  
**PANAMA CITY, FLORIDA**  
**FINANCIAL STATEMENTS**  
**YEARS ENDED SEPTEMBER 30, 2015 AND 2014**



**Tipton, Marler, Garner & Chastain**  
*The CPA Group*

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
PANAMA CITY, FLORIDA  
FINANCIAL STATEMENTS  
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

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## INDEPENDENT AUDITOR'S REPORT

To the 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 business-type activities of Panama City - Bay County Airport and Industrial District, as of and for the years ended September 30, 2015 and 2014, 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



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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 of the business-type activities of the Panama City - Bay County Airport and Industrial District, as of September 30, 2015 and 2014, 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.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 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***

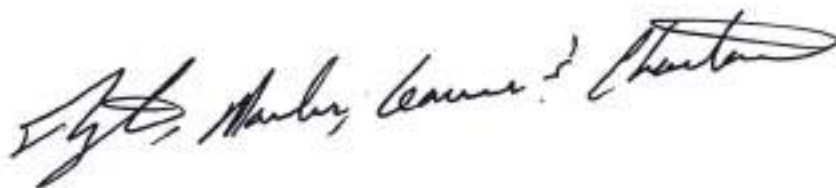
Our audit was conducted for the purpose of forming opinions on the financial statements of the Panama City - Bay County Airport and Industrial District's basic financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Directors  
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The other supplementary information 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 March 17, 2016, 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 the Panama City - Bay County Airport and Industrial District's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "Sgt. Marky Leanne Stanton". The signature is written in a cursive, flowing style.

Panama City, Florida  
March 17, 2016



**PANAMA CITY-BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

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 \$282,823,790 (net position). Of this amount, \$10,435,051 is unrestricted.
- Total net position decreased by \$9,237,998. Of this amount, \$1,969,553 is attributable to grant-funded projects, while \$7,268,445 is attributable to the business-type activities of the District.
- Operating revenues increased by \$347,345, or 3.48 percent, over prior year operating revenues. Operating expenses increased by \$349,997, or 1.75 percent, over prior year operating expenses.
- Passenger facility charge revenues increased \$67,832 or 4.73 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 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.

**PANAMA CITY-BAY COUNTY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

**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 Position**

	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 14,159,772	\$ 11,991,041
Capital assets	<u>313,330,591</u>	<u>324,436,823</u>
Total assets	<u>327,490,363</u>	<u>336,427,864</u>
Long-term debt outstanding	40,941,852	42,095,053
Other liabilities	<u>3,724,721</u>	<u>2,271,023</u>
Total liabilities	<u>44,666,573</u>	<u>44,366,076</u>
Net position:		
Net investment in capital assets	272,388,739	282,341,770
Restricted	0	695
Unrestricted	<u>10,435,051</u>	<u>9,719,323</u>
Total net position	<u>\$ 282,823,790</u>	<u>\$ 292,061,788</u>

Net investment in capital assets (e.g., land, buildings, and equipment), represents the District's largest portion of net position. These capital assets are utilized to provide services to the public; consequently, these assets are not available for future spending.



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

**Table 2  
Changes in Net Position**

	<u>2015</u>	<u>2014</u>
<b>Revenues</b>		
Operating revenues	\$ 10,320,416	\$ 9,973,071
Grants and entitlements	823,494	2,793,047
PFC revenues	1,503,418	1,435,586
Interest	<u>6,259</u>	<u>6,776</u>
Total revenues	<u>12,653,587</u>	<u>14,208,480</u>
<b>Program expenses</b>		
Operating expenses	20,300,887	19,950,890
Interest expense	<u>1,936,372</u>	<u>1,987,087</u>
Total expenses	<u>22,237,259</u>	<u>21,937,977</u>
Excess (deficiency) before special items	<u>(9,583,672)</u>	<u>(7,729,497)</u>
<b>Special items</b>		
Unrealized gain/loss	1,456	2,098
Insurance proceeds	24,507	33,605
FAA reimbursement	305,153	0
Gain on disposal of assets	<u>14,558</u>	<u>9,198</u>
Total special items	<u>345,674</u>	<u>44,901</u>
Increase (decrease) in net position	<u>\$ (9,237,998)</u>	<u>\$ (7,684,596)</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 (37.3% of total revenues), airlines (23.9% of total revenues) and parking (24.9% of total revenues).

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AIRPORT AND INDUSTRIAL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Depreciation accounts for the largest portion of operating expenses at 64.5%. Other operating expenses include salaries and benefits, purchased services, supplies and materials, utilities, insurance and other expenses. Salaries and benefits represent approximately 16% of the airport's annual operating expenses, and purchased services account for 12%.

