

PANAMA CITY - BAY COUNTY

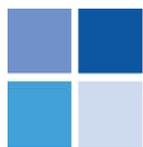
AIRPORT AND INDUSTRIAL DISTRICT

PANAMA CITY, FLORIDA

FINANCIAL STATEMENTS

AND SUPPLEMENTARY INFORMATION

YEARS ENDED SEPTEMBER 30, 2025 AND 2024



Tipton, Marler, Garner & Chastain
The CPA Group

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
PANAMA CITY, FLORIDA
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
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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 Audit of the Financial Statements

Opinions

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, 2025 and 2024, 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.

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, 2025 and 2024, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Panama City - Bay County Airport and Industrial District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Panama City - Bay County Airport and Industrial District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Panama City - Bay County Airport and Industrial District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Panama City - Bay County Airport and Industrial District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5-14 and 32-

34 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary 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 accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges, 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 for Public Agencies, issued by the Federal Aviation Administration, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the other supplementary information but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2026 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, Mauler, Garner & Chastain

Panama City, Florida

February 19, 2026

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

Overview of the Financial Statements

The following Management's Discussion and Analysis ("MD&A") of the Panama City - Bay County Airport and Industrial District (the "District") provides an introduction of the basic financial statements of the District for the year ended September 30, 2025. The District's basic financial statements consist of three components: 1) Management's Discussion & Analysis; 2) Financial Statements; and 3) Notes to Financial Statements. Management prepared this unaudited MD&A, which should be read 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.

The financial statements report information about the District using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities.

The *Statements of Net Position* include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). They also provide the basis for evaluating the capital structure of the District and assessing the liquidity and financial flexibility of the District.

The *Statements of Revenues, Expenses, and Changes in Net Position* report total operating revenues, operating expenses, non-operating income and expenses, capital contributions and the changes in net position during the year ended September 30, 2025. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows.

The *Statements of Cash Flows* present information showing how the District's cash and cash equivalents position changed during the year ended September 30, 2025. The primary purpose of these statements is to provide information about the District's cash receipts and cash payments during the reporting period. These statements report cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities and provide answers to such questions as where did cash come from, what was cash used for, and what was the change in cash balance during the reporting period.

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 considered regardless of when cash is received or paid.

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Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements follow the financial statements section of this report.

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 legislative act requires that two members of the Board be appointed by the City Commission of the City of Panama City, two members be appointed by the Board of County Commissioners of Bay County, two members be appointed by the City Council of Panama City Beach, and one member be appointed by the Board of County Commissioners of Walton County.

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

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

ECP was the first commercial international airport designed and built after September 11, 2001. The terminal building measures approximately 139,000 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.

Airport Activity

In FY 2025, enplanements increased to 963,046 from 930,665 in 2024, while total passengers increased 3.5% to 1,922,242. Operations (a landing or takeoff) and landed weight also increased due to more airline activity, with operations increasing 14.9% and landing weight increasing 3.9% in FY 2025. General Aviation operations were up 21% in FY 2025, which helped contribute to a higher number of operations.

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Airport activity during for the past three fiscal years are shown on the following table:

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>
Enplanements	963,046	930,665	812,251
Deplanements	959,196	926,524	812,333
Total Passengers	1,922,242	1,857,189	1,624,584

The following table below shows additional Airport indicators:

	<u>FY 2025</u>	<u>FY 2024</u>	<u>FY 2023</u>
Passenger Load Factor	80.3%	81.3%	84.8%
Aircraft Operations	95,328	82,956	73,544
Aircraft Landed Weight	1,105,629,964	1,064,141,250	877,624,220

FINANCIAL HIGHLIGHTS

Net Position

The changes in net position over time may serve as a useful indicator of the District's financial position. In FY 2025:

- Total assets of the District exceeded total liabilities and deferred inflows by \$276,652,360 (net position). Of this amount, \$38,545,166 is unrestricted;
- The District's outstanding long-term debt decreased by \$1,987,363, or 7.3%, from prior year; and
- Total net position increased by \$9,250,758, or 3.5%, from FY 2024.

Investments 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. At September 30, 2025 the net investment in capital assets increased \$2,310,327 over the prior fiscal year end. Unrestricted net position, which represents assets available for future spending at the District's discretion, increased by \$2,820,176, or 7.9%, in FY 2025. Restricted net position, which represents assets that are subject to restrictions imposed by law or other agreements as to how they are used, increased by \$4,120,255 in FY 2025.

