

PANAMA CITY - BAY COUNTY

AIRPORT AND INDUSTRIAL DISTRICT

PANAMA CITY, FLORIDA

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2020 AND 2019



Tipton, Marler, Garner & Chastain
The CPA Group

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
PANAMA CITY, FLORIDA
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AND SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

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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, 2020 and 2019, and the related notes to the financial statements, which collectively comprise 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 Panama City - Bay County Airport and Industrial District, as of September 30, 2020 and 2019, and the respective changes in financial position, and, where applicable, 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 4-11 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 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 22, 2021, on our consideration of 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 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 Panama City - Bay County Airport and Industrial District's internal control over financial reporting and compliance.

Lipton, Marley, Garner : Chastain

Panama City, Florida
January 22, 2021

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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, 2020 with comparative information for the year ended September 30, 2019. 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 Federal Aviation Administration ("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 129,000 square feet and houses seven gates.

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, 2020**

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 fees 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.

Financial Highlights

- Total assets of the District exceeded total liabilities by \$259,031,499 (net position). Of this amount, \$18,594,299 is unrestricted.
- Operating revenues decreased by \$622,021, or 4.87%, from prior year operating revenues.
- Operating expenses increased by \$1,141,755, or 5.36%, over prior year operating expenses.
- Terminal complex revenues decreased \$1,546,708, or 33.62%, compared to prior year.
- The District's outstanding long-term debt decreased by \$1,443,989.
- Total net position decreased by \$906,970, or 0.35%, due largely to depreciation expense of \$14,192,560.

COVID-19 severely affected revenues throughout the aviation industry. Passenger related revenues including concessions, parking, rental car fees, Passenger Facility Charges and Consolidated Facility Charges at the airport suffered due to the pandemic, as is reflected in the District's financial statements included in this audit report.

Condensed Comparative Financial Statements

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

	Net Position	
	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 28,081,811	\$ 28,152,920
Capital assets	<u>269,167,093</u>	<u>272,503,246</u>
Total assets	<u>297,248,904</u>	<u>300,656,166</u>

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Long-term debt outstanding	34,329,616	35,773,605
Other liabilities	<u>3,887,789</u>	<u>4,944,092</u>
Total liabilities	<u>38,217,405</u>	<u>40,717,697</u>
Net position:		
Net investment in capital assets	234,837,477	236,729,641
Restricted	5,599,723	4,969,213
Unrestricted	<u>18,594,299</u>	<u>18,239,615</u>
Total net position	<u>\$ 259,031,499</u>	<u>\$ 259,938,469</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 \$354,684, or 1.94% in 2020.

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

Changes in Net Position

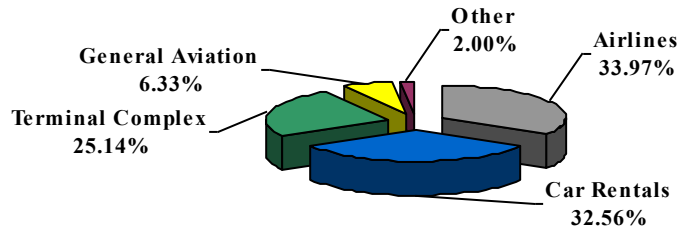
	<u>2020</u>	<u>2019</u>
Revenues		
Operating revenues	\$ 12,147,202	\$ 12,769,223
Grants and entitlements	8,913,312	3,199,856
PFC revenues	1,619,871	2,169,008
CFC revenues	541,921	1,256,338
Interest	<u>6,589</u>	<u>6,506</u>
Total revenues	<u>23,228,895</u>	<u>19,400,931</u>
Expenses		
Operating expenses	22,436,981	21,295,226
Interest expense	<u>1,645,586</u>	<u>1,709,088</u>
Total expenses	24,082,567	23,004,314
Excess (deficiency) before special items	<u>(853,672)</u>	<u>(3,603,383)</u>
Special items		
Unrealized gain (loss)	(4,512)	(38)
Net Insurance proceeds	8,394	303,729
Disaster/COVID-19 Expense	(64,410)	(275,287)
Gain on disposal of assets	<u>7,230</u>	<u>(745)</u>
Total special items	<u>(53,298)</u>	<u>27,659</u>
Increase (decrease) in net position	<u>\$ (906,970)</u>	<u>\$ (3,575,724)</u>

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

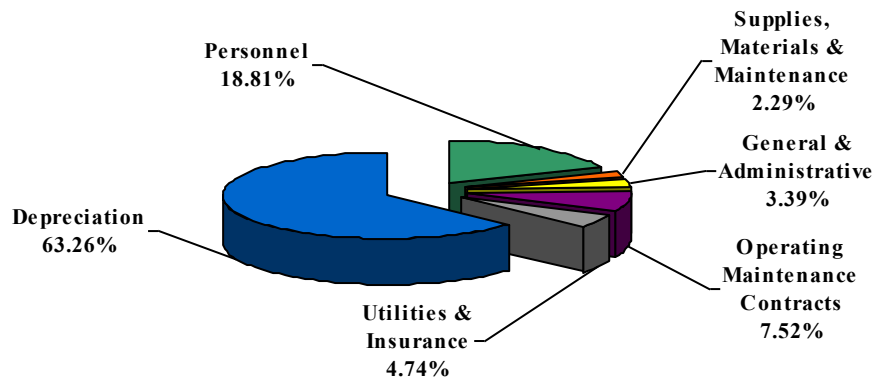
Analysis of Financial Position and Results of Operations

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 airlines at \$4,126,367, rental cars at \$3,955,225, and the terminal complex, which includes parking and concessions at \$3,053,582. The following chart shows the major sources of revenues for the year ended September 30, 2020:



Depreciation accounts for the largest portion of operating expenses at \$14,192,560. Depreciation is not budgeted, and it also represents a high percentage of the District's expenses compared to other airports. Since the facility is relatively new, having opened in 2010, other airports of similar size may have fully depreciated facilities and depreciation is not such a large portion of expenses. Other major operating expenses include personnel at \$4,220,735, utilities and insurance at \$1,063,483 and operating maintenance contracts totaling \$1,686,335. The following chart shows the major categories of expenses for the year:



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Budgetary Analysis

As an Independent Special District, the District must adopt a budget each fiscal year. This adopted budget regulates expenditures of the District. It is unlawful for the District to expend or contract for expenditures in any fiscal year except in fulfillment of appropriations.

