

PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
PANAMA CITY, FLORIDA
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015



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The CPA Group

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
PANAMA CITY, FLORIDA
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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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, 2016 and 2015, 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 audits. We conducted our audits 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 of the business-type activities of the Panama City - Bay County Airport and Industrial District, as of September 30, 2016 and 2015, and the respective 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 that collectively comprise 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. The schedule of expenditures of federal awards, state financial assistance, and passenger facility charges is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and as specified in the Passenger Facility Charge Audit Guide, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards, state financial assistance, and passenger facility charges 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 are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary 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 16, 2017, 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.



Panama City, Florida
March 16, 2017

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 \$273,816,772 (net position). Of this amount, \$12,967,926 is unrestricted.
- Total net position decreased by \$9,007,018, or 3.18%, due largely to depreciation expense totaling \$14,148,574.
- Operating revenues increased by \$832,506, or 8.07%, over prior year operating revenues. Operating expenses increased by \$980,209, or 4.83%, over prior year operating expenses
- Passenger facility charge revenues increased \$26,738, or 1.78%, compared to the prior year.
- Rental car concession fees, consolidated facility charge, and parking revenues increased by \$333,332, or 5.19%, over 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 position. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or weakening.

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
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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 year:

**Table 1
Net Assets**

| | <u>2016</u> | <u>2015</u> |
|----------------------------------|-----------------------|-----------------------|
| Current and other assets | \$ 16,016,411 | \$ 14,159,772 |
| Capital assets | <u>300,584,449</u> | <u>313,330,591</u> |
| Total assets | <u>316,600,860</u> | <u>327,490,363</u> |
| Long-term debt outstanding | 39,735,603 | 40,941,852 |
| Other liabilities | <u>3,048,485</u> | <u>3,724,721</u> |
| Total liabilities | <u>42,784,088</u> | <u>44,666,573</u> |
| Net position: | | |
| Net investment in capital assets | 260,848,846 | 272,388,739 |
| Unrestricted | <u>12,967,926</u> | <u>10,435,051</u> |
| Total net position | <u>\$ 273,816,772</u> | <u>\$ 282,823,790</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 position. These capital assets are utilized to provide services to the public; consequently, these assets are not available for future spending.

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

**Table 2
Changes in Net Position**

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------|-----------------------|
| Revenues | | |
| Operating revenues | \$ 11,152,922 | \$ 10,320,416 |
| Grants and entitlements | 1,279,148 | 823,494 |
| PFC revenues | 1,530,156 | 1,503,418 |
| Interest | 5,290 | 6,259 |
| Total revenues | <u>13,967,516</u> | <u>12,653,587</u> |
| Program expenses | | |
| Operating expenses | 21,281,096 | 20,300,887 |
| Interest expense | <u>1,883,325</u> | <u>1,936,372</u> |
| Total expenses | <u>23,164,421</u> | <u>22,237,259</u> |
| Excess (deficiency) before special items | <u>(9,196,905)</u> | <u>(9,583,672)</u> |
| Special items | | |
| Unrealized gain/loss | (920) | 1,456 |
| Proceeds from litigation | 250,000 | - |
| Insurance proceeds | 721 | 24,507 |
| Other reimbursements | - | 305,153 |
| Use of Reserve Funds | (59,914) | - |
| Gain on disposal of assets | <u>-</u> | <u>14,558</u> |
| Total special items | <u>189,887</u> | <u>345,674</u> |
| Increase (decrease) in net position | <u>\$ (9,007,018)</u> | <u>\$ (9,237,998)</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 operating revenues for the District are rental cars (36.72%), airlines (25.62%) and parking (23.82%).

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Depreciation accounts for the largest portion of operating expenses at 66.48%. Other operating expenses include salaries and benefits (15.09%), purchased services (11.08%), and supplies and materials, utilities, insurance and other expenses (7.35%).

ANALYSIS OF BALANCES AND TRANSACTIONS

Unrestricted net position increased by \$2,532,875, which reflects an increase of 24.27% over the previous year's balance. This increase is primarily due to staff's efforts and success in working efficiently and controlling costs and to an increase in operating revenues.

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 operating expenses exceeded budget by \$13,077,191, due to depreciation expense of \$14,148,574, which was not budgeted.

Actual operating revenues were less than budget by \$2,186,676, due to the rebate of rents, fees and profit sharing to the signatory airlines in the amount of \$2,285,570.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

Capital Assets

At September 30, 2016, the District had \$382,486,735 invested in a broad range of capital assets, including buildings, furniture and fixtures, police and fire equipment, maintenance equipment and vehicles. (See Table 3). This amount represents a net decrease (including additions and deductions) of \$316,801 or .08%, compared to last year.

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

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

| | <u>2016</u> | <u>2015</u> |
|-----------------------------------|-----------------------|-----------------------|
| Land | \$ 70,669,561 | \$ 70,669,561 |
| Buildings and improvements | 186,423,540 | 186,423,191 |
| Improvements other than buildings | 117,675,898 | 112,956,613 |
| Furniture and equipment | 7,080,468 | 8,556,872 |
| Construction work-in-progress | <u>637,268</u> | <u>4,197,299</u> |
| Totals | <u>\$ 382,486,735</u> | <u>\$ 382,803,536</u> |

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

- Capital equipment purchased totaled \$137,734, of which \$37,776 was funded by State grants.
- Mitigation Site Development was ongoing at a cost of \$1,082,310, of which \$953,832 was funded by Federal grants.
- The passenger exit lane modifications project began with a total cost to date of \$74,145, of which State grants funded \$10,163.
- Storm repairs from the 2014 rain event totaled \$108,177, of which \$94,655 will be funded by FEMA and SERI.
- Major equipment purchased included replacement of the parking revenue control system (\$49,532), and new operations vehicle (\$26,020), and a new mower (\$16,306).