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The following table provides a summary of the assets, liabilities, deferred inflows of resources and net position of the District for the year ended September 30, 2025:

Condensed Comparative Statements of Net Position

	2025	2024
Current and Other Assets	\$ 45,656,496	\$ 43,866,651
Non-Current Assets	21,405,091	17,156,956
Capital Assets	244,017,135	243,310,765
Total Assets	311,078,722	304,334,372
Long-Term Debt Outstanding	25,134,004	27,121,367
Other Liabilities	8,620,195	9,274,198
Total Liabilities	33,754,199	36,395,565
Deferred Inflows of Resources	672,163	537,205
Net Position:		
Net Investment in Capital Assets	217,322,679	215,012,352
Restricted	20,784,515	16,664,260
Unrestricted	38,545,166	35,724,990
Total Net Position	\$ 276,652,360	\$ 267,401,602

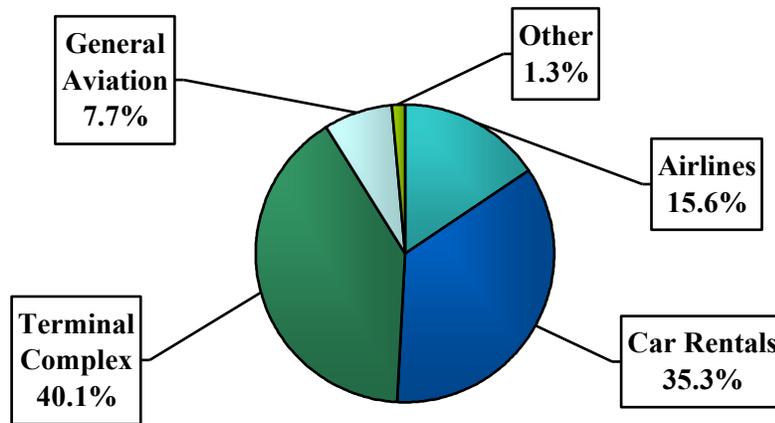
Revenues, Expenses, and Changes in Net Position

Operating revenues for the District 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 of revenues are accounted for in the District's one proprietary fund. In FY 2025, highlights include:

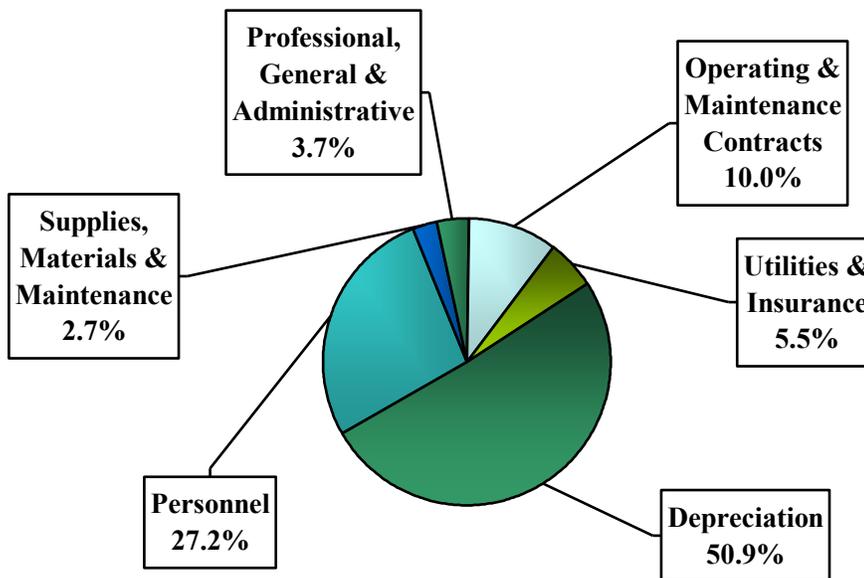
- Operating revenues decreased by \$142,948, or 0.8%, over prior year operating revenues and totaled \$18,795,169 for the fiscal year.
- Operating expenses decreased by \$908,205, or 3.2%, over prior year operating expenses and totaled \$27,595,315 for the fiscal year.