The 2020 budget projected revenues of \$16,347,274 and operating expenses in the amount of \$8,876,260. It also included funds for capital projects, capital reserves and capital purchases of \$7,138,238, while debt service was budgeted at \$3,089,574. No budget amendments were made during the course of the year.

Without regard to depreciation, the District's operating expenses were under budget by \$631,839, or 7.12%, due in large part to staff efforts to control costs and operate as efficiently as possible. Actual operating expenses exceeded budget by \$13,560,721, due to depreciation expense of \$14,192,560, which was not budgeted.

The District's agreement with the signatory airlines provides for a rent and fees rebate and revenue sharing based on the financial results of operations of the Airport ("Settlement"). The Settlement amount of \$1,782,731, reduced revenues in the areas of concessions, parking and rental car fees of \$2,403,743, and lower than expected airline landing fees and rent resulted in actual operating revenues being less than budget by \$4,200,072.

Capital Assets

At September 30, 2020, the District had \$404,481,896 invested in a broad range of capital assets, including buildings, furniture and fixtures, police and fire equipment, maintenance equipment, vehicles, and capital improvement projects. This amount represents a net increase (including additions and disposals of capital assets) of \$10,514,138, or 2.67%, compared to last year.

Capital Assets

	<u>2020</u>	<u>2019</u>
Land	\$ 70,669,561	\$ 70,669,561
Buildings	186,423,540	186,423,540
Improvements other than buildings	129,635,452	126,722,689
Furniture and equipment	8,008,511	7,832,627
Construction work-in-progress	<u>9,744,832</u>	<u>2,319,341</u>
Total	\$ 404,481,896	\$ 393,967,758
Depreciation	<u>(135,314,803)</u>	<u>(121,464,512)</u>
Total Net Capital Assets	<u>\$ 269,167,093</u>	<u>\$ 272,503,246</u>

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Major capital asset notable changes during the current fiscal year included the following:

- Capital equipment additions totaled \$518,154 with disposals equaling \$342,270;
- Improvements additions totaled \$2,912,763;
- Mitigation site development was ongoing at a cost of \$397,868, of which \$159,408 was funded by FAA grants;
- A terminal apron slab repair project was completed with a total cost of \$1,219,794, of which Florida Department of Transportation (“FDOT”) and FAA grants funded \$1,147,713;
- The Terminal apron expansion project was completed at a cost of \$1,001,498, of which \$901,348 was funded by an FAA grant;
- The public covered parking canopy that was damaged as a result of Hurricane Michael was replaced at a cost of \$272,100, with an insurance payment covering \$232,944 of the cost; and
- Notable projects in progress include a Terminal expansion with costs in progress of \$5,119,405, the transient apron and Taxiway E-1 with costs of \$3,890,732, and an update to the Airport’s Master Plan with expenses to date of \$612,214.

Total capital expenditures for fiscal year 2020 were \$10,856,409 for grant and non-grant projects and equipment. Federal and state contributions to these expenditures totaled \$8,798,423, insurance reimbursement equal \$232,944, with the remaining \$1,825,042 being funded by the District.

Debt Activity

At year-end, the District had long-term debt of \$34,329,616 with the State Infrastructure Bank of Florida (“SIB”) as shown below:

Outstanding Debt

	2020	2019
SIB Loan #1	\$ 18,575,669	\$ 19,353,483
SIB Loan #2	15,753,947	16,420,122
Total Debt	\$ 34,329,616	\$ 35,773,605

These loans mature in Fiscal Year 2037 and are collateralized by a pledge of net revenues and eligible Passenger Facility Charge revenues.

Statistical Information and Rates & Charges

Airport activities during 2020 as compared to 2019 are as follows:

	2020	2019	% Increase (Decrease)
Enplanements	436,547	602,686	(27.57%)
Total Passengers	878,113	1,204,404	(27.09%)
Aircraft Operations	65,561	63,002	4.06%
Aircraft Landed Weight	659,746,789	692,392,787	(4.71%)

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MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Fiscal year 2020 traffic decreased as a result of the COVID-19 pandemic, which began in March 2020. Prior to the outbreak, ECP passenger traffic was poised to have a record year with the first five months of the fiscal year exceeding the same period in FY 2019 by 24.12%. The month of April 2020 saw a decrease in passengers of 94.72% compared to April 2019. However, by August 2020, traffic was only down by 20.67% compared to the prior year. ECP continues to see improvements in passenger traffic and well exceeds the industry average for rebounding to “normal” operations.

Budgeted Airport Rates & Charges are as follows:

	<u>2020</u>	<u>2019</u>	% Increase <u>(Decrease)</u>
Terminal Rental Rate	\$63.64	\$63.74	(0.16%)
Landing Fee	\$ 5.10	\$ 4.78	6.69%
Signatory Cost Per Enplanement	\$ 6.11	\$ 6.25	(2.24%)

The District’s agreement with its signatory airline partners requires the Settlement calculation be done at the end of each fiscal year. This calculation takes into consideration all operating revenues and expenses and recalculates the terminal rental rate and landing fee. Any difference in the recalculated rate and the budgeted rate is either refunded or invoiced to the airlines. The agreement also provides for revenue sharing with the signatory partners, and this amount is calculated at the same time as the settlement.