The fiscal year 2017 budget includes \$8,306,530 of grant and non-grant projects. These projects include a security system design and upgrade, taxiway improvements, purchase of a new jet bridge, environmental assessment, aircraft parking ramp, ongoing mitigation site development and storm repair, and the purchasing of various equipment.

Debt

At year-end, the District had long-term debt of \$39,735,603, as shown in Table 4:

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

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| SIB Loan #1 | \$ 21,487,640 | \$ 22,137,394 |
| SIB Loan #2 | <u>18,247,963</u> | <u>18,804,458</u> |
| Total Debt | <u>\$ 39,735,603</u> | <u>\$ 40,941,852</u> |
| (backed by passenger facility charges and airport operations) | | |

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

Northwest Florida Beaches International Airport (ECP) opened on May 23, 2010 with increased flights, improved competition and lower air fares than previously enjoyed at Panama City's predecessor airport, Panama City-Bay County International Airport (PI-N). Passenger volumes in FY16 have remained steady, which resulted in our market share continuing to be 22% of the total of the four airports in the Panhandle region. As we complete the sixth fiscal year of operation, the airport is poised to continue the development of a sound financial structure. In order to move forward and carry on this trend, the Airport's goals for 2017 include working with the FAA and FDOT to further efforts in the development of the airfield and working with the local Economic Development Alliance to encourage aviation-related businesses to locate at the airport. The Airport plans to continue to develop additional air service opportunities for our region, and will focus on preparing for future expansion of the airport to meet capacity needs.

Additionally, continued refinement of the business process, improved cost effectiveness and operating efficiencies, and marketing initiatives will guide our vision for fiscal year 2017.

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 Finance and Administration, Northwest Florida Beaches International Airport, 6300 West Bay Parkway, Box A, Panama City Beach, Florida 32409.

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**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2016 AND 2015**

ASSETS

| | 2016 | 2015 |
|-----------------------------------|----------------|----------------|
| Current Assets | | |
| Cash and cash equivalents | \$ 12,214,733 | \$ 11,561,001 |
| Investments | 6,573 | 7,493 |
| Accounts receivable - trade | 1,280,126 | 1,241,511 |
| Accounts receivable - grants | 1,555,405 | 479,754 |
| Prepaid items | 81,788 | 29,351 |
| Total current assets | 15,138,625 | 13,319,110 |
| Noncurrent Assets | | |
| Restricted assets | 877,786 | 840,662 |
| Capital assets: | | |
| Land | 70,669,561 | 70,669,561 |
| Buildings and improvements | 186,423,540 | 186,423,191 |
| Improvements other than buildings | 117,675,898 | 112,956,613 |
| Furniture and equipment | 7,080,468 | 8,556,872 |
| Less accumulated depreciation | (81,902,286) | (69,472,945) |
| Construction work-in-process | 637,268 | 4,197,299 |
| Net capital assets | 300,584,449 | 313,330,591 |
| Total noncurrent assets | 301,462,235 | 314,171,253 |
| Total Assets | \$ 316,600,860 | \$ 327,490,363 |

LIABILITIES AND NET POSITION

| | <u>2016</u> | <u>2015</u> |
|---|-----------------------|-----------------------|
| Current Liabilities | | |
| Accounts payable | \$ 2,709,039 | \$ 3,401,432 |
| Accrued expenses | 146,375 | 142,958 |
| Current maturities of long-term liabilities | 31,425 | 16,030 |
| Total current liabilities | <u>2,886,839</u> | <u>3,560,420</u> |
| Long-Term Liabilities | | |
| Long-term debt, less current maturities | 39,735,603 | 40,941,852 |
| Accrued vacation | 154,822 | 153,876 |
| Accrued sick leave | 6,824 | 10,425 |
| Total long-term liabilities | <u>39,897,249</u> | <u>41,106,153</u> |
| Total liabilities | <u>42,784,088</u> | <u>44,666,573</u> |
| Net Position | | |
| Net investment in capital assets | 260,848,846 | 272,388,739 |
| Unrestricted | 12,967,926 | 10,435,051 |
| Total net position | <u>273,816,772</u> | <u>282,823,790</u> |
| Total Liabilities and Net Position | <u>\$ 316,600,860</u> | <u>\$ 327,490,363</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, 2016 AND 2015**