**ANALYSIS OF BALANCES AND TRANSACTIONS**

Unrestricted net position increased by \$715,728. This increase is primarily due to staff's efforts and success in working efficiently and controlling costs.

**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 \$12,329,508, due to depreciation expense which was not budgeted.

Actual operating revenues were less than budget by \$1,917,541, due to a larger rebate (\$2,705,250) paid to the airlines in the form of revenue sharing.

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

**Capital Assets**

At September 30, 2015, the District had \$382,803,536 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 \$1,969,240 or .5 percent, compared to last year.

**Table 3  
Capital Assets at Year-end**

	2015	2014
Land	\$ 70,669,561	\$ 70,669,561
Buildings and improvements	186,423,191	186,293,377
Improvements other than buildings	112,956,613	111,057,225
Furniture and equipment	8,556,872	8,125,880
Construction work-in-progress	4,197,299	4,688,253
Totals	<u>\$ 382,803,536</u>	<u>\$ 380,834,296</u>



**PANAMA CITY-BAY COUNTY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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Major capital asset events during the current fiscal year included the following:

- Capital equipment purchased totaled \$410,145, of which \$203,296 was funded by State grants.
- Mitigation Site Development was ongoing at a cost of \$957,121, of which \$176,465 was funded by Federal and State grants.
- A new radio antenna system (\$61,255) and runway lighting control system (\$45,525) were installed at a total cost of \$106,780, of which \$50,700 was funded by State grants.
- Storm repairs from the 2014 rain event are ongoing at a cost of \$303,044, of which \$265,163 will be funded by FEMA and SERT.

The fiscal year 2016 budget includes \$9,740,056 of grant and non-grant projects. These projects include security exit improvements and a pass-back security system, taxiway improvements, purchase of new jet bridges, ground transportation revenue control system upgrades, construction of t-shades, construction of an additional aircraft parking ramp, addition of roadways and utility infrastructure, ongoing mitigation site development and continuation of the storm water repairs.

**Debt**

At year-end, the District had long-term debt of \$40,941,852, as shown in Table 4:

**Table 4  
Outstanding Debt at Year-end**

	<u>2015</u>	<u>2014</u>
SIB Loan (backed by passenger facility charges and airport operations)	<u>\$ 40,941,852</u>	<u>\$ 42,095,053</u>

**CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS**

Northwest Florida Beaches International 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 22% of the Panhandle region. As we close out the fifth 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 2016. These efforts include completing the Environmental Assessment and U.S. Army Corps of Engineers 404 Permit for additional land development, working with the local Economic Development Alliance to encourage aviation-related businesses to locate at the airport, continuing to develop additional air service opportunities for our region, and focusing on preparing for future expansion as the airport must grow to meet capacity needs.



**PANAMA CITY-BAY COUNTY  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015**

Additionally, continued refinement of the business process, improved cost effectiveness and marketing initiatives will guide our vision for fiscal year 2016.

**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

	2015	2014
<b>Current Liabilities</b>		
Accounts payable	\$ 3,401,432	\$ 1,953,161
Accrued expenses	142,958	150,365
Current maturities of long-term liabilities	16,030	25,017
Total current liabilities	<u>3,560,420</u>	<u>2,128,543</u>
<b>Long-Term Liabilities</b>		
Long-term debt, less current maturities	40,941,852	42,095,053
Accrued vacation	153,876	131,470
Accrued sick leave	10,425	11,010
Total long-term liabilities	<u>41,106,153</u>	<u>42,237,533</u>
Total liabilities	<u>44,666,573</u>	<u>44,366,076</u>
<b>Net Position</b>		
Net investment in capital assets	272,388,739	282,341,770
Restricted for:		
Debt service	-	695
Unrestricted	10,435,051	9,719,323
Total net position	<u>282,823,790</u>	<u>292,061,788</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 327,490,363</u>	<u>\$ 336,427,864</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, 2015 AND 2014**

	2015	2014
<b>Operating Revenues</b>		
Airline	\$ 2,469,836	\$ 2,939,464
Car rentals	3,854,118	3,522,562
Terminal complex	3,205,278	2,873,421
General aviation	561,053	424,601
Other revenue	230,131	213,023
Total operating revenues	<u>10,320,416</u>	<u>9,973,071</u>
<b>Operating Expenses</b>		
Personnel costs	3,202,499	3,118,847
Purchased services	2,482,803	2,562,797
Supplies and materials	325,188	342,911
Utilities	885,974	868,611
Insurance	231,751	250,570
Other expenses	65,667	66,927
Depreciation	13,107,005	12,740,227
Total operating expenses	<u>20,300,887</u>	<u>19,950,890</u>
Income (loss) from operations	<u>(9,980,471)</u>	<u>(9,977,819)</u>
<b>Nonoperating Revenues (Expenses)</b>		
Unrealized gain on investments	1,456	2,098
Gain on disposal of assets/land	14,558	9,198
PFC revenues	1,503,418	1,435,586
Proceeds from insurance	24,507	33,605
Interest revenue	6,259	6,776
Interest expense	(1,936,372)	(1,987,087)
Grants	823,494	2,793,047
Other revenue	305,153	-
Total nonoperating revenues (expenses)	<u>742,473</u>	<u>2,293,223</u>
<b>Change in Net Position</b>	<u>(9,237,998)</u>	<u>(7,684,596)</u>
<b>Total Net Position at Beginning of Year</b>	<u>292,061,788</u>	<u>299,746,384</u>
<b>Total Net Position at End of Year</b>	<u>\$ 282,823,790</u>	<u>\$ 292,061,788</u>

