

PANAMA CITY - BAY COUNTY

AIRPORT AND INDUSTRIAL DISTRICT

PANAMA CITY, FLORIDA

FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2017 AND 2016



Tipton, Marler, Garner & Chastain
The CPA Group

PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
PANAMA CITY, FLORIDA
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016

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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, 2017 and 2016, 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 respective financial position of the business-type activities of the Panama City - Bay County Airport and Industrial District, as of September 30, 2017 and 2016, 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 4-10 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 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 is the responsibility of management and was derived from and relates 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 is 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 January 19, 2018, 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 solely 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 the effectiveness of the Panama City - Bay County Airport and Industrial District's 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
January 19, 2018

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**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

The following Management's Discussion and Analysis ("MD&A") of the Panama City - Bay County Airport and Industrial District's (the "District") activities and financial performance provides an introduction to the basic financial statements of the District for the year ended September 30, 2017 with comparative information for the year ended September 30, 2016. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and the notes thereto, which are essential to a full understanding of the financial statement data.

District Background and History

The District was established pursuant to a special act of the Florida Legislature in 1967, recodified and amended by Chapter 2005-311, Laws of Florida, and subsequently amended by Chapter 2010-274, Laws of Florida. It is a political subdivision of the state and is an independent special district pursuant to the constitution and laws of Florida. The District owns and operates the Northwest Florida Beaches International Airport (the "Airport"), which opened on May 23, 2010. The Federal Aviation Administration ("FAA") airport identifier is ECP.

The District is governed by a seven-member Board of Directors who are appointed to four-year terms. The Act requires that two members of the Board be appointed by the City Commission of the City of Panama City, two members be appointed by the Board of County Commissioners of Bay County, two members be appointed by the City Council of Panama City Beach, and one member be appointed by the Board of County Commissioners of Walton County.

The Airport is situated on approximately 4,000 acres located in Bay County, Florida, 12 miles north of Panama City Beach. It is classified as a small hub airport by the FAA. Phase one of development of the airport property includes approximately 1,200 acres.

The Airport has one concrete/grooved runway, Runway 16/34. It measures 10,000 feet in length and is used by both commercial and general aviation aircraft.

ECP was the first commercial international airport designed and built after September 11, 2001. The terminal building measures approximately 136,000 square feet and houses seven gates, five of which have jet bridges and two of which are ramp level.

The District is self-supporting, using aircraft landing fees, airline rentals and fees, terminal and airport property rentals, and revenues from concessions and parking to fund operating expenses. Operating expenses of the District are not taxpayer funded. Construction programs are funded by federal and state grants, Passenger Facility Charges ("PFCs"), and District revenues.

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Financial Highlights

- Total assets of the District exceeded total liabilities by \$267,277,120 (net position). Of this amount, \$15,475,812 is unrestricted.
- Total net position decreased by \$6,539,652, or 2.39%, due largely to depreciation expense totaling \$13,449,039.
- Operating revenues increased by \$351,969, or 3.16%, over prior year operating revenues.
- Operating expenses decreased by \$584,767, reflecting a 2.75% reduction over prior year operating expenses.
- Passenger facility charge revenues increased \$49,831, or 3.26%, compared to the prior year.
- Rental car concession fees and consolidated facility charge revenues increased by \$42,815, or 1.05%, over the prior year.

Brief Discussion of Basic Financial Statements

This report consists of a series of financial statements that are designed to help the reader understand the District's financial position. Two of these statements, the *Statements of Net Position* and the *Statements of Revenues, Expenses and Changes in Net Position* report information about the District and its activities in a way that helps illustrate if the District is better or worse financially as a result of the year's activities.

These two statements inform the reader of 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.

Condensed Comparative Financial Statements

The following table provides a summary of the assets, liabilities and net position of the District for the current and prior year:

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net Assets

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 19,186,521	\$ 16,016,411
Capital assets	<u>290,275,174</u>	<u>300,584,449</u>
Total assets	<u>309,461,695</u>	<u>316,600,860</u>
Long-term debt outstanding	38,473,866	39,735,603
Other liabilities	<u>3,710,709</u>	<u>3,048,485</u>
Total liabilities	<u>42,184,575</u>	<u>42,784,088</u>
Net position:		
Net investment in capital assets	251,801,308	260,848,846
Unrestricted	<u>15,475,812</u>	<u>12,967,926</u>
Total net position	<u>\$ 267,277,120</u>	<u>\$ 273,816,772</u>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the District's largest portion of net assets. These capital assets are utilized to provide services to the public; consequently, these assets are not available for future spending. Unrestricted net position, which is available for future spending, increased by \$2,507,886 or 19.34%.