| | 2016 | 2015 |
|--|-----------------------|-----------------------|
| Operating Revenues | | |
| Airline | \$ 2,857,256 | \$ 2,469,836 |
| Car rentals | 4,095,580 | 3,854,118 |
| Terminal complex | 3,383,281 | 3,205,278 |
| General aviation | 599,478 | 561,053 |
| Other revenue | 217,327 | 230,131 |
| Total operating revenues | 11,152,922 | 10,320,416 |
| Operating Expenses | | |
| Personnel costs | 3,212,023 | 3,202,499 |
| Purchased services | 2,357,640 | 2,482,803 |
| Supplies and materials | 311,674 | 325,188 |
| Utilities | 965,086 | 885,974 |
| Insurance | 206,841 | 231,751 |
| Other expenses | 79,258 | 65,667 |
| Depreciation | 14,148,574 | 13,107,005 |
| Total operating expenses | 21,281,096 | 20,300,887 |
| | | |
| Income (loss) from operations | (10,128,174) | (9,980,471) |
| | | |
| Nonoperating Revenues (Expenses) | | |
| Unrealized gain (loss) on investments | (920) | 1,456 |
| Gain on disposal of assets/land | - | 14,558 |
| PFC revenues | 1,530,156 | 1,503,418 |
| Proceeds from litigation | 250,000 | - |
| Proceeds from insurance | 721 | 24,507 |
| Interest revenue | 5,290 | 6,259 |
| Interest expense | (1,883,325) | (1,936,372) |
| Grants | 1,279,148 | 823,494 |
| Other revenue (expenses) | (59,914) | 305,153 |
| Total nonoperating revenues (expenses) | 1,121,156 | 742,473 |
| | | |
| Change in Net Position | (9,007,018) | (9,237,998) |
| | | |
| Total Net Position at Beginning of Year | 282,823,790 | 292,061,788 |
| | | |
| Total Net Position at End of Year | \$ 273,816,772 | \$ 282,823,790 |

See the accompanying notes.

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**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

| | 2016 | 2015 |
|---|---------------|---------------|
| Cash Flows From Operating Activities | | |
| Cash received from customers | \$ 11,061,868 | \$ 12,904,589 |
| Cash paid to suppliers for goods and services | (4,632,395) | (5,262,555) |
| Cash paid to employees for services | (3,176,361) | (3,182,878) |
| Net cash provided by operating activities | 3,253,112 | 4,459,156 |
| Cash Flows From Capital and Related Financing Activities | | |
| Acquisition of capital assets | (1,402,366) | (2,002,061) |
| Proceeds from disposition of assets | - | 15,846 |
| PFC revenues | 1,518,125 | 1,497,336 |
| Other revenue | 190,086 | 305,153 |
| Proceeds from insurance | 721 | 24,507 |
| SIB loan proceeds (principal paid) | (1,206,249) | (1,153,201) |
| Interest expense on debt | (1,883,325) | (1,936,372) |
| Grants received - | | |
| FEMA | - | 5,644 |
| State of Florida | 57,971 | 265,150 |
| Federal Aviation Administration | 51,083 | 2,113,496 |
| TSA | 94,380 | 102,960 |
| Net cash used in capital and related financing activities | (2,579,574) | (761,542) |
| Cash Flows From Investing Activities | | |
| Interest earned on investments | 5,290 | 6,259 |
| Net Increase in Cash and Cash Equivalents | 678,828 | 3,703,873 |
| Cash and Cash Equivalents at Beginning of Year | 12,217,693 | 8,513,820 |
| Cash and Cash Equivalents at End of Year | \$ 12,896,521 | \$ 12,217,693 |

| | <u>2016</u> | <u>2015</u> |
|---|----------------------|----------------------|
| Reconciliation of Operating Income to Net Cash Provided | | |
| By (Used in) Operating Activities | | |
| Operating loss | \$ (10,128,174) | \$ (9,980,471) |
| Adjustments to reconcile operating income to net cash provided by operating activities- | | |
| Depreciation | 14,148,574 | 13,107,005 |
| (Increase) decrease in assets: | | |
| Accounts receivable | (38,615) | (120,230) |
| Prepaid items | (52,437) | (846) |
| Increase (decrease) in liabilities: | | |
| Accounts payable | (692,393) | 1,448,271 |
| Accrued expenses | 3,417 | (7,407) |
| Accrued vacation | 16,341 | 13,419 |
| Accrued sick leave | (3,601) | (585) |
| Net cash provided by operating activities | <u>\$ 3,253,112</u> | <u>\$ 4,459,156</u> |
| Supplemental Disclosure of Cash Flow Information | | |
| Cash paid during the year for interest | <u>\$ 1,883,325</u> | <u>\$ 1,936,372</u> |
| Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Statements of Net Position | | |
| Cash and cash equivalents | \$ 12,214,733 | \$ 11,561,001 |
| Restricted cash and cash equivalents | 681,788 | 656,692 |
| | <u>\$ 12,896,521</u> | <u>\$ 12,217,693</u> |

See the accompanying notes

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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 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 statements of net position. 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
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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.

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 \$184,248 and \$170,722 for the years ended September 30, 2016 and 2015, respectively.

Investments:

Investments are categorized at their fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy is based on the valuation inputs used to measure fair value of the asset that prioritizes inputs into three levels; Level 1 – quoted prices for identical instruments in active markets; Level 2 – significant inputs that are observable; Level 3 – significant inputs that are unobservable.

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 other than buildings | 5-39 years |
| Equipment, furniture, and fixtures | 3-15 years |

Cash Equivalents:

For purposes of the statements 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, 2016 AND 2015**

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, 2016 and 2015, 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 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 has implemented GASB Statement No. 72 in this annual report.

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 has implemented GASB Statement No. 73 in this annual report, however it does not have any current impact on the District.