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The largest sources of operating revenues for the District are the terminal complex, which includes parking and concessions, at \$7,545,766, rental cars at \$6,631,563, and the airlines at \$2,931,762. The following chart shows the major sources of revenues for the year ended September 30, 2025:



Depreciation accounts for the largest portion of operating expenses at \$14,056,925. 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, thus depreciation is not such a large portion of expenses. Other major operating expenses include personnel at \$7,502,325, utilities and insurance at \$1,522,976, and operating maintenance contracts totaling \$2,755,925. The following chart shows the major categories of expenses for the year:



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Condensed Statements of Revenues, Expenses and Changes in Net Position

	2025	2024
Revenues		
Operating Revenues	\$ 18,795,169	\$ 18,938,117
Grants and Entitlements	12,385,346	16,544,242
PFC Revenues	3,581,756	3,401,281
CFC Revenues	1,918,018	1,759,568
Interest	845,895	874,906
Total Revenues	37,526,184	41,518,114
Expenses		
Operating Expenses	27,595,315	28,503,520
Interest Expense	626,854	671,579
Total Expenses	28,222,169	29,175,099
Excess Before Special Items	9,304,015	12,343,015
Special Items		
Net Insurance Proceeds (Claims)	(117,157)	85,600
Concessions Grants Pass-Through	-	(584,338)
Gain on Disposal of Assets	63,900	101,235
Total Special Items	(53,257)	(397,503)
Increase in Net Position	\$ 9,250,758	\$ 11,945,512

Cash Flows

Cash equivalents represent cash on hand, bank deposits and liquid investments with a maturity of twelve months or less. The following shows a summary of the major sources and uses of cash and cash equivalents for the year ended September 30, 2025:

Condensed Statements of Cash Flows

	2025	2024
Net Cash Provided by (used in):		
Operating Activities	\$ 3,419,740	\$ 6,969,150
Capital and Related Activities	1,713,907	(2,282,875)
Interest Earned on Investments	817,481	851,379
Net increase	5,951,128	5,537,654
Cash and Cash Equivalents, Beginning of Year	49,977,586	44,439,932
Cash and Cash Equivalents, End of Year	\$ 55,928,714	\$ 49,977,586

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Capital Assets

At September 30, 2025, the District had \$453,008,697 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 before depreciation (including additions and disposals of capital assets) of \$14,509,420, or 3.3%, compared to last year. Total Net Capital Assets, after depreciation, increased \$706,370, or 0.3%, from FY 2024, with asset categories shown below:

	2025	2024
Land	\$ 70,669,561	\$ 70,669,561
Buildings	200,088,087	191,190,512
Improvements Other than Buildings	163,911,806	149,721,285
Furniture & Equipment	12,779,130	12,284,400
Construction Work-in-Progress	5,560,113	14,633,519
Total Before Depreciation	453,008,697	438,499,277
Depreciation	(208,991,562)	(195,188,512)
Total Net Capital Assets	\$ 244,017,135	\$ 243,310,765

Capital assets notable changes during the current fiscal year include the following:

- Capital equipment additions totaled \$697,209 with disposals equaling \$202,479 for a net increase of \$494,370;
- Mitigation site development was ongoing at a cost of \$353,671, of which \$149,174 was funded by FAA grants;
- The Baggage Make-up Expansion project, which more than doubled the size of the current facility and added a “non-readable baggage tag” diversion belt, was capitalized with a total cost of \$8,897,575, of which the FAA funded \$7,530,056;
- The North Terminal Buildout project, which added gate and holding space, additional restrooms and concessions space, was completed with a total cost of \$4,185,194 with the FAA contributing \$2,809,988 of funding;
- The Terminal Ramp Rehabilitation and Expansion Project was completed at a cost of \$9,679,572 with the FAA funding \$8,668,839 of the cost; and
- Construction Work-In-Progress net balance decreased by \$9,073,406 due the completion of capital projects.

Total capitalized assets in FY 2025 were \$23,836,701 for grant and non-grant projects and equipment. Federal and state contributions to these expenditures totaled \$19,161,943, concessionaires and other donors shared costs by contributing \$33,452, and the remaining \$4,641,306 was funded by the District.

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Debt Activity

At year-end, the District had long-term debt of \$25,134,004 with the State Infrastructure Bank of Florida (“SIB”) These loans mature in Fiscal Year 2036 and are collateralized by a pledge of net revenues and eligible Passenger Facility Charge revenues. The loan interest rates are 1.97% for Loan #1 and 2.71% for Loan #2. The outstanding balances are shown below:

Outstanding Debt

	FY 2025	FY 2024
SIB Loan #1	\$ 13,521,490	\$ 14,612,858
SIB Loan #2	11,612,514	12,508,509
Total Debt	\$ 25,134,004	\$ 27,121,367

In FY 2024, the District received an addition SIB loan in the amount of \$26,000,000 to be used in the construction of a terminal expansion. The loan has an interest rate of 3.8% and a maturity date of October 1, 2051. As of September 30, 2025, no funds had been drawn down on the loan.