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

Changes in Net Position

	<u>2017</u>	<u>2016</u>
Revenues		
Operating revenues	\$ 11,504,891	\$ 11,152,922
Grants and entitlements	2,794,938	1,279,147
PFC revenues	1,579,988	1,530,157
Interest	<u>6,305</u>	<u>5,290</u>
Total revenues	<u>15,886,122</u>	<u>13,967,516</u>
Expenses		
Operating expenses	20,696,329	21,281,096
Interest expense	<u>1,827,838</u>	<u>1,883,325</u>
Total expenses	<u>22,524,167</u>	<u>23,164,421</u>
Excess (deficiency) before special items	<u>(6,638,045)</u>	<u>(9,196,905)</u>

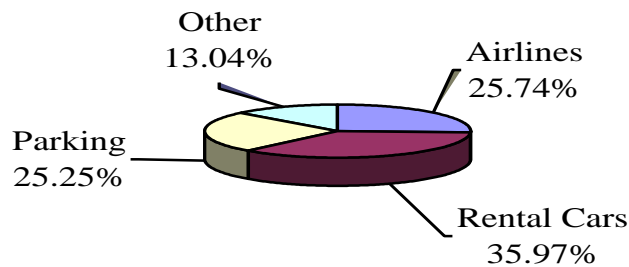
**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>2017</u>	<u>2016</u>
Special items		
Unrealized gain (loss)	1,480	(920)
Proceeds from litigation	-	250,000
Insurance proceeds	96,157	721
Use of reserve funds	(61,552)	(59,914)
Gain on disposal of assets	<u>62,308</u>	<u>-</u>
Total special items	<u>98,393</u>	<u>189,887</u>
 Increase (decrease) in net position	 <u>\$ (6,539,652)</u>	 <u>\$ (9,007,018)</u>

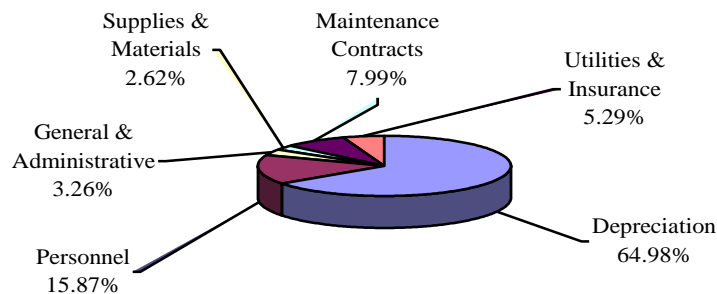
Analysis of Financial Position and Results of Operations

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, airlines, and parking. The following chart shows the major sources of revenues for the year ended September 30, 2017:



Depreciation accounts for the largest portion of operating expenses. The following chart shows the major expense categories for the year ended September 30, 2017:



**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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.

The 2017 budget projected operating revenues of \$13,463,454 and operating expenses in the amount of \$8,170,519. It also included funds for capital projects, reserves and capital purchases of \$2,055,133, while debt service was budgeted at \$3,089,574. No budget amendments were made during the course of the year.

Actual operating expenses exceeded budget by \$12,525,810, due to depreciation expense of \$13,449,039, which was not budgeted.

The District's agreement with the signatory airlines provides for a rent rebate and revenue sharing based on the financial results of operations of the Airport. Therefore, actual operating revenues were less than budget by \$1,958,563, due to the rebate of rents, fees and profit sharing to the signatory airlines in the amount of \$2,240,632.

Capital Assets and Long-Term Debt Activity

Capital Assets

At September 30, 2017, the District had \$384,887,700 invested in a broad range of capital assets, including buildings, furniture and fixtures, police and fire equipment, maintenance equipment and vehicles. This amount represents a net increase (including additions and disposals of capital assets) of \$2,400,965 or .63%, compared to last year.

Capital Assets at Year-end

	<u>2017</u>	<u>2016</u>
Land	\$ 70,669,561	\$ 70,669,561
Buildings and improvements	186,423,540	186,423,540
Improvements other than buildings	120,273,723	117,675,898
Furniture and equipment	7,054,178	7,080,468
Construction work-in-progress	<u>466,698</u>	<u>637,268</u>
Totals	<u>\$ 384,887,700</u>	<u>\$ 382,486,735</u>

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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

- Capital equipment purchased totaled \$163,486.
- Mitigation site development was ongoing at a cost of \$518,653, of which \$466,788 was funded by FAA grants.
- A security system upgrade project began with a total cost to date of \$140,823, of which Florida Department of Transportation (“FDOT”) and FAA grants funded \$129,241.
- Storm repairs from the 2014 rain event totaled \$1,043,397, of which \$912,972 will be funded by the Federal Emergency Management Agency (“FEMA”) and Florida’s State Emergency Response Team (“SERT”).
- Two new passenger boarding bridges were installed at a cost of \$1,258,774, with FAA grants covering \$1,118,034.
- Major equipment expenditures included replacement of terminal dry pipe system (\$42,410), holdroom carpet (\$28,877), and security cameras (\$42,112).