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 about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports for making decisions and assessing accountability. 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.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has implemented GASB Statement No. 76 in this annual report, however, it does not have any current impact on the District.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This statement will improve financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. This statement will address a practice issue regarding the scope and applicability of Statement No. 68. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2015. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement will enhance comparability of financial statements among governments by establishing specific criteria used to determine whether a qualifying external investment pool may elect to use an amortized cost exception to fair value measurement. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015 except for certain provisions that are effective for periods beginning after December 15, 2015. The District has implemented the necessary portion of Statement No. 79 and is evaluating the impact, if any, upon its financial position, results of operations or cash flows for the remaining portion.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In March 2016, the GASB issued Statement No. 82, *Pension Issues*. This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The 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.

At September 30, 2016 and 2015, restricted assets consisted of the following:

| | <u>2016</u> | <u>2015</u> |
|-----------------------------|-------------------|-------------------|
| Cash and Cash Equivalents – | | |
| Construction | \$ 643,262 | \$ 606,596 |
| PFC Excess Cash | 1,361 | 3,320 |
| Debt Service Reserve | 18,013 | 18,006 |
| Forfeiture Funds | 6,548 | 16,166 |
| Law Enforcement Trust | 604 | 604 |
| Escrow Fund | 12,000 | 12,000 |
| Accounts Receivable - PFC | <u>195,998</u> | <u>183,970</u> |
| | <u>\$ 877,786</u> | <u>\$ 840,662</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, 2016 AND 2015**

NOTE 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized as follows:

| | <u>Balance October 1, 2015</u> | <u>Increases</u> | <u>Decreases</u> | <u>Balance September 30, 2016</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. | \$ 22,137,394 | \$ - | \$ 649,754 | \$ 21,487,640 | \$ - |
| 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>18,804,458</u> | <u>-</u> | <u>556,495</u> | <u>18,247,963</u> | <u>-</u> |

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

| | Balance October 1, 2015 | Increases | Decreases | Balance September 30, 2016 | Due in One Year |
|-----------------------------|-------------------------------|------------------|---------------------|----------------------------------|--------------------|
| Total Long-Term Debt | 40,941,852 | - | 1,206,249 | 39,735,603 | - |
| Total Compensated Absences | 180,331 | 12,740 | - | 193,071 | 31,425 |
| Total Long-Term Liabilities | <u>\$ 41,122,183</u> | <u>\$ 12,740</u> | <u>\$ 1,206,249</u> | <u>\$ 39,928,674</u> | <u>\$ 31,425</u> |

Debt service requirements to maturity for long-term debt subsequent to September 30, 2016, are as follows:

| Year Ended | State Infrastructure Bank Loan Agreement | | State Infrastructure Bank Loan Agreement | |
|------------|---|----------------------|---|---------------------|
| | Principal | Interest | Principal | Interest |
| 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 | 813,593 | 854,481 | 696,818 | 724,682 |
| 2023-2027 | 4,664,986 | 3,675,384 | 3,995,423 | 3,112,077 |
| 2028-2032 | 5,841,291 | 2,499,079 | 5,002,892 | 2,104,608 |
| 2033-2036 | 7,255,799 | 1,026,163 | 6,058,814 | 843,099 |
| | <u>\$ 21,487,640</u> | <u>\$ 11,815,432</u> | <u>\$ 18,247,963</u> | <u>\$ 9,976,450</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, 2016, there were no draws on the letter of credit.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 5 – LEASES

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

| | 2016 | 2015 |
|-----------------------|--------------|--------------|
| Noncancellable leases | | |
| Minimum rentals | \$ 4,581,549 | \$ 4,379,292 |
| Contingent rentals | 2,516,469 | 1,595,187 |
| | \$ 7,098,018 | \$ 5,974,479 |

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, 2016, for the next five years are as follows:

| | |
|------|--------------|
| 2017 | \$ 4,973,358 |
| 2018 | 2,513,284 |
| 2019 | 2,503,639 |
| 2020 | 2,474,164 |
| 2021 | 519,383 |

The approximate carrying value and accumulated depreciation pertaining to property held for rental included on the Statements of Net Position at September 30, 2016 is not readily determinable.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

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:

There is no pending or, to the knowledge of the District, threatened litigation.

Contract Commitments:

At September 30, 2016, the District had contractual commitments of approximately \$2,297,950 for construction of airport projects. Funding of these future expenditures is expected to be received from federal grants, state grants, and current operations.

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 \$99,935, and is contesting others. The District has been presented with a Notice of Proposed Assessment for taxes and interest in the amount of \$48,051 and is filing an appeal with the Florida Department of Revenue.

Subsequent Events:

The District did not have any other subsequent events requiring disclosure or recording in these financial statements through March 16, 2017, 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. Vacation benefits are accrued in the period they are earned. The liability for accumulated annual leave at September 30, 2016 and 2015, is \$157,282 and \$169,906, respectively.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 8 – COMPENSATED ABSENCES (Continued)

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, 2016 and 2015, is \$6,824 and \$10,425, respectively.

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, 2016.