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 FY 2025 budget projected operating revenues of \$23,487,729 and operating expenses in the amount of \$14,287,630. It also included Airport funds for capital projects and purchases of \$16,378,255, while debt service was budgeted at \$2,614,217. No budget amendments were made during the course of the year.

The operating revenues for FY 2025 totaled \$18,795,169, which is under budget by \$4,692,560. The primary reason for the deficiency is the airline settlement payment, which is discussed below.

Without regard to depreciation, the District’s operating expenses were under budget by \$749,240, or 5.2%, due in large part to staff efforts to control costs and operate as efficiently as possible. Actual operating expenses, including unbudgeted depreciation expense of \$14,056,925, exceeded budget by \$13,307,685.

The annual budget process considers expenses and revenues to calculate the fees and charges that its tenants and users will pay for using the Airport. Costs and revenues are categorized by cost center, of which the Airport has four – Terminal, Airfield, Ground Transportation, and Other. The budgeted Airport Rates & Charges were as follows:

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	FY 2025	FY 2024	% Increase (Decrease)
Terminal Rental Rate	\$ 66.80	\$ 64.86	3.0%
Landing Fee	\$ 3.84	\$ 4.39	(12.5%)
Signatory Cost Per Enplanement	\$ 3.98	\$ 6.47	(38.4%)

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 (the "Settlement"). The agreement 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 FY 2025 Settlement amount of \$4,957,169 includes rent rebates of \$151,542, landing fee rebates of \$674,432, and revenue sharing of \$4,131,195.

The Settlement rates and charges, as recalculated, for the airlines are as follows:

	FY 2025	FY 2024	% Increase (Decrease)
Terminal Rental Rate	\$ 63.88	\$ 60.18	6.2%
Landing Fee	\$ 3.23	\$ 3.10	4.2%
Signatory Cost Per Enplanement	\$ 3.00	\$ 4.03	(25.5%)

Currently Known Facts, Decisions or Conditions

Northwest Florida Beaches International Airport opened on May 23, 2010 and has shown significant growth since that time. Passenger volumes have consistently increased each fiscal year since 2014 with the exception of FY 2020, which was a result of the COVID-19 pandemic. FY 2025 proved to be a record-breaking year, with more than 1.9 million passengers utilizing the Airport.

As seen in the FY 2025 financial statements, the District continues the development of a sound monetary structure. In order to move forward and carry on this trend, the District's goals for 2026 include working with the FAA and FDOT to further efforts in the development of the terminal facility, the airfield, and other Airport property, as well as working with the Bay County Economic Development Alliance and Florida's Great Northwest to encourage aviation-related businesses to locate at the Airport. Currently, ECP is working with a number of prospective tenants on airfield development projects, and the District plans to continue to develop both additional air service and other aviation related business opportunities for our region.

Working with its partners, the District looks forward to the following on-airport development projects:

- Premier Aviation, a Canada-based Maintenance, Repair and Overhaul ("MRO") company, has plans for constructing its second MRO location with a hangar with expectations of becoming "the center of excellence" for MRO services on Embraer and ATR projects;

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- IAG Aero Group, which is a global leader in the commercial aerospace industry specializing in MRO services with locations in Miami, South Carolina and Rome, Italy, will build a facility with a \$107 million investment in the community with Triumph Gulf Coast sponsoring a \$25 million grant; and
- The completion and opening of the new Florida National Guard Readiness Center located on the southwest area of the Airport's property, which will replace the current facility that was damaged by Hurricane Michael.

FY 2025 was a busy year for the Airport with several ongoing construction and planning projects, including the following:

- The North Terminal Expansion project kicked off with the awarding of Construction Manager-At-Risk Services and the development of a three-phased Component Guaranteed Maximum Price (CGMP) to allow for phased-in funding;
- The Rental Car Customer Service Relocation Design Project was awarded and nearing completion;
- Improvements were made to the public parking facilities including signage to display available parking and the addition of four new passenger shuttles;
- Ongoing efforts on the Safety Management System Plan and an updated Stormwater Master Plan;
- The Terminal Ramp Rehabilitation and Expansion project was completed;
- The Terminal Loop Road and Fuel Farm Expansion design projects began;
- The North Terminal Buildout project was completed and added gate and holding space, additional restrooms and concessions space; and
- Required Environmental Mitigation was ongoing.