See the accompanying notes.

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	2015	2014
<b>Reconciliation of Operating Income to Net Cash Provided (Used) By Operating Activities</b>		
Operating loss	\$ (9,980,471)	\$ (9,977,819)
Adjustments to reconcile operating income to net cash provided by operating activities-		
Depreciation	13,107,005	12,740,227
(Increase) decrease in assets:		
Accounts receivable	(120,230)	(276,968)
Prepaid items	(846)	5,118
Increase (decrease) in liabilities:		
Accounts payable	1,448,271	(1,199,022)
Accrued expenses	(7,407)	8,201
Accrued vacation	13,419	(995)
Accrued sick leave	(585)	(1,930)
Net cash provided by operating activities	<u>\$ 4,459,156</u>	<u>\$ 1,296,812</u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid during the year for interest	<u>\$ 1,936,372</u>	<u>\$ 1,987,087</u>
<b>Reconciliation of Cash and Cash Equivalents per Statement of Cash Flows to the Statement of Net Position</b>		
Cash and cash equivalents	\$ 11,561,001	\$ 7,053,251
Restricted cash and cash equivalents	656,692	1,460,569
	<u>\$ 12,217,693</u>	<u>\$ 8,513,820</u>

See the accompanying notes.



**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**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

**PANAMA CITY - BAY COUNTY  
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NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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 revenues and expenses. Capital grants are reported as nonoperating revenue in compliance with GASB Statement No. 33.

*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 \$170,722 and \$158,832 for the years ended September 30, 2015 and 2014, 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.



**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Accounts Receivable:*

Accounts are charged to bad debt expense as they are deemed uncollectible. At September 30, 2015 and 2014, no allowance for uncollectible accounts was considered necessary.

*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 2012, GASB 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 implemented GASB No. 68 in this annual report.

In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. This statement will eliminate the source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2014. The District has implemented GASB No. 71 in this annual report, however, it does not have any current impact on the District.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.



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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension Plans*. This statement will improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**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.

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AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 2 – RESTRICTED ASSETS (Continued)**

At September 30, 2015 and 2014, restricted assets consisted of the following:

	<u>2015</u>	<u>2014</u>
Cash and Cash Equivalents –		
Construction	\$ 606,596	\$ 507
PFC Excess Cash	3,320	1,419,987
Debt Service Reserve	18,006	696
Forfeiture Funds	16,166	624
Law Enforcement Trust	604	26,755
Escrow Fund	12,000	12,000
Accounts Receivable - PFC	<u>183,970</u>	<u>177,888</u>
	<u>\$ 840,662</u>	<u>\$ 1,638,457</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, 2015 AND 2014**

**NOTE 4 – LONG-TERM LIABILITIES**

Changes in long-term liabilities are summarized as follows:

	<u>Balance October 1, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2015</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.	\$ 22,758,573	\$ 0	\$ 621,179	\$ 22,137,394	\$ 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>19,336,480</u>	<u>0</u>	<u>532,022</u>	<u>18,804,458</u>	<u>0</u>



**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 4 – LONG-TERM LIABILITIES (Continued)**

	Balance October 1, 2014	Increases	Decreases	Balance September 30, 2015	Due in One Year
Total Long-term Debt	<u>42,095,053</u>	<u>0</u>	<u>1,153,201</u>	<u>40,941,852</u>	<u>0</u>
Total Compensated Absences	<u>167,497</u>	<u>39,883</u>	<u>27,049</u>	<u>180,331</u>	<u>16,030</u>
Total Long-term Liabilities	<u>\$ 42,262,550</u>	<u>\$ 39,883</u>	<u>\$ 1,180,250</u>	<u>\$ 41,122,183</u>	<u>\$ 16,030</u>

Debt service requirements to maturity for long-term debt subsequent to September 30, 2015, are as follows:

Year Ended	State Infrastructure Bank Loan Agreement		State Infrastructure Bank Loan Agreement	
	Principal	Interest	Principal	Interest
2017	\$ 649,754	\$ 1,018,320	\$ 556,495	\$ 865,005
2018	679,643	988,431	582,094	839,406
2019	710,906	957,168	608,870	812,630
2020	743,608	924,466	636,878	784,622
2021	777,814	890,260	666,174	755,326
2022-2026	4,459,834	3,880,536	3,819,716	3,287,784
2027-2031	5,584,408	2,755,962	4,782,880	2,324,620
2032-2036	6,992,549	1,347,820	5,988,910	1,118,589
2037	<u>1,538,878</u>	<u>70,788</u>	<u>1,162,441</u>	<u>53,471</u>
	<u>\$ 22,137,394</u>	<u>\$ 12,833,751</u>	<u>\$ 18,804,458</u>	<u>\$ 10,841,453</u>

The Florida Department of Environmental Protection ("DEP") required the District to establish a management endowment to earn interest, which would be used to pay mitigation costs. In lieu of an endowment, the District 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, 2015, there were no draws on the letter of credit.



**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 5 – LEASES**

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

	<u>2015</u>	<u>2014</u>
Noncancellable leases –		
Minimum rentals	\$ 4,379,292	\$ 3,081,183
Contingent rentals	<u>2,417,669</u>	<u>2,540,148</u>
	<u>\$ 6,796,961</u>	<u>\$ 5,621,331</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, 2015, for the next five years are as follows:

2016	\$ 4,581,549
2017	4,666,521
2018	4,775,028
2019	4,874,281
2020	2,917,220

The approximate carrying value and accumulated depreciation pertaining to property held for rental included on the Statements of Net Position at September 30, 2015 is not readily determinable.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 6 – PASSENGER FACILITY CHARGE**

The District imposes a passenger facility charge ("PFC") 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 \$0.11 handling fee per passenger, so the District 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 at September 30, 2015. 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 were appealed by the District. The appeal was successful. During 2015, the District undertook further legal action against KBR. On December 1, 2015, at an Emergency Board Meeting, the Board elected to enter into a Settlement and Release Agreement with KBR, whereby KBR would pay \$1,250,000 to settle the ongoing disputes between the District and KBR.

There is no other pending or, to the knowledge of the District, threatened litigation regarding the construction project.

*Contract Commitments:*

At September 30, 2015, the District had contractual commitments of approximately \$1,938,969 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, 2015 AND 2014**

**NOTE 7 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS (Continued)**

*Sales Tax Audit:*

The Florida Department of Revenue is conducting a sales tax audit. The District has acknowledged and paid some of the deficiencies, in the amount of \$59,914, and is contesting others. The District has not been presented with an assessment of the amount of taxes and penalties in question.

*Subsequent Events:*

The District did not have any other subsequent events requiring disclosure or recording in these financial statements through March 17, 2016, 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, 2015 and 2014, is \$169,906 and \$156,487, 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. A percentage of accumulated sick leave may be paid upon termination. The amount paid is dependent upon retirement age and years of service. The liability for accumulated annual sick leave at September 30, 2015 and 2014, is \$10,425 and \$11,009, respectively.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**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 and can only be amended by an action of the Board. 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. Plan forfeitures are used to pay Plan administrative fees. 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 plan had 52 active participants at September 30, 2015.

The District's total salaries expensed in fiscal year 2015 and 2014 were \$2,221,731 and \$2,180,195, respectively. The District's contributions were calculated using the salary amount of approximately \$2,154,087 and \$2,117,711 for September 30, 2015 and 2014, respectively. The retirement expense by the District was \$223,925 and the amount contributed was \$223,925 for the year ended September 30, 2015; the expense for the year ended September 30, 2014 was \$220,923 and the amount contributed was \$220,923. Any difference between pension expense and the amount contributed results from pension forfeitures.

**NOTE 10 – DEPOSITS AND INVESTMENTS**

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415(17) Florida Statutes. The Authority may invest any surplus public funds in the following:

- a) The Local Government Surplus Trust Funds, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act;
- b) Securities and Exchange Commission registered money market funds with the highest credit quality rating from a nationally recognized rating agency;
- c) Interest bearing time deposits or savings accounts in qualified public depositories;
- d) Direct Obligations of the U.S. Treasury.

Securities listed in paragraph c and d shall be invested to provide sufficient liquidity to pay obligations as they come due. In addition, surplus funds may be deposited into certificates of deposit which are insured.



**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 10 – DEPOSITS AND INVESTMENTS (Continued)**

The District records all interest revenue related to investment activities in the respective funds and reports investments at fair value.

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.