The Settlement rates and charges, as recalculated, are as follows:

	<u>2020</u>	<u>2019</u>	% Increase <u>(Decrease)</u>
Terminal Rental Rate	\$60.80	\$57.84	5.12%
Landing Fee	\$ 4.75	\$ 4.23	12.29%
Signatory Cost Per Enplanement	\$ 9.42	\$ 4.11	129.20%

The settlement and revenue sharing calculations resulted in a rebate to the signatory airlines in the amount of \$1,782,731.

Currently Known Facts, Decisions or Conditions

Northwest Florida Beaches International Airport opened on May 23, 2010 with increased flights, improved competition and lower air fares than previously enjoyed at Panama City’s predecessor airport, Panama City-Bay County International Airport (PFN). Passenger volumes have consistently increased each fiscal year since 2015, with 2018 and 2019 seeing double-digit growth of 11.53% and 14.80% respectively, with an excess of one million total passengers for each of the two years. The first five months of Fiscal Year 2020 were extremely promising, with the airport poised to have another record-breaking year; however, with the onset of the COVID-19 pandemic, the aviation industry suffered a serious blow and the airport completed FY 2020 with a decline in passengers of 27.09%. Comparatively speaking, the District rebounded much stronger than many airports both in Florida and around the country.

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

The Airport has increased its market share of total passengers in the Panhandle region to 24%, as compared to 22% in FY 2019. The Panhandle region airports include ECP, Tallahassee International, Destin-Ft. Walton Beach and Pensacola International.

As we complete the tenth fiscal year of operation, the District continues the development of a sound financial structure. In order to move forward and carry on this trend, the District's goals for 2021 include working with the FAA and FDOT to further efforts in the development of the airfield and working with the Bay County Economic Development Alliance to encourage aviation-related businesses to locate at the airport. Currently, the District is working with a prospective tenant on an airfield development project ("Project Gator") to formalize an agreement with the District. Project Gator is also working with Space Florida on funding, and the District also has an approved term sheet with Triumph Gulf Coast for construction related to the project. The District plans to continue to develop both additional air service and other airport related business opportunities for our region.

The Airport has recently completed an expansion of the terminal facility, which includes two new gates, restrooms and concessions space. A new Airport Master Plan Update, which will shape our future growth, is nearing completion, as is a new transient apron for aircraft parking and related taxiway.

Additionally, the District is working with the Florida National Guard to relocate the Panama City Armory to the Airport and will be working with the FAA and the U.S. Army Corp of Engineers on the basic Environmental Assessment on various parcels not included in the Phase One Permit. Our continued refinement of the business process, improved cost effectiveness and marketing initiatives, and other strategic initiatives will guide our vision for the upcoming fiscal year. The outlook for the Airport and its growth is bright.

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, please 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, 2020 AND 2019**

ASSETS

	2020	2019
Current Assets		
Cash and cash equivalents	\$ 15,115,661	\$ 17,778,314
Investments	5,107	9,619
Accounts receivable - trade	1,464,296	1,267,870
Accounts receivable - grants	5,803,596	4,060,670
Prepaid items	93,428	67,234
Total current assets	22,482,088	23,183,707
 Noncurrent Assets		
Restricted assets	5,599,723	4,969,213
Capital assets:		
Land	70,669,561	70,669,561
Buildings and improvements	186,423,540	186,423,540
Improvements other than buildings	129,635,452	126,722,689
Furniture and equipment	8,008,511	7,832,627
Less accumulated depreciation	(135,314,803)	(121,464,512)
Construction work-in-process	9,744,832	2,319,341
Net capital assets	269,167,093	272,503,246
Total noncurrent assets	274,766,816	277,472,459
 Total Assets	 \$ 297,248,904	 \$ 300,656,166

LIABILITIES AND NET POSITION

	<u>2020</u>	<u>2019</u>
Current Liabilities		
Accounts payable	\$ 3,178,903	\$ 4,333,211
Accrued expenses	365,860	372,996
Current maturities of long-term liabilities	17,906	26,596
Total current liabilities	<u>3,562,669</u>	<u>4,732,803</u>
Long-Term Liabilities		
Long-term debt, less current maturities	34,329,616	35,773,605
Accrued vacation	299,706	195,633
Accrued sick leave	25,414	15,656
Total long-term liabilities	<u>34,654,736</u>	<u>35,984,894</u>
Total liabilities	<u>38,217,405</u>	<u>40,717,697</u>
Net Position		
Net investment in capital assets	234,837,477	236,729,641
Restricted	5,599,723	4,969,213
Unrestricted	18,594,299	18,239,615
Total net position	<u>259,031,499</u>	<u>259,938,469</u>
Total Liabilities and Net Position	<u>\$ 297,248,904</u>	<u>\$ 300,656,166</u>