The Fiscal Year 2018 budget includes \$15,034,285 of grant and non-grant projects and equipment, of which the District will fund \$3,801,683 with the remainder being paid with grant funds. Projects include the purchase of an additional new jet bridge, continued mitigation site development and 2014 storm damage repair, exit lane modifications, construction of a large aircraft parking ramp and additional infrastructure improvements, and a security system upgrade. Equipment expenditures planned include the purchase of four replacement vehicles, two mowers and various other items.

Long-Term Debt

At year-end, the District had long-term debt of \$38,473,866 with the State Infrastructure Bank of Florida (“SIB”) as shown below:

Outstanding Debt at Year-end

	2017	2016
SIB Loan #1	\$ 20,807,997	\$ 21,487,640
SIB Loan #2	17,665,869	18,247,963
Total Debt	\$ 38,473,866	\$ 39,735,603

These loans mature in Fiscal Year 2036 and are collateralized by a pledge of net revenues and eligible Passenger Facility Charge revenues.

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Statistical Information

Airport activities during Fiscal Year 2017 as compared to Fiscal Year 2016 are as follows:

	<u>FY 2017</u>	<u>FY 2016</u>	<u>% Increase (Decrease)</u>
Enplanements	471,595	443,183	6.41%
Aircraft Operations	66,912	66,203	1.07%
Landed Weight	526,303,299	529,391,639	(0.58%)

Fiscal Year 2017 traffic increased as a result of additional service provided by our airline partners, Delta Airlines, Southwest Airlines and United Airlines. We recognized “Super Summer Saturdays” and saw the three highest passenger traffic months in the history of ECP, with May, June and July enjoying over 100,000 total passengers each.

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 (PFN). Passenger volumes in Fiscal Year 2017 have shown strong growth, which resulted in our market share being 20% of the total of the four airports in the Panhandle region in September 2017. As we complete the seventh fiscal year of operation, the airport continues the development of a sound financial structure. In order to move forward and carry on this trend, the Airport’s goals for 2018 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. The outlook for the Airport is bright.

Additionally, continued refinement of business processes, improved cost effectiveness and operating efficiencies, and marketing initiatives will guide our vision for Fiscal Year 2018.

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.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2017 AND 2016**

ASSETS

	2017	2016
Current Assets		
Cash and cash equivalents	\$ 12,223,732	\$ 12,214,733
Investments	8,053	6,573
Accounts receivable - trade	811,984	1,280,126
Accounts receivable - grants	1,676,272	1,555,405
Accounts receivable - other	98	-
Prepaid items	101,455	81,788
Total current assets	14,821,594	15,138,625
 Noncurrent Assets		
Restricted assets	4,364,927	877,786
Capital assets:		
Land	70,669,561	70,669,561
Buildings and improvements	186,423,540	186,423,540
Improvements other than buildings	120,273,723	117,675,898
Furniture and equipment	7,054,178	7,080,468
Less accumulated depreciation	(94,612,526)	(81,902,286)
Construction work-in-process	466,698	637,268
Net capital assets	290,275,174	300,584,449
Total noncurrent assets	294,640,101	301,462,235
 Total Assets	\$ 309,461,695	\$ 316,600,860

LIABILITIES AND NET POSITION

	2017	2016
Current Liabilities		
Accounts payable	\$ 3,133,212	\$ 2,709,039
Accrued expenses	372,407	146,375
Current maturities of long-term liabilities	38,751	31,425
Total current liabilities	3,544,370	2,886,839
 Long-Term Liabilities		
Long-term debt, less current maturities	38,473,866	39,735,603
Accrued vacation	158,958	154,822
Accrued sick leave	7,381	6,824
Total long-term liabilities	38,640,205	39,897,249
Total liabilities	42,184,575	42,784,088
 Net Position		
Net investment in capital assets	251,801,308	260,848,846
Unrestricted	15,475,812	12,967,926
Total net position	267,277,120	273,816,772
 Total Liabilities and Net Position	\$ 309,461,695	\$ 316,600,860