The North Terminal Building Expansion and its related enabling projects will be the focus of the 2026 Fiscal Year. Other projects planned include:

- The replacement and upgrade to the outbound baggage carousel and system;
- The removal of trees to the north of the Terminal to allow for future use of the area;
- The installation of an additional escalator and stairs at the east end of the Terminal; and
- An expansion of the Maintenance Building facility.

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.

Requests for Information

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.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2025 AND 2024**

ASSETS	<u>2025</u>	<u>2024</u>
Current Assets		
Cash and cash equivalents	\$ 35,634,862	\$ 33,745,175
Accounts receivable - trade	2,831,558	1,757,417
Accounts receivable - grants	6,972,334	8,255,214
Prepaid items	217,742	108,845
Total current assets	<u>45,656,496</u>	<u>43,866,651</u>
Noncurrent Assets		
Restricted assets	20,784,515	16,664,260
Lease receivable - long term	620,576	492,696
Capital assets:		
Land	70,669,561	70,669,561
Buildings and improvements	200,088,087	191,190,512
Improvements other than buildings	163,911,806	149,721,285
Furniture and equipment	12,779,130	12,284,400
Less accumulated depreciation	(208,991,562)	(195,188,512)
Construction work-in-process	5,560,113	14,633,519
Net capital assets	<u>244,017,135</u>	<u>243,310,765</u>
Total noncurrent assets	<u>265,422,226</u>	<u>260,467,721</u>
Total assets	<u>311,078,722</u>	<u>304,334,372</u>
LIABILITIES		
Current Liabilities		
Accounts payable	7,451,103	8,200,008
Accrued expenses	599,714	535,656
Current maturities of compensated absences	29,823	26,939
Total current liabilities	<u>8,080,640</u>	<u>8,762,603</u>
Long-Term Liabilities		
Long-term debt, less current maturities	25,134,004	27,121,367
Compensated absences, less current maturities	539,555	511,595
Total long-term liabilities	<u>25,673,559</u>	<u>27,632,962</u>
Total liabilities	<u>33,754,199</u>	<u>36,395,565</u>
DEFERRED INFLOWS OF RESOURCES		
Leases	<u>672,163</u>	<u>537,205</u>
NET POSITION		
Net investment in capital assets	217,322,679	215,012,352
Restricted	20,784,515	16,664,260
Unrestricted	38,545,166	35,724,990
Total net position	<u>\$ 276,652,360</u>	<u>\$ 267,401,602</u>

See 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, 2025 AND 2024**

	2025	2024
Operating Revenues		
Airlines	\$ 2,931,762	\$ 3,762,930
Car rentals	6,631,563	6,735,585
Terminal complex	7,545,766	6,989,773
General aviation	1,450,241	1,207,567
Other tenants and miscellaneous	235,837	242,262
Total operating revenues	18,795,169	18,938,117
Operating Expenses		
Personnel costs	7,502,325	6,618,234
Supplies, materials, and maintenance	748,378	781,020
General and administrative expenses	1,008,786	784,853
Operating maintenance contracts	2,755,925	2,568,234
Utilities and insurance	1,522,976	1,470,830
Depreciation	14,056,925	16,280,349
Total operating expenses	27,595,315	28,503,520
Loss from operations	(8,800,146)	(9,565,403)
Nonoperating Revenues (Expenses)		
Interest income	817,481	851,379
Interest income - leases	28,414	23,527
PFC revenues	3,581,756	3,401,281
CFC revenues	1,918,018	1,759,568
Interest expense	(626,854)	(671,579)
Grant revenues	12,385,346	16,544,242
Gain on disposal of assets	63,900	101,235
Nonoperating grant expense	-	(584,338)
Net insurance proceeds (claims)	(117,157)	85,600
Total nonoperating revenues (expenses)	18,050,904	21,510,915
Change in Net Position	9,250,758	11,945,512
Total Net Position at Beginning of Year	267,401,602	255,456,090
Total Net Position at End of Year	\$ 276,652,360	\$ 267,401,602