See the accompanying notes to the financial statements.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
Operating Revenues		
Airlines	\$ 4,126,367	\$ 2,478,773
Car rentals	3,955,225	4,716,142
Terminal complex	3,053,582	4,600,290
General aviation	768,711	751,308
Other tenants and miscellaneous	243,317	222,710
Total operating revenues	12,147,202	12,769,223
Operating Expenses		
Personnel costs	4,220,735	3,602,579
Supplies, materials, and maintenance	513,839	614,302
General and administrative expenses	760,029	718,537
Operating maintenance contracts	1,686,335	1,671,370
Utilities and insurance	1,063,483	1,020,067
Depreciation	14,192,560	13,668,371
Total operating expenses	22,436,981	21,295,226
Loss from operations	(10,289,779)	(8,526,003)
Nonoperating Revenues (Expenses)		
Covid-19 expenses	(8,748)	-
Interest income	6,589	6,506
PFC revenues	1,619,871	2,169,008
CFC revenues	541,921	1,256,338
Interest expense	(1,645,586)	(1,709,088)
Grant revenues	8,913,312	3,199,856
Gain on disposal of assets	7,230	(745)
Unrealized gain (loss) on investments	(4,512)	(38)
Disaster expenses	(55,662)	(275,287)
Net insurance proceeds	8,394	303,729
Total nonoperating revenues (expenses)	9,382,809	4,950,279
Change in Net Position	(906,970)	(3,575,724)
Total Net Position at Beginning of Year	259,938,469	263,514,193
Total Net Position at End of Year	\$ 259,031,499	\$ 259,938,469

See the accompanying notes to the financial statements.

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**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020	2019
Cash Flows From Operating Activities		
Cash received from customers	\$ 11,924,581	\$ 12,974,293
Cash paid to suppliers for goods and services	(5,097,477)	(3,829,583)
Cash paid to employees for services	(4,170,176)	(3,674,156)
Net cash provided by operating activities	2,656,928	5,470,554
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(10,868,908)	(3,868,719)
Proceeds from disposition of assets	19,730	12,250
PFC/CFC revenues	2,117,356	3,516,465
Proceeds from insurance	8,394	303,729
SIB loan proceeds (principal paid)	(1,443,988)	(1,380,485)
Interest expense on debt	(1,645,586)	(1,709,088)
Grants received -		
FEMA/SERT	43,649	-
State of Florida	507,008	466,558
Federal Aviation Administration	6,522,247	2,199,424
Net cash used in capital and related financing activities	(4,740,098)	(459,866)
Cash Flows From Investing Activities		
Interest earned on investments	6,589	6,506
Net Increase (Decrease) in Cash and Cash Equivalents	(2,076,581)	5,017,194
Cash and Cash Equivalents at Beginning of Year	22,579,589	17,562,395
Cash and Cash Equivalents at End of Year	\$ 20,503,008	\$ 22,579,589

	<u>2020</u>	<u>2019</u>
Reconciliation of Operating Loss to Net Cash Provided		
By Operating Activities		
Operating loss	\$ (10,289,779)	\$ (8,526,003)
Adjustments to reconcile operating income to net cash provided by operating activities-		
Depreciation	14,192,560	13,668,371
Disaster/COVID-19 expenses	(64,410)	(275,287)
TSA	97,480	110,540
(Increase) decrease in assets:		
Accounts receivable	(196,426)	209,457
Prepaid items	(26,194)	(4,386)
Increase (decrease) in liabilities:		
Accounts payable	(1,154,305)	322,069
Accrued expenses	12,587	(44,284)
Accrued vacation	75,657	6,898
Accrued sick leave	9,758	3,179
Net cash provided by operating activities	<u>\$ 2,656,928</u>	<u>\$ 5,470,554</u>
Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 1,645,586</u>	<u>\$ 1,709,088</u>
Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Statements of Net Position		
Cash and cash equivalents	\$ 15,115,661	\$ 17,778,314
Restricted cash and cash equivalents	5,387,347	4,801,275
	<u>\$ 20,503,008</u>	<u>\$ 22,579,589</u>

See the accompanying notes to the financial statements.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expenses of the District include personnel costs, supplies, materials, maintenance, general and administrative expenses, operating maintenance contracts, utilities and insurance, 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 \$237,800 and \$253,144 for the years ended September 30, 2020 and 2019, 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
Furniture and equipment	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, 2020 AND 2019**

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, 2020 and 2019, 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 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, 2019. 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 June 15, 2021. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2018, the GASB issued Statement No. 89, "*Accounting for Interest Cost Incurred before the End of a Construction Period*". This statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and will simplify accounting for interest cost incurred before the end of a construction period. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. 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, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In August 2018, the GASB issued Statement No. 90, “*Majority Equity Interests*”. This statement will improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and will improve the relevance of financial statement information for certain component units. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In May 2019, the GASB issued Statement No. 91, “*Conduit Debt Obligations*”. This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2021. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92, “*Omnibus 2020*”. This statement will enhance the comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This statement establishes accounting and financial reporting requirements related to the replacement of interbank offered rates (IBORS) in hedging derivative instruments and leases and identifies appropriate benchmark interest rates for hedging derivative instruments. The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021. All other requirements of this statement are effective for reporting periods beginning after June 15, 2020. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This statement is to better meet the information needs of financial statement users by improving the comparability of financial statements among governments that enter into public-public partnership arrangements (PPPS) and availability payment arrangements (APAs) and by enhancing the understanding, relevance, and consistency of information about PPPS and APAs. The requirements of this statement are effective for reporting periods beginning after June 15, 2022. 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, 2020 AND 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing the effective dates of certain provisions in statements and implementation guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this statement are effective immediately. The District has implemented GASB Statement No. 95 in this annual report, however it does not have any current impact on the District.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this statement are effective for reporting periods beginning after June 15, 2022. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans-An Amendment of GASB Statements No. 14 and No. 84, Supersession of GASB Statement No. 32*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this statement are effective for reporting periods beginning after June 15, 2021. 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, 2020 and 2019, restricted assets consisted of the following:

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 2 – RESTRICTED ASSETS (Continued)

	2020	2019
Cash and Cash Equivalents –		
CFC Account	\$ 4,644,951	\$ 4,005,509
Construction	-	19,318
PFC Excess Cash	723,491	754,634
Forfeiture Funds	1,822	1,821
Law Enforcement Trust	605	605
Escrow Fund	12,000	12,000
Treasury Funds	4,481	7,388
Accounts Receivable - PFC	212,373	167,938
	\$ 5,599,723	\$ 4,969,213

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.