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, 2017 AND 2016**

	2017	2016
Operating Revenues		
Airlines	\$ 2,961,589	\$ 2,857,256
Car rentals	4,138,395	4,095,580
Terminal complex	3,588,893	3,383,281
General aviation	606,913	599,478
Other tenants and miscellaneous	209,101	217,327
Total operating revenues	11,504,891	11,152,922
Operating Expenses		
Personnel costs	3,284,331	3,212,023
Supplies, materials, and maintenance	541,402	580,467
General and administrative expenses	673,685	562,099
Operating maintenance contracts	1,652,888	1,606,006
Utilities and insurance	1,094,984	1,171,927
Depreciation	13,449,039	14,148,574
Total operating expenses	20,696,329	21,281,096
Income (loss) from operations	(9,191,438)	(10,128,174)
Nonoperating Revenues (Expenses)		
Interest income	6,305	5,290
PFC revenues	1,579,988	1,530,157
Interest expense	(1,827,838)	(1,883,325)
Grant revenues	2,794,938	1,279,147
Gain/(loss) on sale of assets	62,308	-
Unrealized gain/(loss) on investments	1,480	(920)
Use of reserves	(61,552)	(59,914)
Litigation proceeds	-	250,000
Other revenues	96,157	721
Total nonoperating revenues (expenses)	2,651,786	1,121,156
Change in Net Position	(6,539,652)	(9,007,018)
Total Net Position at Beginning of Year	273,816,772	282,823,790
Total Net Position at End of Year	\$ 267,277,120	\$ 273,816,772

See the accompanying notes.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	<u>2017</u>	<u>2016</u>
Cash Flows From Operating Activities		
Cash received from customers	\$ 11,953,269	\$ 11,061,868
Cash paid to suppliers for goods and services	(3,350,902)	(4,632,395)
Cash paid to employees for services	<u>(3,234,166)</u>	<u>(3,176,361)</u>
Net cash provided by operating activities	<u>5,368,201</u>	<u>3,253,112</u>
 Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(3,141,260)	(1,402,366)
Proceeds from disposition of assets	63,788	-
PFC revenues	1,578,915	1,518,125
Other revenue (expense)	(61,552)	190,086
Proceeds from insurance	96,157	721
SIB loan proceeds (principal paid)	(1,261,737)	(1,206,249)
Interest expense on debt	(1,827,838)	(1,883,325)
Grants received -		
State of Florida	66,407	57,971
Federal Aviation Administration	2,503,295	51,083
TSA	<u>104,386</u>	<u>94,380</u>
Net cash used in capital and related financing activities	<u>(1,879,439)</u>	<u>(2,579,574)</u>
 Cash Flows From Investing Activities		
Interest earned on investments	<u>6,305</u>	<u>5,290</u>
 Net Increase in Cash and Cash Equivalents	3,495,067	678,828
 Cash and Cash Equivalents at Beginning of Year	<u>12,896,521</u>	<u>12,217,693</u>
 Cash and Cash Equivalents at End of Year	<u>\$ 16,391,588</u>	<u>\$ 12,896,521</u>

	<u>2017</u>	<u>2016</u>
Reconciliation of Operating Income to Net Cash Provided		
By (Used in) Operating Activities		
Operating loss	\$ (9,191,438)	\$ (10,128,174)
Adjustments to reconcile operating income to net cash provided by operating activities-		
Depreciation	13,449,039	14,148,574
(Increase) decrease in assets:		
Accounts receivable	468,043	(38,615)
Prepaid items	(19,667)	(52,437)
Increase (decrease) in liabilities:		
Accounts payable	424,173	(692,393)
Accrued expenses	226,032	3,417
Accrued vacation	11,462	16,341
Accrued sick leave	557	(3,601)
Net cash provided by operating activities	<u>\$ 5,368,201</u>	<u>\$ 3,253,112</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 1,827,838</u>	<u>\$ 1,883,325</u>
 Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Statements of Net Position		
Cash and cash equivalents	\$ 12,223,732	\$ 12,214,733
Restricted cash and cash equivalents	4,167,856	681,788
	<u>\$ 16,391,588</u>	<u>\$ 12,896,521</u>

See the accompanying notes.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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, 2017 AND 2016**

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 \$225,979 and \$184,248 for the years ended September 30, 2017 and 2016, 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, 2017 AND 2016**

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, 2017 and 2016, 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 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 has implemented GASB Statement No. 74 in this annual report, however, it does not have any current impact on the District.

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 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 has implemented GASB Statement No. 77 in this annual report, however, it does not have any current impact on the District.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 has implemented GASB Statement No. 78 in this annual report, however, it does not have any current impact on the District.

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 remaining portion of GASB Statement No. 79 in this annual report.

In January 2017, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*. This statement will enhance the comparability of financial statements among governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The District has implemented GASB Statement No. 80 in this report, however, it does not have any current impact on the District.