The District's total salaries expensed in fiscal year 2016 and 2015 were \$2,190,772 and \$2,225,583, respectively. The District's contributions were calculated using the salary amount of approximately \$2,258,306 and \$2,154,087 for September 30, 2016 and 2015, respectively. The retirement expense by the District was \$242,242 and the amount contributed was \$242,242 for the year ended September 30, 2016; the expense for the year ended September 30, 2015 was \$223,925 and the amount contributed was \$223,925. There were no forfeitures in fiscal year 2016 or 2015.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 10 – DEPOSITS AND INVESTMENTS

The District has elected to proceed under the Alternative Investment Guidelines as set forth in Section 218.415 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 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.

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 District held the following investments:

| <u>Investment Type</u> | <u>Investment Maturities</u> | | | |
|------------------------|------------------------------|-------------------------|-------------------------|-------------------------|
| | <u>9/30/16</u> | | <u>9/30/15</u> | |
| | <u>Less than 1 Year</u> | <u>More than 1 Year</u> | <u>Less than 1 Year</u> | <u>More than 1 Year</u> |
| Other | \$ 0 | \$ 6,573 | \$ 0 | \$ 7,493 |

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 10 – DEPOSITS AND INVESTMENTS (Continued)

Fair Value

A summary of the investment under the requirements of the fair value hierarchy follows:

| | 9/30/16 | | 9/30/15 | |
|--|----------|--------------------------|----------|--------------------------|
| | Total | Quoted Prices Level 1 | Total | Quoted Prices Level 1 |
| Investments by fair value level | | | | |
| Stocks | \$ 6,573 | \$ 6,573 | \$ 7,493 | \$ 7,493 |

Investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities.

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.

For the year ended September 30, 2016, the District's actual operating revenues were less than budgeted operating revenues by \$2,186,676, due to revenue sharing with the airlines of \$2,285,570, and actual operating expenses exceeded budgeted operating expenses by \$13,077,191. The actual operating expenses increase over budgeted operating expenses was due to the following:

- \$14,148,574 in depreciation expense that was not budgeted by the District in 2016.

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

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2016 AND 2015**

NOTE 12 – CAPITAL ASSETS

Changes in capital assets were as follows:

| | Balance 9/30/14 | Increases | Decreases | Balance 9/30/15 | Increases | Decreases | Balance 9/30/16 |
|---|--------------------|----------------|--------------|--------------------|----------------|--------------|--------------------|
| Capital assets, not being depreciated: | | | | | | | |
| Land | \$ 70,669,561 | \$ - | \$ - | \$ 70,669,561 | \$ - | \$ - | \$ 70,669,561 |
| Construction work-in-process | 4,688,253 | 2,002,064 | 2,493,018 | 4,197,299 | 1,301,558 | 4,861,589 | 637,268 |
| Total capital assets, not being depreciated | 75,357,814 | 2,002,064 | 2,493,018 | 74,866,860 | 1,301,558 | 4,861,589 | 71,306,829 |
| Capital assets, being depreciated: | | | | | | | |
| Buildings and improvements | 186,293,377 | 129,814 | - | 186,423,191 | 349 | - | 186,423,540 |
| Improvements other than buildings | 111,057,225 | 1,899,388 | - | 112,956,613 | 4,765,933 | 46,650 | 117,675,898 |
| Furniture and equipment | 8,125,880 | 463,816 | 32,824 | 8,556,872 | 243,177 | 1,719,581 | 7,080,468 |
| Total capital assets, being depreciated | 305,476,482 | 2,493,018 | 32,824 | 307,936,676 | 5,009,461 | 1,766,231 | 311,179,906 |
| Less accumulated depreciation for: | | | | | | | |
| Buildings and improvements | 20,232,782 | 4,783,580 | - | 25,016,362 | 4,790,452 | - | 29,806,814 |
| Improvements other than buildings | 30,284,381 | 7,579,862 | - | 37,864,243 | 8,537,680 | - | 46,401,923 |
| Furniture and equipment | 5,880,310 | 743,563 | 31,533 | 6,592,340 | 819,107 | 1,717,898 | 5,693,549 |
| Total accumulated depreciation | 56,397,473 | 13,107,005 | 31,533 | 69,472,945 | 14,147,239 | 1,717,898 | 81,902,286 |
| Total capital assets being depreciated, net | 249,079,009 | (10,613,987) | 1,291 | 238,463,731 | (9,137,778) | 48,333 | 229,277,620 |
| Capital assets, net | \$ 324,436,823 | \$ (8,611,923) | \$ 2,494,309 | \$ 313,330,591 | \$ (7,836,220) | \$ 4,909,922 | \$ 300,584,449 |