NOTE 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized as follows:

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020	Due in One Year
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.	\$ 19,353,483	\$ -	\$ 777,813	\$ 18,575,670	\$ -

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020	Due in One Year
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>16,420,122</u>	-	<u>666,176</u>	<u>15,753,946</u>	-
Total Long-Term Debt	<u>35,773,605</u>	-	<u>1,443,989</u>	<u>34,329,616</u>	-
Total Compensated Absences	<u>237,885</u>	<u>109,660</u>	<u>4,519</u>	<u>343,026</u>	<u>17,906</u>
Total Long-Term Debt and Compensated Absences	<u>\$36,011,490</u>	<u>\$ 109,660</u>	<u>\$ 1,448,508</u>	<u>\$ 34,672,642</u>	<u>\$ 17,906</u>

Debt service requirements to maturity for long-term debt subsequent to September 30, 2020, are as follows:

Fiscal Year Ended	State Infrastructure Bank Loan Agreement		State Infrastructure Bank Loan Agreement	
	Principal	Interest	Principal	Interest
2022	\$ 813,593	\$ 854,481	\$ 696,818	\$ 724,682
2023	851,018	817,056	728,872	692,628
2024	890,165	777,909	762,400	659,100
2025	931,113	736,961	797,471	624,029
2026	973,944	694,130	834,154	587,346
2027-2031	5,584,408	2,755,962	4,782,880	2,324,620
2032-2036	7,004,387	1,347,820	5,988,911	1,118,589
2037	<u>1,527,042</u>	<u>70,789</u>	<u>1,162,440</u>	<u>53,472</u>
	<u>\$ 18,575,670</u>	<u>\$ 8,055,108</u>	<u>\$ 15,753,946</u>	<u>\$ 6,784,466</u>

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

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, 2020, there were no draws on the letter of credit.

NOTE 5 – LEASES

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

	2020	2019
Noncancellable leases –		
Minimum rentals	\$ 6,283,048	\$ 7,016,189
Contingent rentals	4,795,554	4,383,634
	\$ 11,078,602	\$ 11,399,823

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 the greater of a fixed annual amount or a percentage of revenues; all others are fixed monthly amounts.

Future minimum rental commitments as of September 30, 2020, for the next five years are as follows:

2021	\$ 3,224,338
2022	631,495
2023	619,143
2024	604,877
2025	580,711

The approximate carrying value and accumulated depreciation pertaining to property held for rental included on the Statements of Net Position at September 30, 2020 is not readily determinable.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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, 2020, the District had contractual commitments of approximately \$5,439,224 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 22, 2021, 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 (excluding payroll taxes) at September 30, 2020 and 2019, is \$262,198 and \$186,541, respectively.

All full-time employees, excluding firefighters, of the District earn or accumulate sick leave with pay at the rate of one day per month and may accumulate a maximum of 60 days. Firefighters earn or accumulate sick leave with pay at 4.89 hours per pay period or 127 hours annually and may accumulate a maximum of 636 hours. Employees accumulating the maximum sick leave may be paid annually for one-third of the excess sick leave earned over the maximum, provided the maximum accumulation is maintained. A percentage of accumulated sick leave may be paid upon termination. The liability for accumulated annual sick leave at September 30, 2020 and 2019, is \$25,414 and \$15,656, respectively.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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 63 active participants at September 30, 2020.

The District's total personnel costs in fiscal year 2020 and 2019 were \$4,220,735 and \$3,602,579, respectively. The District's contributions were calculated using the salary amount of approximately \$2,982,200 and \$2,682,836 for September 30, 2020 and 2019, respectively. The retirement expense by the District was \$299,061 and the amount contributed was \$299,061 for the year ended September 30, 2020; the expense for the year ended September 30, 2019 was \$253,787 and the amount contributed was \$253,787.

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.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 10 – DEPOSITS AND INVESTMENTS (Continued)

The District held the following investments:

<u>Investment Type</u>	<u>Investment Maturities</u>			
	<u>9/30/20</u>		<u>9/30/19</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	\$ 5,107	\$ 0	\$ 9,619

Fair Value

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

	<u>9/30/20</u>		<u>9/30/19</u>	
	<u>Total</u>	<u>Quoted Prices Level 1</u>	<u>Total</u>	<u>Quoted Prices Level 1</u>
	Investments by Fair value level			
Stocks	\$ 5,107	\$ 5,107	\$ 9,619	\$ 9,619

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, 2020, the District's actual operating revenues were less than budgeted operating revenues by \$4,200,072, due to revenue sharing with the airlines of \$1,438,684, and actual operating expenses exceeded budgeted operating expenses by \$13,560,721. The actual operating expenses increase over budgeted operating expenses was due to the following:

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

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

- \$14,192,560 in depreciation expense that was not budgeted by the District in 2020.

For the year ended September 30, 2019, the District's actual operating revenues were less than budgeted operating revenues by \$1,267,517, due to revenue sharing with the airlines of \$2,684,887, and actual operating expenses exceeded budgeted operating expenses by \$13,015,380. The actual operating expenses increase over budgeted operating expenses was primarily due to the \$13,668,371 in depreciation expense that was not budgeted by the District in 2019.

NOTE 12 – COVID-19 PANDEMIC

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. These measures included international travel restrictions and, in some states, orders to stay home. As a result, domestic travel across the United States has significantly declined. The pandemic and the resulting restrictions have caused disruption in aviation activity and passenger traffic at the Panama City - Bay County Airport And Industrial District and at airports around the world.