See 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, 2025 AND 2024**

	2025	2024
Cash Flows From Operating Activities		
Cash received from customers	\$ 17,612,132	\$ 18,668,268
Cash paid to suppliers for goods and services	(6,757,732)	(5,315,198)
Cash paid to employees for services	(7,434,660)	(6,383,920)
Net cash provided by operating activities	3,419,740	6,969,150
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(14,763,297)	(17,107,836)
Proceeds from disposition of assets	63,900	101,235
PFC/CFC revenues	5,440,960	5,096,616
Interest income - leases	28,414	23,527
Lease receivable	(127,880)	358,586
Deferred inflows of resources - leases	134,958	(353,880)
Net proceeds (claims) from insurance	(117,157)	85,600
SIB loan proceeds (principal paid)	(1,987,363)	(1,942,638)
Interest expense on debt	(626,854)	(671,579)
Grants received:		
Florida Department of Transportation	273,779	438,255
Federal Aviation Administration	13,360,891	11,689,239
Other	33,556	-
Net cash provided by (used in) capital and related financing activities	1,713,907	(2,282,875)
Cash Flows From Investing Activities		
Interest earned on investments	817,481	851,379
Net Increase in Cash and Cash Equivalents	5,951,128	5,537,654
Cash and Cash Equivalents at Beginning of Year	49,977,586	44,439,932
Cash and Cash Equivalents at End of Year	\$ 55,928,714	\$ 49,977,586

	<u>2025</u>	<u>2024</u>
Reconciliation of Loss from Operations to Net Cash Provided		
By Operating Activities		
Loss from operations	\$ (8,800,146)	\$ (9,565,403)
Adjustments to reconcile loss from operations to net cash provided by operating activities:		
Depreciation	14,056,925	16,280,349
Federal Aviation Administration	-	2,661
TSA	-	93,920
(Increase) decrease in assets:		
Accounts receivable	(1,074,141)	(251,840)
Prepaid items	(108,896)	(18,009)
Increase (decrease) in liabilities:		
Accounts payable	(748,905)	123,955
Accrued expenses	64,059	206,346
Compensated absences	30,844	97,171
Net cash provided by operating activities	<u>\$ 3,419,740</u>	<u>\$ 6,969,150</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 626,854</u>	<u>\$ 671,579</u>
 Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Statements of Net Position		
Cash and cash equivalents	\$ 35,634,862	\$ 33,745,175
Restricted cash and cash equivalents	<u>20,293,852</u>	<u>16,232,411</u>
	<u>\$ 55,928,714</u>	<u>\$ 49,977,586</u>

See accompanying notes to the financial statements.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

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 District operates the Northwest Florida Beaches International Airport.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation:

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

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

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the District are lease fees and related charges. Operating expenses 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 (expenses). Capital grants are reported as nonoperating revenues in compliance with GASB Statement No. 33.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Advertising:

Advertising costs are generally charged to operations in the year incurred. Advertising expense was \$298,521 and \$257,746 for the years ended September 30, 2025 and 2024, respectively.

Prepaid Items:

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

Net Position:

Net position is categorized as net investment in capital assets, restricted and unrestricted.

Net investment in capital assets is intended to reflect the portion of net position, which is associated with non-liquid, capital assets less outstanding capital asset related debt.

Restricted net position is liquid assets which are not accessible for general use because of third party limitations.

Unrestricted net position represents unrestricted liquid assets.

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, 2025 AND 2024**

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, 2025 and 2024, no allowance for uncollectible accounts was considered necessary.

Lease Receivable:

The District's lease receivable is measured at the present value of the lease payments expected to be received during the lease term. Under the lease agreements, the District may receive variable lease payments that are dependent upon the lessor's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

Deferred Inflows of Resources:

In addition to liabilities, the statements of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category which is related to leases as discussed in Note 8.

Estimates:

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

Recently Issued Accounting Pronouncements:

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This statement clarifies the recognition and measurement guidance for compensated absences. This statement requires that liabilities for compensated absences be recognized for 1) leave that has not been used and 2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this statement are effective for financial statements for reporting periods beginning after December 15, 2023. The District has implemented the provisions of GASB Statement No. 101 in this annual report.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. This statement provides users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess (1) whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact and (2) whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this statement are effective for fiscal years beginning after June 15, 2024. The District has implemented the provisions of GASB Statement No. 102 in this annual report, however, it does not have any current impact on the District.

In May 2024, the GASB issued Statement No. 103, *Financial Reporting Model Improvements*. This statement outlines new regulations regarding governmental accounting, focusing on enhancing the effectiveness of the financial reporting model for state and local governments. The targeted improvements contained in this statement establish or modify existing accounting and financial reporting requirements related to: 1) management's discussion and analysis, 2) unusual or infrequent items, 3) presentation of the proprietary fund statements of revenues, expenses and changes in fund net position, 4) major component unit information, and 5) budgetary comparison information. The requirements of this statement are effective for fiscal years beginning after June 15, 2025. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flows upon adoption.