In March 2017, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This statement will enhance the comparability of financial statements by providing accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2016. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2017, 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 has implemented GASB Statement No. 82 in this annual report, however, it does not have any current impact on the District.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This statement will enhance comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain ARO's, including obligations that may not have been previously reported. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement will enhance consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities and clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017*. This statement will enhance consistency in the application of accounting and financial reporting requirements. 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 May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This statement will increase consistency in accounting and financial reporting for debt extinguishments by establishing uniform guidance for derecognizing debt that is defeased in substance, regardless of how cash and other monetary assets placed in a irrevocable trust for the purpose of extinguishing that debt were acquired. 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 2017, the GASB issued Statement No. 87, *Leases*. This statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The District is evaluating the impact, if any, upon it financial position, results of operations or cash flows upon adoption.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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, 2017 and 2016, restricted assets consisted of the following:

	<u>2017</u>	<u>2016</u>
Cash and Cash Equivalents –		
CFC Account	\$ 2,452,747	\$ -
Construction	97,658	643,262
PFC Excess Cash	1,580,275	1,361
Forfeiture Funds	24,572	24,561
Law Enforcement Trust	604	604
Escrow Fund	12,000	12,000
Accounts Receivable - PFC	<u>197,071</u>	<u>195,998</u>
	<u>\$ 4,364,927</u>	<u>\$ 877,786</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, 2017 AND 2016**

NOTE 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized as follows:

	<u>Balance</u> <u>October 1,</u> <u>2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>September 30,</u> <u>2017</u>	<u>Due in</u> <u>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.	\$ 21,487,640	\$ -	\$ 679,643	\$ 20,807,997	-
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>18,247,963</u>	<u>-</u>	<u>582,094</u>	<u>17,665,869</u>	<u>-</u>

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017	Due in One Year
Total Long-Term Debt	<u>39,735,603</u>	-	<u>1,261,737</u>	<u>38,473,866</u>	-
Total Compensated Absences	<u>193,071</u>	<u>12,018</u>	-	<u>205,089</u>	<u>38,751</u>
Total Long-Term Liabilities	<u>\$ 39,928,674</u>	<u>\$ 12,018</u>	<u>\$ 1,261,737</u>	<u>\$ 38,678,955</u>	<u>\$ 38,751</u>

Debt service requirements to maturity for long-term debt subsequent to September 30, 2017, are as follows:

<u>Year Ended</u>	<u>State Infrastructure Bank Loan Agreement</u>		<u>State Infrastructure Bank Loan Agreement</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
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	851,018	817,056	728,872	692,628
2024-2028	4,879,576	3,460,794	4,179,212	2,928,288
2029-2033	6,109,990	2,230,380	5,233,025	1,874,475
2034-2036	<u>5,921,492</u>	<u>692,396</u>	<u>4,916,020</u>	<u>564,393</u>
	<u>\$ 20,807,997</u>	<u>\$ 10,827,001</u>	<u>\$ 17,665,869</u>	<u>\$ 9,137,044</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, 2017, there were no draws on the letter of credit.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 5 – LEASES

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

	2017	2016
Noncancellable leases –		
Minimum rentals	\$ 3,966,722	\$ 4,581,549
Contingent rentals	3,311,247	2,516,469
	\$ 7,277,969	\$ 7,098,018

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, 2017, for the next five years are as follows:

2018	\$ 6,008,550
2019	3,420,818
2020	3,382,170
2021	482,553
2022	466,134

The approximate carrying value and accumulated depreciation pertaining to property held for rental included on the Statements of Net Position at September 30, 2017 is not readily determinable.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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, 2017, the District had contractual commitments of approximately \$3,614,725 for construction of airport projects. Funding of these future expenditures is expected to be received from federal grants, state grants, and current operations.

Subsequent Events:

The District did not have any other subsequent events requiring disclosure or recording in these financial statements through January 19, 2018, 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, 2017 and 2016, is \$170,543 and \$157,282, respectively.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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. A percentage of accumulated sick leave may be paid upon termination. The liability for accumulated annual sick leave at September 30, 2017 and 2016, is \$7,381 and \$6,824, 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 59 active participants at September 30, 2017.

The District's total personnel costs in fiscal year 2017 and 2016 were \$3,284,331 and \$3,212,023, respectively. The District's contributions were calculated using the salary amount of approximately \$2,305,382 and \$2,258,306 for September 30, 2017 and 2016, respectively. The retirement expense by the District was \$241,510 and the amount contributed was \$241,510 for the year ended September 30, 2017; the expense for the year ended September 30, 2016 was \$242,242 and the amount contributed was \$242,242.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

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>9/30/17</u>		<u>9/30/16</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	\$ 8,053	\$ 0	\$ 6,573

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 10 – DEPOSITS AND INVESTMENTS (Continued)

Fair Value

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

	9/30/17		9/30/16	
	Total	Quoted Prices Level 1	Total	Quoted Prices Level 1
Investments by Fair value level				
Stocks	\$ 8,053	\$ 8,053	\$ 6,573	\$ 6,573

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, 2017, the District's actual operating revenues were less than budgeted operating revenues by \$1,958,563, due to revenue sharing with the airlines of \$2,240,632, and actual operating expenses exceeded budgeted operating expenses by \$12,525,810. The actual operating expenses increase over budgeted operating expenses was due to the following:

- \$13,449,039 in depreciation expense that was not budgeted by the District in 2017.