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, 2015, 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	\$ 7,493

**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.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

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

For the year ended September 30, 2015, the District's actual operating revenues were less than budgeted operating revenues by \$1,917,541, due to revenue sharing with the airlines of \$2,705,250, and actual operating expenses exceeded budgeted operating expenses by \$12,329,508. The actual operating expenses increase over budgeted operating expenses was due to the following:

- \$13,107,005 in depreciation expense that was not budgeted by the District in 2015.

For the year ended September 30, 2014, the District's actual operating revenues were less than budgeted operating revenues by \$1,759,083, due to revenue sharing with the airlines of \$1,442,006, and actual operating expenses exceeded budgeted operating expenses by \$11,930,540. The actual operating expenses increase over budgeted operating expenses was primarily due to the \$12,740,227 in depreciation expense that was not budgeted by the District in 2014.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2015 AND 2014**

**NOTE 12 – CAPITAL ASSETS**

Changes in capital assets were as follows:

	Balance 9/30/13	Increases	Decreases	Balance 9/30/14	Increases	Decreases	Balance 9/30/15
Capital assets, not being depreciated:							
Land	\$ 67,698,373	\$ 2,971,188		\$ 70,669,561			\$ 70,669,561
Construction work-in-process	6,235,437	3,596,885	\$ 5,144,069	4,688,253	\$ 2,002,064	\$ 2,493,018	4,197,299
Total capital assets, not being depreciated	73,933,810	6,568,073	5,144,069	75,357,814	2,002,064	2,493,018	74,866,860
Capital assets, being depreciated:							
Buildings and improvements	186,232,822	60,555		186,293,377	129,814		186,423,191
Improvements other than buildings	109,202,358	1,854,867		111,057,225	1,899,388		112,956,613
Furniture and equipment	7,852,733	340,677	67,530	8,125,880	463,816	32,824	8,556,872
Total capital assets, being depreciated	303,287,913	2,256,099	67,530	305,476,482	2,493,018	32,824	307,936,676
Less accumulated depreciation for:							
Buildings and improvements	15,452,760	4,780,022		20,232,782	4,783,580		25,016,362
Improvements other than buildings	23,046,838	7,237,543		30,284,381	7,579,862		37,864,243
Furniture and equipment	5,223,361	722,662	65,713	5,880,310	743,563	31,533	6,592,340
Total accumulated depreciation	43,722,959	12,740,227	65,713	56,397,473	13,107,005	31,533	69,472,945
Total capital assets being depreciated, net	259,564,954	(10,484,128)	1,817	249,079,009	(10,613,987)	1,291	238,463,731
Capital assets, net	\$ 333,498,764	\$ (3,916,055)	\$ 5,145,886	\$ 324,436,823	\$ (8,611,923)	\$ 2,494,309	\$ 313,330,591



**AIRPORT AND INDUSTRIAL DISTRICT  
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES  
YEARS ENDED SEPTEMBER 30, 2015 AND 2014**

	2015		2014
	Budget	Actual	Actual
<b>Operating Revenues</b>			
Airline -			
Passenger airline landing fees	\$ 3,110,846	\$ 1,652,994	\$ 1,870,099
Cargo airline landing fees	16,000	18,312	17,434
Terminal rentals and common use	1,718,833	933,550	1,051,931
Airline incentives	-	(135,020)	-
Total airline revenue	<u>4,845,679</u>	<u>2,469,836</u>	<u>2,939,464</u>
Car rentals -			
Concession fee	1,750,000	1,978,231	1,804,138
Customer facility charge	1,650,000	1,875,887	1,718,424
Total car rental revenue	<u>3,400,000</u>	<u>3,854,118</u>	<u>3,522,562</u>
Terminal complex -			
Public and employee parking	2,500,000	2,564,997	2,240,638
Ground transportation fees	70,000	76,830	77,398
Food and beverage concession	215,000	236,176	224,482
Retail merchandise concession	67,000	89,272	87,605
Advertising	127,500	120,346	126,234
Other terminal revenue	117,000	117,657	117,064
Total terminal complex revenue	<u>3,096,500</u>	<u>3,205,278</u>	<u>2,873,421</u>
General aviation -			
Fixed base operator rents	248,500	217,908	174,085
Fuel flowage fees	35,000	48,533	35,178
Hangar rentals	288,378	294,612	215,338
Total general aviation revenue	<u>571,878</u>	<u>561,053</u>	<u>424,601</u>
Other revenue -			
Other tenants/miscellaneous	179,900	78,987	67,580
Fuel farm	140,000	139,714	139,714
Cargo building rental	4,000	11,430	5,729
Total other revenue	<u>323,900</u>	<u>230,131</u>	<u>213,023</u>
Total operating revenues	<u>12,237,957</u>	<u>10,320,416</u>	<u>9,973,071</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, 2015 AND 2014**