In December 2025, the GASB issued Statement No. 105, *Subsequent Events*. The objective of this statement is to improve the financial reporting requirements for subsequent events, thereby enhancing consistency in their application and better meeting the information needs of financial statement users. The requirements of this statement are effective for fiscal years beginning after June 15, 2026. The District is evaluating the impact, if any, upon its financial position, results of operations, or cash flow upon adoption.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 2 – 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 3 – PASSENGER FACILITY CHARGES

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 a \$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 4 – 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, 2025 and 2024, restricted assets consisted of the following:

Cash and Cash Equivalents:	<u>2025</u>	<u>2024</u>
CFC account	\$ 11,353,801	\$ 9,457,584
PFC account	8,853,744	6,690,194
Forfeiture funds	4,110	4,018
Law Enforcement Trust	652	637
Escrow fund	12,000	12,000
Treasury funds	69,545	67,978
Accounts Receivable - PFC	<u>490,663</u>	<u>431,849</u>
	<u>\$ 20,784,515</u>	<u>\$ 16,664,260</u>

NOTE 5 – COMPENSATED ABSENCES

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

Employees are paid in lieu of vacation in the event of resignation or termination, in which case unused vacation pay is paid up to the amount earned. Employees can also elect to participate in the Annual Leave Buy Back Program after two years of continuous service. Employees utilizing the

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 5 – COMPENSATED ABSENCES (Continued)

program must maintain a minimum balance of 80 hours of annual leave. Vacation benefits are accrued in the period they are earned. The liability for accumulated annual leave (excluding payroll taxes) at September 30, 2025 and 2024 was \$399,724 and \$379,218, respectively.

All full-time employees, excluding firefighters, of the District earn or accumulate sick leave with pay at 3.69 hours per pay period and may accumulate a maximum of 480 hours. 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, 2025 and 2024 was \$68,826 and \$66,215, respectively.

NOTE 6 – 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 88 active participants at September 30, 2025.

The District's total personnel costs for the years ended September 30, 2025 and 2024 was \$7,502,325 and \$6,618,234, respectively. The District's contributions were calculated using the salary amount of approximately \$5,184,732 and \$4,477,960 for September 30, 2025 and 2024, respectively. The retirement expense of the District was \$524,522 and the amount contributed was \$518,473 for the year ended September 30, 2025; the expense for the year ended September 30, 2024 was \$460,812, and the amount contributed was \$460,812.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 7 – LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized as follows:

	<u>Balance</u> <u>10/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2025</u>	<u>Due in</u> <u>One Year</u>
State Infrastructure Bank Loan: Agreement dated December 21, 2007 authorized a total principal of \$25,000,000; interest payable at 4.60% beginning October 1, 2011 with principal and interest payments of \$1,668,074 due annually beginning October 1, 2011. The agreement was amended August 1, 2021, interest payable at 1.97% with principal and interest payments of \$1,379,241 beginning August 1, 2021 and maturing in 2036; the loan is collateralized by a pledge of net revenues and eligible PFC revenues.	\$ 14,612,858	\$ -	\$ 1,091,368	\$ 13,521,490	\$ -

State Infrastructure Bank Loan: Agreement dated April 27, 2009 authorized a total principal of \$20,000,000; interest payable at 4.60% beginning October 1, 2011 with principal and interest payments of \$1,421,500 due annually beginning October 1, 2012. The agreement was amended August 1, 2021, interest payable at 2.71% with principal and interest payments of \$1,234,976 beginning August 1, 2021 and maturing in 2036; the loan is collateralized by a pledge of net revenues and eligible PFC revenues.	<u>12,508,509</u>	<u>-</u>	<u>895,995</u>	<u>11,612,514</u>	<u>-</u>
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**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 7 – LONG-TERM LIABILITIES (Continued)

	<u>Balance</u> <u>10/1/2024</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>9/30/2025</u>	<u>Due in</u> <u>One Year</u>
Total Long-Term Debt	<u>27,121,367</u>	<u>-</u>	<u>1,987,363</u>	<u>25,134,004</u>	<u>-</u>
Total Compensated Absences, Net	<u>538,534</u>	<u>109,370</u>	<u>78,526</u>	<u>569,378</u>	<u>29,823</u>
Total Long-Term Debt and Compensated Absences	<u>\$27,659,901</u>	<u>\$ 109,370</u>	<u>\$ 2,065,889</u>	<u>\$ 25,703,382</u>	<u>\$ 29,823</u>