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

| | 2016 | | 2015 |
|---------------------------------|-------------------|-------------------|-------------------|
| | Budget | Actual | Actual |
| Operating Revenues | | | |
| Airline - | | | |
| Passenger airline landing fees | \$ 3,195,407 | \$ 2,773,182 | \$ 1,652,994 |
| Cargo airline landing fees | 16,750 | 20,114 | 18,312 |
| Terminal rentals and common use | 2,038,578 | 1,688,988 | 933,550 |
| Airline profit sharing | - | (1,625,028) | (135,020) |
| Total airline revenue | <u>5,250,735</u> | <u>2,857,256</u> | <u>2,469,836</u> |
| Car rentals - | | | |
| Concession fee | 1,825,000 | 2,063,392 | 1,978,231 |
| Customer facility charge | 1,744,343 | 2,032,188 | 1,875,887 |
| Total car rental revenue | <u>3,569,343</u> | <u>4,095,580</u> | <u>3,854,118</u> |
| Terminal complex - | | | |
| Public and employee parking | 2,750,000 | 2,656,866 | 2,564,997 |
| Ground transportation fees | 75,450 | 91,266 | 76,830 |
| Food and beverage concession | 225,000 | 258,888 | 236,176 |
| Retail merchandise concession | 90,000 | 120,958 | 89,273 |
| Advertising | 125,000 | 143,748 | 120,346 |
| Other terminal revenue | 117,500 | 111,555 | 117,657 |
| Total terminal complex revenue | <u>3,382,950</u> | <u>3,383,281</u> | <u>3,205,278</u> |
| General aviation - | | | |
| Fixed base operator rents | 257,500 | 250,077 | 217,908 |
| Fuel flowage fees | 42,000 | 46,510 | 48,533 |
| Hangar rentals | 436,170 | 302,891 | 294,612 |
| Total general aviation revenue | <u>735,670</u> | <u>599,478</u> | <u>561,053</u> |
| Other revenue - | | | |
| Other tenants/miscellaneous | 254,900 | 68,957 | 78,987 |
| Fuel farm | 140,000 | 139,714 | 139,714 |
| Cargo building rental | 6,000 | 8,656 | 11,430 |
| Total other revenue | <u>400,900</u> | <u>217,327</u> | <u>230,131</u> |
| Total operating revenues | <u>13,339,598</u> | <u>11,152,922</u> | <u>10,320,416</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, 2016 AND 2015**

| | 2016 | | 2015 |
|--|------------------|------------------|------------------|
| | Budget | Actual | Actual |
| Operating Expenses | | | |
| Personnel costs - | | | |
| Salary and wages | \$ 2,497,116 | \$ 2,190,772 | \$ 2,225,583 |
| Overtime | 59,818 | 71,151 | 80,434 |
| FICA contributions | 187,488 | 181,911 | 166,315 |
| Group insurance | 499,021 | 409,427 | 387,574 |
| Retirement | 247,288 | 242,242 | 223,925 |
| Workers compensation insurance | 73,000 | 69,066 | 82,235 |
| Other employee costs | 34,894 | 47,454 | 36,433 |
| Total personnel costs | <u>3,598,625</u> | <u>3,212,023</u> | <u>3,202,499</u> |
| Purchased services - | | | |
| Janitorial | 625,500 | 636,656 | 612,169 |
| Bank charges | 64,000 | 59,789 | 109,723 |
| Computer services | 250,000 | 125,101 | 272,727 |
| Elevator/escalator services | 35,000 | 28,739 | 31,934 |
| Financial | 23,000 | 20,800 | 23,125 |
| Legal services | 75,000 | 82,026 | 49,238 |
| BHS/loading bridge maintenance | 300,000 | 297,664 | 281,569 |
| Marketing and advertising | 225,000 | 184,248 | 170,722 |
| Parking lot management | 442,500 | 398,009 | 321,581 |
| Professional services | 360,000 | 111,385 | 318,777 |
| Security services and system maintenance | 120,000 | 119,837 | 106,551 |
| Trash removal | 18,000 | 19,286 | 17,831 |
| Postage/copy services | 13,300 | 13,888 | 9,768 |
| Radios and PA | 24,000 | 15,810 | 38,693 |
| Terminal/facility services | 98,100 | 73,538 | 61,555 |
| Other services and maintenance | 203,256 | 170,864 | 56,840 |
| Total purchased services | <u>2,876,656</u> | <u>2,357,640</u> | <u>2,482,803</u> |
| Supplies and materials - | | | |
| Office supplies | 28,000 | 32,437 | 20,861 |
| Fuel, oil, tires, vehicles, equipment | 84,700 | 47,366 | 61,535 |
| Airfield and grounds | 123,360 | 86,174 | 114,052 |
| Buildings (including loading bridges) | 90,100 | 72,203 | 77,716 |
| Uniforms | 15,990 | 7,671 | 12,054 |
| Other materials and supplies | 60,700 | 65,823 | 38,970 |
| Total supplies and materials | <u>402,850</u> | <u>311,674</u> | <u>325,188</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, 2016 AND 2015**