	2015		2014
	Budget	Actual	Actual
<b>Operating Expenses</b>			
Personnel Costs -			
Salary and wages	\$ 2,344,930	\$ 2,225,583	\$ 2,180,195
Overtime	59,127	80,434	44,904
FICA contributions	183,608	166,315	162,371
Group insurance	459,417	387,574	399,660
Retirement	229,685	223,925	220,923
Workers compensation insurance	85,200	82,235	74,133
Other employee costs	37,287	36,433	36,661
Total personnel costs	<u>3,399,254</u>	<u>3,202,499</u>	<u>3,118,847</u>
Purchased services -			
Janitorial	625,500	612,169	612,169
Bank charges	102,000	109,723	98,362
Computer services	252,278	272,727	197,647
Elevator/escalator services	35,000	31,934	38,533
Financial	22,000	23,125	20,200
Legal services	100,000	49,238	87,615
BHS/loading bridge maintenance	300,000	281,569	323,548
Marketing and advertising	230,000	170,722	158,832
Parking lot management	430,000	321,581	334,944
Professional services	409,700	318,777	324,794
Security services and system maintenance	101,056	106,551	177,038
Trash removal	18,000	17,831	19,052
Postage/copy services	13,400	9,768	11,198
Radios and PA	30,000	38,693	25,736
Terminal/facility services	116,800	61,555	58,202
Other services and maintenance	213,506	56,840	74,927
Total purchased services	<u>2,999,240</u>	<u>2,482,803</u>	<u>2,562,797</u>
Supplies and materials -			
Office supplies	15,750	20,861	15,979
Fuel, oil, tires, vehicles, equipment	84,700	61,535	63,325
Airfield and grounds	121,900	114,052	160,260
Buildings (including loading bridges)	42,100	77,716	58,275
Uniforms	16,680	12,054	10,778
Other materials and supplies	46,900	38,970	34,294
Total supplies and materials	<u>328,030</u>	<u>325,188</u>	<u>342,911</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, 2015 AND 2014**

	2015		2014
	Budget	Actual	Actual
<b>Operating Expenses (continued)</b>			
Utilities -			
Electricity	\$ 650,000	\$ 726,021	\$ 650,020
Telephone	87,000	22,834	40,745
Water and sewer	125,000	137,119	177,846
Total utilities	862,000	885,974	868,611
Insurance -			
Building and contents	200,000	163,228	184,584
Liability	64,000	55,309	57,571
Vehicle and equipment	10,000	13,214	8,415
Total insurance expense	274,000	231,751	250,570
Other expenses -			
Dues and subscriptions	38,550	27,527	30,125
Promotions and special events	8,500	3,831	5,510
Travel and conference	32,700	14,305	15,415
Training	28,120	18,409	13,657
Miscellaneous expense	985	1,595	2,220
Total other expense	108,855	65,667	66,927
Total	7,971,379	7,193,882	7,210,663
Depreciation	-	13,107,005	12,740,227
Total operating expenses	7,971,379	20,300,887	19,950,890
Excess operating revenues (expenses)	4,266,578	(9,980,471)	(9,977,819)
<b>Nonoperating Revenues (Expenses)</b>			
PFC revenues	1,494,871	1,503,418	1,435,586
Unrealized gain on investments	-	1,456	2,098
Gain on disposal of assets/land	-	14,558	9,198
Interest earned	6,000	6,259	6,776
Interest revenue	(1,940,891)	(1,936,372)	(1,987,087)
Grants	1,688,871	823,494	2,793,047
Other revenue	-	305,153	-
Proceeds from insurance	-	24,507	33,605
Total nonoperating revenues (expenses)	1,248,851	742,473	2,293,223
<b>Excess Revenues (Expenses)</b>	<u>\$ 5,515,429</u>	<u>\$ (9,237,998)</u>	<u>\$ (7,684,596)</u>

See independent auditor's report.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
SCHEDULE OF CONSTRUCTION WORK-IN-PROGRESS  
SEPTEMBER 30, 2015**

<u>Project Number</u>		
AIP7/AR057	Mitigation	\$ 2,653,525
FEMA/SERT	Storm repairs	303,044
AQF14	Equipment/Miscellaneous	86,031
Not Awarded	Crosswind runway	28,337
Not Awarded	404 permit	203,765
AO264/AOM25	Environmental assessment	785,709
Not Awarded	Environmental assessment - phase 2	136,888
		<u>\$ 4,197,299</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, 2015**

404 permitting	\$ 316
Airline office buildout	129,814
Apron expansion	63
Environmental assessment	34,657
Server	3,200
Well	6,385
Seating	5,450
Car	2,671
Computers	2,080
AMAG server	11,750
Card readers	7,772
	<hr/>
	\$ 204,158