On March 25, 2020, Congress and the White House agreed to a COVID-19 assistance package, which includes \$10 billion from the federal General Fund to remain available until expended for airports to prevent, prepare for, and respond to coronavirus. Through the assistance package, which was signed into law as the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), the District received a grant award of \$6,327,925, of which \$8,748 was used as of September 30, 2020.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2020 AND 2019**

NOTE 13 – CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance 9/30/18	Increases	Decreases	Balance 9/30/19	Increases	Decreases	Balance 9/30/20
Capital assets, not being depreciated:							
Land	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561
Construction work-in-process	<u>1,889,959</u>	<u>3,789,996</u>	<u>3,360,614</u>	<u>2,319,341</u>	<u>10,381,840</u>	<u>2,956,349</u>	<u>9,744,832</u>
Total capital assets, not being depreciated	<u>72,559,520</u>	<u>3,789,996</u>	<u>3,360,614</u>	<u>72,988,902</u>	<u>10,381,840</u>	<u>2,956,349</u>	<u>80,414,393</u>
Capital assets, being depreciated:							
Buildings and improvements	186,423,540	-	-	186,423,540	-	-	186,423,540
Improvements other than buildings	123,736,716	2,985,973	-	126,722,689	2,912,763	-	129,635,452
Furniture and equipment	<u>7,420,850</u>	<u>440,369</u>	<u>28,592</u>	<u>7,832,627</u>	<u>518,154</u>	<u>342,270</u>	<u>8,008,511</u>
Total capital assets, being depreciated	<u>317,581,106</u>	<u>3,426,342</u>	<u>28,592</u>	<u>320,978,856</u>	<u>3,430,917</u>	<u>342,270</u>	<u>324,067,503</u>
Less accumulated depreciation for:							
Buildings and improvements	39,377,300	4,784,485	-	44,161,785	4,783,945	-	48,945,730
Improvements other than buildings	62,023,324	8,560,976	-	70,584,300	9,012,950	-	79,597,250
Furniture and equipment	<u>6,424,109</u>	<u>322,910</u>	<u>28,592</u>	<u>6,718,427</u>	<u>395,666</u>	<u>342,270</u>	<u>6,771,823</u>
Total accumulated depreciation	<u>107,824,733</u>	<u>13,668,371</u>	<u>28,592</u>	<u>121,464,512</u>	<u>14,192,561</u>	<u>342,270</u>	<u>135,314,803</u>
Total capital assets being depreciated, net	<u>209,756,373</u>	<u>(10,242,029)</u>	<u>-</u>	<u>199,514,344</u>	<u>(10,761,644)</u>	<u>-</u>	<u>188,752,700</u>
Capital assets, net	<u>\$ 282,315,893</u>	<u>\$ (6,452,033)</u>	<u>\$ 3,360,614</u>	<u>\$ 272,503,246</u>	<u>\$ (379,804)</u>	<u>\$ 2,956,349</u>	<u>\$ 269,167,093</u>

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2020 AND 2019**

	2020		2019
	Budget	Actual	Actual
Operating Revenues			
Airlines -			
Airline landing fees	\$ 3,416,716	\$ 3,134,783	\$ 2,896,803
Cargo airline landing fees	19,002	14,589	16,636
Airline terminal rent	2,566,396	2,415,679	2,250,221
Signatory airline revenue sharing	-	(1,438,684)	(2,684,887)
Total airlines	<u>6,002,114</u>	<u>4,126,367</u>	<u>2,478,773</u>
Car rentals -			
Rental cars concession fees	3,198,797	2,433,416	3,196,973
Rental cars customer facility charges	1,525,636	1,521,809	1,519,169
Total car rentals	<u>4,724,433</u>	<u>3,955,225</u>	<u>4,716,142</u>
Terminal complex -			
Public and employee parking	3,786,012	2,367,394	3,749,376
Ground transportation fees	131,141	86,592	122,918
Advertising concessions	90,574	72,744	88,275
Retail merchandise concessions	126,334	83,175	111,153
Food and beverage concessions	406,116	295,737	397,036
Other terminal revenue	122,746	147,940	131,532
Total terminal complex	<u>4,662,923</u>	<u>3,053,582</u>	<u>4,600,290</u>
General aviation -			
Fixed base operator rents	344,341	344,311	337,701
Fuel flowage fees	63,421	64,879	63,153
Hangar/land rentals	354,878	359,521	350,454
Total general aviation	<u>762,640</u>	<u>768,711</u>	<u>751,308</u>
Other tenants and miscellaneous -			
Other tenants and miscellaneous	49,450	75,319	76,996
Fuel farm	139,714	139,714	139,714
Cargo building rental	6,000	28,284	6,000
Total other tenants and miscellaneous	<u>195,164</u>	<u>243,317</u>	<u>222,710</u>
Total operating revenues	<u>16,347,274</u>	<u>12,147,202</u>	<u>12,769,223</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, 2020 AND 2019**