| | 2016 | | 2015 |
|---|---------------------|-----------------------|-----------------------|
| | Budget | Actual | Actual |
| Operating Expenses (continued) | | | |
| Utilities - | | | |
| Electricity | \$ 717,000 | \$ 716,175 | \$ 726,021 |
| Telephone | 50,000 | 21,500 | 22,834 |
| Water and sewer | 200,000 | 227,411 | 137,119 |
| Total utilities | <u>967,000</u> | <u>965,086</u> | <u>885,974</u> |
| Insurance - | | | |
| Building and contents | 157,500 | 133,971 | 163,228 |
| Liability | 56,000 | 59,656 | 55,309 |
| Vehicle and equipment | 17,000 | 13,214 | 13,214 |
| Total insurance expense | <u>230,500</u> | <u>206,841</u> | <u>231,751</u> |
| Other expenses - | | | |
| Dues and subscriptions | 38,365 | 27,958 | 27,527 |
| Promotions and special events | 8,500 | 3,096 | 3,831 |
| Travel and conference | 34,184 | 14,481 | 14,305 |
| Training | 24,760 | 12,550 | 18,409 |
| Miscellaneous expense | 22,465 | 21,173 | 1,595 |
| Total other expense | <u>128,274</u> | <u>79,258</u> | <u>65,667</u> |
| Total | 8,203,905 | 7,132,522 | 7,193,882 |
| Depreciation | - | 14,148,574 | 13,107,005 |
| Total operating expenses | 8,203,905 | 21,281,096 | 20,300,887 |
| Excess operating revenues (expenses) | 5,135,693 | (10,128,174) | (9,980,471) |
| Nonoperating Revenues (Expenses) | | | |
| PFC revenues | - | 1,530,156 | 1,503,418 |
| Unrealized gain (loss) on investments | - | (920) | 1,456 |
| Gain on disposal of assets/land | - | - | 14,558 |
| Interest revenue | 6,500 | 5,290 | 6,259 |
| Interest expense | - | (1,883,325) | (1,936,372) |
| Grants | - | 1,279,148 | 823,494 |
| Other revenue (expenses) | - | (59,914) | 305,153 |
| Proceeds from insurance | - | 721 | 24,507 |
| Proceeds from litigation | - | 250,000 | - |
| Total nonoperating revenues (expenses) | <u>6,500</u> | <u>1,121,156</u> | <u>742,473</u> |
| Excess Revenues (Expenses) | \$ 5,142,193 | \$ (9,007,018) | \$ (9,237,998) |

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
 AIRPORT AND INDUSTRIAL DISTRICT
 SCHEDULE OF CONSTRUCTION WORK-IN-PROGRESS
 SEPTEMBER 30, 2016**

| <u>Project Number</u> | | | |
|------------------------|-------------------------|-----------|----------------|
| AIP 3-12-0159-008-2016 | Mitigation | \$ | 38,390 |
| GO 309 | Exit lane modifications | | 74,145 |
| FEMA/SERT | Storm repairs | | <u>524,733</u> |
| | | <u>\$</u> | <u>637,268</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, 2016**

| | |
|----------------------------|------------------|
| Computer | \$ 4,302 |
| Utility vehicle | 9,623 |
| Mower | 16,306 |
| Truck mount thermal camera | 7,505 |
| Other | <u>24,446</u> |
| | <u>\$ 62,182</u> |

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, 2016**

| Project Number | Description | Airport Funding | FAA Funding | FDOT Funding | FEMA Funding | SERT Funding | Total |
|-----------------------------|--------------------------------|--------------------|-------------------|------------------|------------------|------------------|---------------------|
| Capital Projects: | | | | | | | |
| AJP 3-12-0159-008-2016 | Mitigation | \$ 128,478 | \$ 953,832 | \$ - | \$ - | \$ - | \$ 1,082,310 |
| FEMA/SERT | Storm repairs | 13,522 | - | - | 81,133 | 13,522 | 108,177 |
| GO 309 | Exit lane modifications | 63,982 | - | 10,163 | - | - | 74,145 |
| Total | | 205,982 | 953,832 | 10,163 | 81,133 | 13,522 | 1,264,632 |
| Equipment Purchases: | | | | | | | |
| GO 309 | Parking revenue control system | 24,766 | - | 24,766 | - | - | 49,532 |
| ARO 04 | Vehicle and related equipment | 13,010 | - | 13,010 | - | - | 26,020 |
| Total | | 37,776 | - | 37,776 | - | - | 75,552 |
| Total Grant Funding | | \$ 243,758 | \$ 953,832 | \$ 47,939 | \$ 81,133 | \$ 13,522 | \$ 1,340,184 |

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/ | | Net Operating Income, PFC Revenues, and Contributions | Capital/ Grants Expenditures |
|-----------------|---|-------------------|-------------------|-----------------------------|--------------|---------------------------|------------------------------|---|------------------------------|
| | | | | | | Grants for Capital Outlay | Capital/ Grants Expenditures | | |
| 2016 | 8% | \$ 11,152,922 | \$ 21,281,096 | \$ (10,128,174) | \$ 1,530,156 | \$ 1,279,148 | \$ (7,318,870) | \$ 1,402,366 | |
| 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% | 10,339,895 | 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 | |

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 |
|-----------------------|---|
| 2016 | \$ 0 |
| 2015 | 0 |
| 2014 | 0 |
| 2013 | 0 |
| 2012 | 0 |
| 2011 | 0 |
| 2010 | 0 |
| 2009 | 0 |
| 2008 | 0 |
| 2007 | 430,631 |

- The Series 1993 Bonds were paid in [ul] 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, 2016**