See independent auditor's report.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
SCHEDULE OF GRANT FUNDED CAPITAL ITEMS  
EXPENDED DURING THE YEAR ENDED SEPTEMBER 30, 2015**

Project Number	Description	Airport Funding	FAA Funding	FDOT Funding	FEMA Funding	SERT Funding	Total
<b>Capital Projects:</b>							
AIP7/ARO57	Mitigation	\$ 780,656	\$ 168,580	\$ 7,885		\$	\$ 957,121
AIP5	Master plan	9,507	11,309				20,816
FEMA/SERT	Storm repairs	37,881			\$ 227,283	\$ 37,880	303,044
Total		828,044	179,889	7,885	227,283	37,880	1,280,981
<b>Equipment Purchases:</b>							
ARO04	Safety vehicle	14,378		14,378			28,756
AQF14	Maintenance/ARFF equipment	192,471		188,918			381,389
APR20	Radio antenna	33,318		27,937			61,255
GO309	Runway lighting control	22,762		22,763			45,525
Total		262,929	-	253,996	-	-	516,925
Total Grant Funding		\$ 1,090,973	\$ 179,889	\$ 261,881	\$ 227,283	\$ 37,880	\$ 1,797,906

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
2015	3%	\$ 10,320,416	\$ 20,300,887	\$ (9,980,471)	\$ 1,503,418	\$ 823,494	\$ (7,653,559)	\$ 2,002,064
2014	2%	9,973,071	19,950,890	(9,977,819)	1,435,586	2,793,047	(5,749,186)	3,680,103
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

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
2015	\$ 0
2014	0
2013	0
2012	0
2011	0
2010	0
2009	0
2008	0
2007	430,631
2006	430,631

\* 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  
September 30, 2015

	CFDA Number	Adjustments	Balance Oct 1, 2014	Cash Receipts	Expenditures	Balance Sept 30, 2015
FAA	20.106					
Project Number 3-12-0159-004-2011			(36,822)	36,822	0	0
Project Number 3-12-0159-005-2011			(5,427)	16,736	11,309	0
Project Number 3-12-0159-007-2014		(23,819) *	(1,918,622)	2,059,836	188,580	(51,083)
TOTALS		(23,819)	(1,960,871)	2,113,496	179,889	(51,083)

\* Prior period expenses that were deemed eligible (or ineligible) by the FAA

FEMA			(110,424.00)	0	227,283	(337,707)
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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, 2015

	CFDA/ CSFA Number	Balance October 1, 2014	Adjustments (2)	Cash Receipts	Expenditures	Balance September 30, 2015 (1)
<u>Federal Aviation Administration</u>						
3-12-0159-004-2011	20.106	\$ (36,822)	\$ -	\$ 36,822	\$ -	\$ -
3-12-0159-005-2011	20.106	(5,427)	-	16,736	(11,309)	-
3-12-0159-007-2014	20.106	(1,918,622)	(23,819)	2,059,938	(168,580)	(51,083)
Total FAA		(1,960,871)	(23,819)	2,113,496	(179,889)	(51,083)
<u>Department of Homeland Security</u>						
HST802-13-HS-LR017		(23,920)	-	102,960	(87,100)	(8,060)
<u>FEMA</u>						
FEMA		(110,424)	-	-	(227,283)	(337,707)
Total Federal Awards		\$ (2,095,215)	\$ (23,819)	\$ 2,216,456	\$ (494,272)	\$ (396,850)
<u>Florida Department of Transportation</u>						
GO 309	55004	\$ -	\$ -	\$ -	\$ (22,763)	\$ (22,763)
AQF 14	55004	(1,777)	-	190,695	(188,918)	-
APR 20	55004	(2,690)	-	30,628	(27,938)	-
ARO 04	55004	-	-	-	(14,378)	(14,378)
AR 057	55004	(43,827)	-	43,827	(7,883)	(7,883)
Total FDOT		(48,294)	-	265,150	(261,880)	(45,024)
<u>SERT</u>						
SERT		-	(5,644)	5,644	(37,880)	(37,880)
Total State Financial Assistance		\$ (48,294)	\$ (5,644)	\$ 270,794	\$ (299,760)	\$ (82,904)
		Cash/Investments/ Receivables October 1, 2014		Revenue*	Expended	Cash/Investments/ Receivables September 30, 2015 (1)
Passenger Facility Charges		\$ 1,597,875		\$ 1,503,418	\$ (2,914,003)	\$ 187,290

\* Includes interest earnings of \$458

(1) Includes receivable.

(2) Prior period expenses that were deemed eligible by the FAA/SERT.

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**

To the 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, 2015, 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 March 17, 2016.