	2020		2019
	Budget	Actual	Actual
Operating Expenses			
Personnel costs -			
Salary and wages	\$ 3,068,094	\$ 3,000,954	\$ 2,474,850
Overtime	93,694	52,665	98,773
FICA contributions	235,516	218,576	186,681
Group insurance	573,180	559,072	504,225
Retirement	310,770	299,061	253,787
Workers compensation insurance	83,000	88,279	81,106
Other personnel costs	6,917	2,128	3,157
Total personnel costs	<u>4,371,171</u>	<u>4,220,735</u>	<u>3,602,579</u>
Supplies, materials, and maintenance -			
Airfield and grounds	214,250	102,271	160,817
Computer supplies and software	40,150	47,497	22,127
Machinery and equipment	20,400	27,995	27,312
Miscellaneous supplies	9,900	4,319	6,771
Radio equipment	10,056	9,285	10,166
Safety and security	33,700	26,842	30,674
Small tools and equipment	11,800	7,654	11,078
Fuel farm	-	772	-
Terminal facility services and supplies	305,750	234,680	262,122
Uniforms, clothing, and boots	21,300	10,629	16,518
Vehicles, oil, tires, and fuel	66,000	41,895	66,717
Total supplies, materials, and maintenance	<u>733,306</u>	<u>513,839</u>	<u>614,302</u>
General and administrative expenses -			
Bank charges	53,000	58,616	53,535
Bad debt expense	2,000	1,318	16,407
Business meetings and events	11,500	4,350	5,265
Dues, licenses, publications, and training	81,327	53,789	66,798
Marketing and advertising	275,000	237,800	253,144
Office services and supplies	31,735	25,400	27,958
Financial consulting services	64,000	57,539	41,511
Legal services	85,000	44,125	36,573
Professional services	264,000	267,667	198,424
Travel and conferences	33,700	9,425	18,922
Total general and administrative expenses	<u>901,262</u>	<u>760,029</u>	<u>718,537</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, 2020 AND 2019**

	2020		2019
	Budget	Actual	Actual
Operating Expenses (continued)			
Operating maintenance contracts			
Computer services	\$ 161,383	\$ 155,841	\$ 136,973
Contract cleaning	781,810	729,393	730,689
Elevator and escalator	50,000	50,834	38,032
Passenger loading bridges	307,360	313,759	305,837
Parking lot management	467,922	436,508	459,839
Total operating maintenance contracts	<u>1,768,475</u>	<u>1,686,335</u>	<u>1,671,370</u>
Utilities and insurance			
Electricity	695,000	633,915	637,912
Telephone	25,500	28,281	22,531
Water and sewer	206,000	226,761	201,158
Building and contents insurance	95,749	95,749	84,736
Liability and auto insurance	79,797	78,777	73,730
Total utilities and insurance	<u>1,102,046</u>	<u>1,063,483</u>	<u>1,020,067</u>
Total	8,876,260	8,244,421	7,626,855
Depreciation	<u>-</u>	<u>14,192,560</u>	<u>13,668,371</u>
Total operating expenses	<u>8,876,260</u>	<u>22,436,981</u>	<u>21,295,226</u>
Operating (loss) income	<u>7,471,014</u>	<u>(10,289,779)</u>	<u>(8,526,003)</u>
Nonoperating Revenues (Expenses)			
Covid-19 expenses	-	(8,748)	-
Interest income	6,668	6,589	6,506
PFC revenues	2,162,696	1,619,871	2,169,008
CFC revenue	1,185,039	541,921	1,256,338
Interest expense	(1,645,586)	(1,645,586)	(1,709,088)
Grant revenues	67,021,056	8,913,312	3,199,856
Gain on sale of assets	-	7,230	(745)
Unrealized gain (loss) on investments	-	(4,512)	(38)
Disaster expenses	-	(55,662)	(275,287)
Net insurance proceeds	-	8,394	303,729
Total nonoperating revenues (expenses)	<u>68,729,873</u>	<u>9,382,809</u>	<u>4,950,279</u>
(Loss) Income	<u>\$ 76,200,887</u>	<u>\$ (906,970)</u>	<u>\$ (3,575,724)</u>

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF CONSTRUCTION WORK-IN-PROGRESS
SEPTEMBER 30, 2020**

<u>Funding Source</u>		
FDOT GO309	Terminal expansion	\$ 5,119,405
AIP 3-12-0159-012-2018/FDOT ARB-67	Master Plan	612,214
AIP 3-12-0159-015-2019	Transient apron	2,318,807
AIP 3-12-0159-015-2019	Taxiway E-1	1,571,925
Airport Funding	Apron expansion	85,715
Airport Funding	Bag make-up expansion	4,813
Airport Funding	Environmental assessment	31,953
		<u>\$ 9,744,832</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, 2020**

Gate counter shell	\$	21,503
Ballistic shield (qty 2)		2,317
Desktop computer (qty 38)		38,729
Speed control portable sign (qty 2)		7,062
Antenna with surge protector		10,137
SCBA unit (qty 2)		15,069
Firefighter turnout gear (qty 2)		3,156
Sport utility vehicle		42,193
Covered parking canopy		272,100
Tractor		66,749
Security camera (qty 2)		4,258
Terminal building water heater replacement		87,251
Digital controller		4,971
Police vehicle		27,476
Computer switch		5,819
Mitigation site development		220,748
		<hr/>
	\$	<u>829,538</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, 2020**

Project Number	Description	Airport Funding	FAA Funding	FDOT Funding	Total
Capital Projects:					
AIP 3-12-0159-010-2018	Mitigation site development	\$ 11,891	\$ 107,016	\$ -	\$ 118,907
AIP 3-12-0159-014-2019	Mitigation site development	5,821	52,392	-	58,213
	Total mitigation site development	17,712	159,408	-	177,120
AIP 3-12-0159-011-2018	Terminal ramp rehabilitation	24,702	220,466	-	245,168
AIP 3-12-0159-012-2018/FDOT G1811	Master Plan Update	25,609	266,196	8,969	300,774
AIP 3-12-0159-013-2018/FDOT GO309	Terminal ramp expansion	29,954	267,663	-	297,617
AIP 3-12-0159-015-2019	Transient apron & taxiway E-1	384,883	3,426,149	-	3,811,032
AIP 3-12-0159-015-2019	Terminal building expansion	562,140	4,348,222	-	4,910,362
FDOT G1876	Emergency fuel generators	102,967	-	100,000	202,967
Total Grant Funding		<u>\$ 1,147,967</u>	<u>\$ 8,688,104</u>	<u>\$ 108,969</u>	<u>\$ 9,945,040</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
2020	-5%	\$ 12,147,202	\$ 22,436,981	\$ (10,289,779)	\$ 1,619,871	\$ 8,798,424	\$ 128,516	\$ 10,868,908
2019	8%	12,769,223	21,295,226	(8,526,003)	2,169,008	3,199,856	(3,157,139)	3,855,724
2018	3%	11,845,657	20,907,556	(9,061,899)	1,795,951	4,070,819	(3,195,129)	5,356,885
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