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 \$13,077,091. The actual operating expenses increase over budgeted operating expenses was primarily due to the \$14,148,574 in depreciation expense that was not budgeted by the District in 2016.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2017 AND 2016**

NOTE 12 – CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance 9/30/15	Increases	Decreases	Balance 9/30/16	Increases	Decreases	Balance 9/30/17
Capital assets, not being depreciated:							
Land	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561
Construction work-in-process	4,197,299	1,301,558	4,861,589	637,268	1,719,001	1,889,571	466,698
Total capital assets, not being depreciated	<u>74,866,860</u>	<u>1,301,558</u>	<u>4,861,589</u>	<u>71,306,829</u>	<u>1,719,001</u>	<u>1,889,571</u>	<u>71,136,259</u>
Capital assets, being depreciated:							
Buildings and improvements	186,423,191	349	-	186,423,540	-	-	186,423,540
Improvements other than buildings	112,956,613	4,765,935	46,650	117,675,898	3,219,632	621,807	120,273,723
Furniture and equipment	8,556,872	243,177	1,719,581	7,080,468	92,199	118,489	7,054,178
Total capital assets, being depreciated	<u>307,936,676</u>	<u>5,009,461</u>	<u>1,766,231</u>	<u>311,179,906</u>	<u>3,311,831</u>	<u>740,296</u>	<u>313,751,441</u>
Less accumulated depreciation for:							
Buildings and improvements	25,016,362	4,790,452	-	29,806,814	4,785,243	-	34,592,057
Improvements other than buildings	37,864,243	8,537,680	-	46,401,923	8,037,990	621,807	53,818,106
Furniture and equipment	6,592,340	819,107	1,717,898	5,693,549	625,805	116,991	6,202,363
Total accumulated depreciation	<u>69,472,945</u>	<u>14,147,239</u>	<u>1,717,898</u>	<u>81,902,286</u>	<u>13,449,038</u>	<u>738,798</u>	<u>94,612,526</u>
Total capital assets being depreciated, net	<u>238,463,731</u>	<u>(9,137,778)</u>	<u>48,333</u>	<u>229,277,620</u>	<u>(10,137,207)</u>	<u>1,498</u>	<u>219,138,915</u>
Capital assets, net	<u>\$ 313,330,591</u>	<u>\$ (7,836,220)</u>	<u>\$ 4,909,922</u>	<u>\$ 300,584,449</u>	<u>\$ (8,418,206)</u>	<u>\$ 1,891,069</u>	<u>\$ 290,275,174</u>

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2017 AND 2016**

	2017		2016
	Budget	Actual	Actual
Operating Revenues			
Airlines -			
Airline landing fees	\$ 3,117,824	\$ 2,760,733	\$ 2,773,182
Cargo airline landing fees	16,750	19,904	20,114
Airline terminal rent	1,970,877	1,821,234	1,688,988
Signatory airline revenue sharing	-	(1,640,282)	(1,625,028)
Total airlines	<u>5,105,451</u>	<u>2,961,589</u>	<u>2,857,256</u>
Car rentals -			
Rental cars concession fees	2,097,877	2,094,607	2,063,392
Rental cars customer facility charges	2,019,246	2,043,788	2,032,188
Total car rentals	<u>4,117,123</u>	<u>4,138,395</u>	<u>4,095,580</u>
Terminal complex -			
Public and employee parking	2,766,551	2,905,089	2,656,866
Ground transportation fees	92,520	106,790	91,266
Advertising concessions	116,346	94,252	143,748
Retail merchandise concessions	96,109	96,740	120,958
Food and beverage concessions	255,095	279,841	258,888
Other terminal revenue	100,987	106,181	111,555
Total terminal complex	<u>3,427,608</u>	<u>3,588,893</u>	<u>3,383,281</u>
General aviation -			
Fixed base operator rents	235,972	239,492	250,077
Fuel flowage fees	42,000	48,840	46,510
Hangar/land rentals	305,813	318,581	302,891
Total general aviation	<u>583,785</u>	<u>606,913</u>	<u>599,478</u>
Other tenants and miscellaneous -			
Other tenants and miscellaneous	79,757	62,274	68,957
Fuel farm	140,000	139,714	139,714
Cargo building rental	9,730	7,113	8,656
Total other tenants and miscellaneous	<u>229,487</u>	<u>209,101</u>	<u>217,327</u>
Total operating revenues	<u>13,463,454</u>	<u>11,504,891</u>	<u>11,152,922</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, 2017 AND 2016**