| | CEJBA/ CSFA Number | Balance October 1, 2015 | Adjustments (2) | Cash Receipts | Expenditures | Balance September 30, 2016 (1) |
|---|--------------------------|--|--------------------|---------------------|-----------------------|---|
| Federal Aviation Administration | | | | | | |
| 3-12-0159-007-2014 | 20,106 | \$ (51,084) | \$ - | \$ 51,085 | \$ - | \$ - |
| 3-12-0159-008-2016 | 20,106 | - | - | - | (953,832) | (953,832) |
| Total Federal Aviation Administration | | <u>(51,084)</u> | <u>-</u> | <u>51,085</u> | <u>(953,832)</u> | <u>(953,832)</u> |
| Department of Homeland Security | | | | | | |
| H18TS02-13-116-LR0.7 | | (8,860) | (7,800) | 62,640 | (45,800) | - |
| H18J502-16-118-LR12? | | - | - | 11,720 | (47,580) | (15,860) |
| Total Department of Homeland Security | | <u>(8,860)</u> | <u>(7,800)</u> | <u>54,140</u> | <u>(94,140)</u> | <u>(15,860)</u> |
| FEMA | | | | | | |
| 15-SI-82-01-13-13-55? | | (347,707) | (58,099) | - | (8,131) | (476,937) |
| Total Federal Awards | | <u>\$ (396,850)</u> | <u>\$ (65,899)</u> | <u>\$ 145,463</u> | <u>\$ (1,129,345)</u> | <u>\$ (1,446,631)</u> |
| Florida Department of Transportation | | | | | | |
| GO 309 | 55001 | \$ (32,763) | \$ - | \$ 23,765 | \$ (34,928) | \$ (34,928) |
| ARC 01 | 55004 | (14,378) | 62 | 27,326 | (17,010) | - |
| AR 05? | 55004 | (7,882) | - | 7,882 | - | - |
| Total Florida Department of Transportation | | <u>(45,023)</u> | <u>62</u> | <u>57,971</u> | <u>(47,938)</u> | <u>(34,928)</u> |
| SERL | | | | | | |
| SERL | | (37,880) | (22,441) | - | (12,522) | (72,843) |
| Total State Financial Assistance | | <u>\$ (45,023)</u> | <u>\$ (22,381)</u> | <u>\$ 57,971</u> | <u>\$ (61,460)</u> | <u>\$ (108,773)</u> |
| | | Cash/Investments/ Receivables October 1, 2015 | Adjustment | Revenue* | Expended | Cash/Investments/ Receivables September 30, 2016 (1) |
| Passenger Facility Charges | | <u>\$ 187,291</u> | <u>\$ (88)</u> | <u>\$ 1,530,156</u> | <u>\$ (1,520,000)</u> | <u>\$ 197,359</u> |

* Includes interest earnings of \$292

(1) Includes receivable

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

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, 2016, 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 16, 2017.

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 16, 2017



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND PASSENGER FACILITY CHARGE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND PASSENGER FACILITY CHARGE AUDIT GUIDE FOR PUBLIC AGENCIES

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

Report on Compliance for Each Major Federal Program and 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 *OMB Compliance Supplement* and the 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 each of Panama City - Bay County Airport and Industrial District's major federal programs and Passenger Facility Charge programs for the year ended September 30, 2016. Panama City - Bay County Airport and Industrial District's major federal programs and Passenger Facility Charge 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 federal statutes, regulations, and the terms and conditions of its federal awards and passenger facility charges applicable to its federal programs and Passenger Facility Charge 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 programs and Passenger Facility Charge programs 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the requirements described in the Passenger Facility Audit Guide for Public Agencies, issued by the Federal Aviation Administration. Those standards, the Uniform

Guidance, and the Passenger Facility Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or 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 each major federal 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 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 the major federal programs and Passenger Facility Charge programs for the year ended September 30, 2016.

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 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 program and Passenger Facility Charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Passenger Facility Audit 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 a federal 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 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 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 the Uniform Guidance and the Passenger Facility Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "J. H. ... Leamer's Charter". The signature is written in a cursive style.

Panama City, Florida
March 16, 2017

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FEDERAL PROGRAMS
YEAR ENDED SEPTEMBER 30, 2016**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on whether the financial statements of Panama City - Bay County Airport and Industrial District were prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statements are reported in the 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*.
3. No instances of noncompliance material to the financial statements of the Panama City - Bay County Airport and Industrial District were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program and on Internal Control Over Compliance Required by the Uniform Guidance and Passenger Facility Charge Audit Guide for Public Agencies.
5. The auditor's report on compliance for the major federal award program and Passenger Facility Charge program for Panama City - Bay County Airport and Industrial District expresses an unmodified opinion on all major federal programs and Passenger Facility Charge programs.
6. Our audit disclosed no findings required to be reported related to federal programs in accordance with 2 CFR Section 200.516(a).
7. The programs tested as major programs included the following:

| Federal Program | Federal CFDA No. |
|---------------------------------|------------------|
| Federal Aviation Administration | 20.106 |

8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Panama City - Bay County Airport and Industrial District was determined to be a low-risk auditee.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2016**

FINDINGS – FINANCIAL STATEMENT AUDIT

NONE

FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

NONE



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, 2016, and have issued our report thereon dated March 16, 2017.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U. S. *Code of Federal Regulations Part 200. Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); 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 Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; 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 16, 2017, should be considered in conjunction with this management letter.

Prior Audit Findings

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

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

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Panama City - Bay County Airport and Industrial District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined 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 our audit, we did not have any such recommendations.

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

Purpose of this Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the Board of Directors, 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 16, 2017



INDEPENDENT ACCOUNTANT'S REPORT

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

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

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

Our examination does not provide a legal determination on Panama City - Bay County Airport and Industrial District's compliance with specified requirements.

In our opinion, Panama City - Bay County Airport and Industrial District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2016.

This report is intended solely for the information and use of Panama City - Bay County Airport and Industrial District and the Florida Auditor and is not intended to be and should not be used by anyone other than the specified parties.

Panama City, Florida
March 16, 2017