**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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

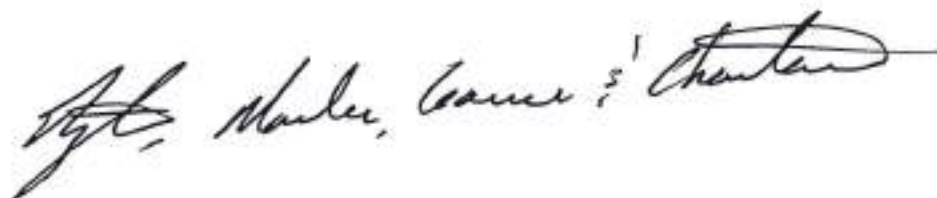
### **Compliance and Other Matters**

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

Panama City, Florida  
March 17, 2016







**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE  
PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE PASSENGER  
FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES**

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

**Report on Compliance for the Passenger Facility Charge Program**

We have audited Panama City – Bay County Airport and Industrial District's compliance with the types of compliance requirements 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 the Panama City - Bay County Airport and Industrial District's Passenger Facility Charge program for the year ended September 30, 2015.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Passenger Facility Charge program.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for the Panama City - Bay County Airport and Industrial District's 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 the Guide. Those standards 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 the Passenger Facility Charge 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 the 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 the 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 the Passenger Facility Charge program for the year ended September 30, 2015.

### **Report on Internal Control Over Compliance**

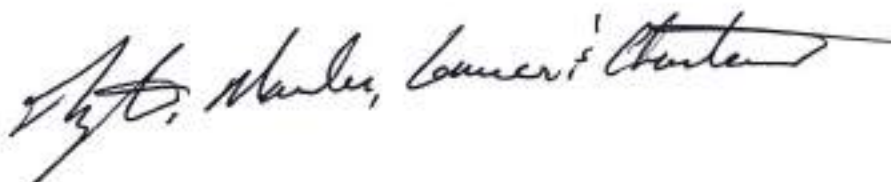
Management of Panama City - Bay County Airport and Industrial District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Panama City - 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 the 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 the Passenger Facility Charge program and to test and report on internal control over compliance in accordance with the Guide, 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 the Passenger Facility Charge program in 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 the 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 the 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 the Guide. Accordingly, this report is not suitable for any other purpose.

Panama City, Florida  
March 17, 2016

A handwritten signature in black ink, appearing to read "J. B. Mander, Governor of Panama". The signature is fluid and cursive, with a long horizontal stroke at the end.



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

### Report on the Financial Statements

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, 2015, and have issued our report thereon dated March 17, 2016.

### Auditor's Responsibility

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

### Other Reports and Schedule

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 for the Passenger Facility Charge Program and Report on Internal Control over Compliance Required by the Passenger Facility Charge Audit Guide for Public Agencies; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 17, 2016, should be considered in conjunction with this management letter.



### **Prior Audit Findings**

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

### **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The 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 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.

### **Financial Condition**

Section 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not Panama City - Bay County Airport and Industrial District 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.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Panama City - 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.

### **Annual Financial Report**

Section 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Panama City - Bay County Airport and Industrial District for the fiscal year ended September 30, 2015, 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, 2015. In connection with our audit, we determined that these two reports were in agreement.

## Other Matters

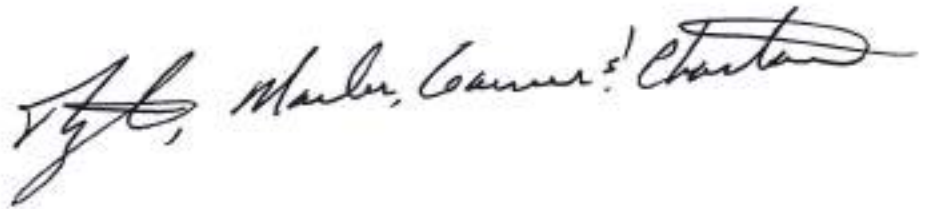
Section 10.554(1)(i)2., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with the audit, we did not have any such recommendations.

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

## Purpose of this Letter

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

Panama City, Florida  
March 17, 2016

A handwritten signature in dark ink, appearing to read "Mark L. Comer". The signature is fluid and cursive, with a long horizontal stroke extending to the right.



## INDEPENDENT ACCOUNTANT'S REPORT

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

We have examined the Panama City - Bay County Airport and Industrial District's (the "District") compliance with Section 218.415, Florida Statutes, regarding the investment of public funds during the year ended September 30, 2015. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertion about the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, management's assertion that the District complied with the aforementioned requirements for the year ended September 30, 2015, is fairly stated, in all material respects.

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

Panama City, Florida  
March 17, 2016