	2017		2016
	Budget	Actual	Actual
Operating Expenses			
Personnel costs -			
Salary and wages	\$ 2,475,604	\$ 2,314,252	\$ 2,216,242
Overtime	66,323	75,895	71,151
FICA contributions	190,724	170,662	181,911
Group insurance	493,032	411,433	409,427
Retirement	256,372	241,510	242,242
Workers compensation insurance	74,000	64,169	69,066
Other personnel costs	11,370	6,410	21,984
Total personnel costs	<u>3,567,425</u>	<u>3,284,331</u>	<u>3,212,023</u>
Supplies, Materials, and Maintenance -			
Airfield and grounds	235,132	161,530	179,659
Computer supplies and software	21,037	20,082	22,330
Machinery and equipment	20,700	26,995	14,937
Miscellaneous supplies	15,600	8,294	47,074
Radio equipment	30,500	11,366	16,681
Safety and security	37,706	19,727	26,368
Small tools and equipment	14,500	9,623	9,653
Terminal facility services and supplies	228,012	224,077	216,611
Uniforms, clothing, and boots	28,050	13,969	6,239
Vehicles, oil, tires, and fuel	81,696	45,739	40,915
Total supplies, materials, and maintenance	<u>712,933</u>	<u>541,402</u>	<u>580,467</u>
General and Administrative Expenses -			
Bank charges	63,600	64,077	59,789
Bad debt expense	-	8,232	19,689
Business meetings and events	8,500	6,603	3,096
Dues, licenses, publications, and training	67,500	59,152	41,992
Marketing and advertising	225,000	225,979	184,248
Office services and supplies	30,650	28,515	23,993
Financial consulting services	68,000	57,929	21,007
Legal services	85,000	63,310	82,026
Professional services	371,300	143,743	111,778
Travel and conferences	33,484	16,145	14,481
Total general and administrative expenses	<u>953,034</u>	<u>673,685</u>	<u>562,099</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, 2017 AND 2016**

	2017		2016
	Budget	Actual	Actual
Operating Expenses (continued)			
Operating maintenance contracts			
Computer services	\$ 231,672	\$ 171,420	\$ 125,101
Contract cleaning	636,660	636,656	636,656
Elevator and escalator	35,000	41,851	28,739
Passenger loading bridges	312,000	289,981	297,664
Parking lot management	459,275	397,551	398,009
Contract security	70,000	115,429	119,837
Total operating maintenance contracts	<u>1,744,607</u>	<u>1,652,888</u>	<u>1,606,006</u>
Utilities and insurance			
Electricity	717,000	739,005	716,175
Telephone	31,120	22,268	21,500
Water and sewer	226,500	188,475	227,411
Building and contents insurance	119,900	79,934	151,781
Liability and auto insurance	98,000	65,302	55,060
Total utilities and insurance	<u>1,192,520</u>	<u>1,094,984</u>	<u>1,171,927</u>
Total	8,170,519	7,247,290	7,132,522
Depreciation	<u>-</u>	<u>13,449,039</u>	<u>14,148,574</u>
Total operating expenses	<u>8,170,519</u>	<u>20,696,329</u>	<u>21,281,096</u>
Excess operating revenues (expenses)	<u>5,292,935</u>	<u>(9,191,438)</u>	<u>(10,128,174)</u>
Nonoperating Revenues (Expenses)			
Interest income	6,500	6,305	5,290
PFC revenues	1,703,649	1,579,988	1,530,157
Interest expense	(1,827,838)	(1,827,838)	(1,883,325)
Grant revenues	5,251,397	2,794,938	1,279,147
Gain/(loss) on sale of assets	-	62,308	-
Unrealized gain/(loss) on investments	-	1,480	(920)
Use of reserves	-	(61,552)	(59,914)
Litigation proceeds	-	-	250,000
Other revenues	-	96,157	721
Total nonoperating revenues (expenses)	<u>5,133,708</u>	<u>2,651,786</u>	<u>1,121,156</u>
Excess Revenues (Expenses)	<u>\$ 10,426,643</u>	<u>\$ (6,539,652)</u>	<u>\$ (9,007,018)</u>

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
 AIRPORT AND INDUSTRIAL DISTRICT
 SCHEDULE OF CONSTRUCTION WORK-IN-PROGRESS
 SEPTEMBER 30, 2017**

<u>Project Number</u>			
AIP 3-12-0159-008-2016	Mitigation	\$	99,221
GO 309	Exit lane modifications		90,274
FEMA/SERT	Storm repairs		136,380
AIP 3-12-0159-008-2016	Security upgrades		<u>140,823</u>
		<u>\$</u>	<u>466,698</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, 2017**

Aircraft rescue firefighting equipment	\$	23,110
Security cameras		42,112
ZTrak mower		8,278
Rotary mower		16,306
Residue detection device		2,393
Holdroom carpet		28,877
Dry pipe replacement		42,410
		<hr/>
	\$	<u>163,486</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, 2017**