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, 2020**

	CFDA/ CSFA Number	Balance October 1, 2019	Adjustments (1)	Cash Receipts	Expenditures	Balance September 30, 2020
<u>Federal Aviation Administration</u>						
3-12-0159-010-2018	20.106	\$ 82,854	\$ -	\$ 189,870	\$ (107,016)	\$ -
3-12-0159-011-2018	20.106	45,310	-	265,776	(220,466)	-
3-12-0159-012-2018	20.106	193,117	-	369,810	(266,196)	89,503
3-12-0159-013-2018	20.106	633,492	-	901,155	(267,663)	-
3-12-0159-014-2019	20.106	-	-	52,392	(52,392)	-
3-12-0159-015-2019	20.106	397,385	(1,350)	4,743,244	(7,774,371)	3,429,862
3-12-0159-018-2020	20.106	-	-	-	(8,748)	8,748
Total Federal Aviation Administration		<u>1,352,158</u>	<u>(1,350)</u>	<u>6,522,247</u>	<u>(8,696,852)</u>	<u>3,528,113</u>
<u>Department of Homeland Security</u>						
HSTS02-16-H-SLR727	NA	<u>9,060</u>	<u>-</u>	<u>97,480</u>	<u>(106,140)</u>	<u>17,720</u>
<u>FEMA</u>						
15-SP-8Z-01-13-13-557	97.036	<u>1,977,477</u>	<u>-</u>	<u>37,414</u>	<u>-</u>	<u>1,940,063</u>
Total Federal Awards		<u>\$ 3,338,695</u>	<u>\$ (1,350)</u>	<u>\$ 6,657,141</u>	<u>\$ (8,802,992)</u>	<u>\$ 5,485,896</u>
<u>Florida Department of Transportation</u>						
ARB 67	55004	\$ 182,361	\$ -	\$ 182,361	\$ -	\$ -
ARO 06	55004	38,750	-	38,750	-	-
GO 309	55004	176,928	-	176,928	-	-
G1811	55004	-	-	8,969	(8,969)	-
G1876	55004	-	-	100,000	(100,000)	-
Total Florida Department of Transportation		<u>398,039</u>	<u>-</u>	<u>507,008</u>	<u>(108,969)</u>	<u>-</u>
<u>SERT</u>						
SERT		<u>323,937</u>	<u>-</u>	<u>6,236</u>	<u>-</u>	<u>317,701</u>
Total State Financial Assistance		<u>\$ 721,976</u>	<u>\$ -</u>	<u>\$ 513,244</u>	<u>\$ (108,969)</u>	<u>\$ 317,701</u>
		Cash/Investments/ Receivables October 1, 2019	Adjustment	Revenue (2)	Expended	Cash/Investments/ Receivables September 30, 2020
Passenger Facility Charges		<u>\$ 922,572</u>	<u>\$ -</u>	<u>\$ 1,619,871</u>	<u>\$ (1,606,579)</u>	<u>\$ 935,864</u>

(1) Prior period expenses that were deemed eligible by the FAA/FDOT.

(2) Including interest earnings

See independent auditor's report

**PANAMA CITY – BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE, AND PASSENGER FACILITY CHARGES
YEAR ENDED SEPTEMBER 30, 2020**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges, includes the grant activity of the Panama City – Bay County Airport and Industrial District and is presented on the accrual basis of accounting.

The accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges summarizes the federal, state, and passenger facility charge expenditures of the District under programs of the federal government, state departments, and Passenger Facility Charge Audit Guide for Public Agencies, for the year ended September 30, 2020. The information in this schedule is presented in accordance with the 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), the requirements of Chapter 10.550, Rules of the Auditor General, and the Passenger Facility Charge Audit Guide for Public Agencies. The amounts reported as federal awards, state projects, and passenger facility charge expenditures were obtained from the District's general ledger. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

For purposes of the schedule, federal awards, state projects, and passenger facility charges include all grants, contracts, and similar agreements entered into directly with the federal government, state departments, and passenger facility charge programs. The District has obtained Catalog of Federal Domestic Assistance (CFDA) and Catalog of State Financial Assistance (CSFA) numbers to ensure that all programs have been identified in the schedule.



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, 2020, 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 22, 2021.

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) as a basis for designing 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 financial statements. 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.

Lipton, Marley, Garner : Chastain

Panama City, Florida
January 22, 2021



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, 2020. 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, 2020.

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 a 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.

Lipton, Marley, Gainer : Chastain

Panama City, Florida
January 22, 2021

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2020**

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 Panama City - Bay County Airport and Industrial District, which would be required to be reported in accordance with Government Auditing Standards, 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, 2020**

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 Panama City - Bay County Airport and Industrial District, as of and for the fiscal year ended September 30, 2020, and have issued our report thereon dated January 22, 2021.

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 on 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 22, 2021, 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 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. 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 and Management

Sections 10.554(1)(i)5.a. 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 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 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.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for Panama City - Bay County Airport and Industrial District. It is management's responsibility to monitor 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.

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.

Lipton, Marley, Garner : Chastain

Panama City, Florida
January 22, 2021



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, 2020. 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, 2020.

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.

Tipton, Marler, Garner & Chastain

Panama City, Florida
January 22, 2021