Project Number	Description	Airport Funding	FAA Funding	FDOT Funding	FEMA Funding	SERT Funding	Total
Capital Projects:							
AIP 3-12-0159-008-2016	Mitigation site development	\$ 51,865	\$ 466,788	\$ -	\$ -	\$ -	\$ 518,653
AIP 3-12-0159-008-2016/ARO 05	Security system upgrades	11,582	104,241	25,000	-	-	140,823
AIP 3-12-0159-008-2016	Passenger boarding bridges	140,740	1,118,034	-	-	-	1,258,774
AIP 3-12-0159-009-2017/GO309	Exit lane improvements	8,064	-	8,064	-	-	16,128
FEMA/SERT	Storm repairs	130,425	-	-	782,547	130,425	1,043,397
Total Grant Funding		<u>\$ 342,676</u>	<u>\$ 1,689,063</u>	<u>\$ 33,064</u>	<u>\$ 782,547</u>	<u>\$ 130,425</u>	<u>\$ 2,977,775</u>

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
2017	3%	\$ 11,504,891	\$ 20,696,329	\$ (9,191,438)	\$ 1,579,988	\$ 2,794,938	\$ (4,816,512)	\$ 3,141,260
2016	8%	11,152,922	21,281,096	(10,128,174)	1,530,157	1,279,147	(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%	10,339,893	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

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
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE, AND PASSENGER FACILITY CHARGES
YEAR ENDED SEPTEMBER 30, 2017**

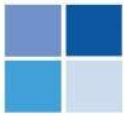
	CFDA/ CSFA Number	Balance October 1, 2016	Adjustments (2)	Cash Receipts	Expenditures	Balance September 30, 2017 (1)
<u>Federal Aviation Administration</u>						
3-12-0159-008-2016	20.106	\$ (953,832)	\$ (20,247)	\$ 2,503,284	\$ (1,689,063)	\$ (159,858)
3-12-0159-009-2017	20.106	-	(32,292)	-	-	(32,292)
Total Federal Aviation Administration		<u>(953,832)</u>	<u>(52,539)</u>	<u>2,503,284</u>	<u>(1,689,063)</u>	<u>(192,150)</u>
<u>Department of Homeland Security</u>						
HSTS02-16-HS-LR727	NA	(15,860)	-	104,380	(107,300)	(18,780)
<u>FEMA</u>						
15-SP-8Z-01-13-13-557	97.036	(476,939)	-	-	(782,547)	(1,259,486)
Total Federal Awards		<u>\$ (1,446,631)</u>	<u>\$ (52,539)</u>	<u>\$ 2,607,664</u>	<u>\$ (2,578,910)</u>	<u>\$ (1,470,416)</u>
<u>Florida Department of Transportation</u>						
GO 309	55004	\$ (34,928)	\$ -	\$ 41,407	\$ (8,064)	\$ (1,585)
ARO 05	55004	-	-	25,000	(25,000)	-
Total Florida Department of Transportation		<u>(34,928)</u>	<u>-</u>	<u>66,407</u>	<u>(33,064)</u>	<u>(1,585)</u>
<u>SERT</u>						
SERT		<u>(73,846)</u>	<u>-</u>	<u>-</u>	<u>(130,425)</u>	<u>(204,271)</u>
Total State Financial Assistance		<u>\$ (108,774)</u>	<u>\$ -</u>	<u>\$ 66,407</u>	<u>\$ (163,489)</u>	<u>\$ (205,856)</u>
		Cash/Investments/ Receivables October 1, 2016	Adjustment	Revenue*	Expended	Cash/Investments/ Receivables September 30, 2017 (1)
Passenger Facility Charges		<u>\$ 197,358</u>	<u>\$ -</u>	<u>\$ 1,579,988</u>	<u>\$ (1,580,275)</u>	<u>\$ 197,071</u>

* Includes interest earnings of \$303

(1) Includes receivable.

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

See independent auditor's report.



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

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, 2017, 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 January 19, 2018.

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
January 19, 2018



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, 2017. 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, 2017.

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 cursive script, appearing to read "Elizabeth M. Carter, CPA". The signature is written in dark ink and is positioned to the right of the date and location text.

Panama City, Florida
January 19, 2018

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017**

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
FEMA	97.036

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, 2017**

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, 2017, and have issued our report thereon dated January 19, 2018.

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 Reporting Requirements

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*, AT-C section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated January 19, 2018, 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 us to apply appropriate procedures and management communicate 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 to identify 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 for the Panama City - Bay County Airport and Industrial District. 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 review of financial information provided by same.

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

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require us to apply appropriate procedures and communicate 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, 2017, 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, 2017. In connection with our audit, we determined that these two reports were in agreement.

Additional Matters

Section 10.554(1)(i)3., Rules of the Auditor General, requires us to communicate 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 note 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.

A handwritten signature in black ink, appearing to read "Mark A. Carter, Chairman". The signature is written in a cursive style with a large initial "M".

Panama City, Florida
January 19, 2018



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, 2017. 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 misstatement, 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, 2017.

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

Panama City, Florida
January 19, 2018