Debt service requirements to maturity for long-term debt subsequent to September 30, 2025, are as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>State Infrastructure Bank</u> <u>Loan Agreement</u>		<u>State Infrastructure Bank</u> <u>Loan Agreement</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2027	\$ 1,112,868	\$ 266,373	\$ 920,277	\$ 314,699
2028	1,134,792	244,450	945,216	289,760
2029	1,157,147	222,094	970,831	264,114
2030	1,179,943	199,299	997,141	237,835
2031	1,203,188	176,054	1,024,164	210,812
2032-2036	6,380,957	515,248	5,552,494	622,386
2037-2040	<u>1,352,595</u>	<u>26,646</u>	<u>1,202,391</u>	<u>32,585</u>
	<u>\$ 13,521,490</u>	<u>\$ 1,650,164</u>	<u>\$ 11,612,514</u>	<u>\$ 1,972,191</u>

The District executed a loan agreement with State Infrastructure Bank dated June 27, 2024, which authorized a total principal of \$26,000,000 and interest payable at 3.80% beginning October 1, 2024, with principal and interest payments of \$1,629,315 due annually beginning October 1, 2027, and maturing in 2051. The balance at September 30, 2025 was \$0. The loan is collateralized by a pledge of net revenues and eligible PFC revenues.

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, 2025 and 2024, there were no draws on the letter of credit.

NOTE 8 – LEASES

The District’s financial statements reflect lease activity recorded under the provisions of GASB Statement No. 87. The District, as a Lessor, recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with exceptions for certain regulated leases, short-

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 8 – LEASES (Continued)

term leases, and leases that transfer ownership of the underlying asset. The lease receivable is measured at the present value of the lease payments expected to be received during the lease term. The deferred inflow of resources is measured at the value of the lease receivable in addition to any payments received at or before the commencement of the lease term that relate to future periods.

For the purposes of GASB No. 87, the District leases have been categorized as follows:

1. GASB No. 87 Leases – Included
2. GASB No. 87 Leases – Excluded Leases – Regulated
3. GASB No. 87 Leases – Excluded Leases – Short Term

GASB No. 87 Leases – Included

In accordance with GASB No. 87, the District recognizes a lease receivable and a deferred inflow of resources for leases the District categorizes as GASB No. 87 – Included. For these leases, the District is reporting a lessor lease receivable of \$620,576 and \$492,696 for the years ending September 30, 2025 and 2024, respectively. For fiscal year ending September 30, 2025, the District reported lease revenue of \$127,879 and interest revenue of \$28,414 related to lease payments received.

The leases held by the District do not have an implicit rate of return; therefore, at implementation, the District used its incremental borrowing rate of 3.25% to discount the lease revenue to the net present value. For all subsequent years, the District has used the borrowing index provided by the District's financial institution. In some cases, the leases reported under GASB No. 87 contain termination clauses, wherein the lessee or lessor are required to show cause in order to terminate the lease.

GASB No. 87 included leases are summarized as follows:

Concessionaire Leases:

The District has five-year concessionaire agreements for the non-exclusive use of the food and beverage and gift shop facilities in the terminal, as well as an ongoing concession agreement for terminal advertising. The terms of the concession lease agreements include a fixed revenue component or Minimum Annual Guarantee (MAG). Fixed revenue received for these concession agreements totaled \$116,082 for both fiscal years ended September 30, 2025 and 2024.

The terms of the concessionaire lease agreements include a variable revenue component based on a percentage of gross sales. The variable revenue received was not included in the measurement of the lease receivable.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 8 – LEASES (Continued)

Property Leases:

In addition to concession leases, the District leases property for terms that range from one to ten years. The terms of the property leases include a fixed revenue component based on square footage. The terms of these lease agreements do not include a variable revenue component.

Minimum future lease receipts to be received under property lease agreements are as follows:

Fiscal Year	Principal	Interest	Total
October 1, 2025 - September 30, 2026	\$ 276,575	\$ 15,068	\$ 291,643
October 1, 2026 - September 30, 2027	207,225	6,123	213,348
October 1, 2027 - September 30, 2028	37,390	2,439	39,829
October 1, 2028 - September 30, 2029	10,572	1,383	11,955
October 1, 2029 - September 30, 2034	26,451	1,907	28,358
	<u>\$ 558,213</u>	<u>\$ 26,920</u>	<u>\$ 585,132</u>

GASB No. 87 Excluded Leases – Short Term Leases

In accordance with GASB No. 87, the District does not recognize a lease receivable and a deferred inflow of resources for short term leases. Short term leases are certain leases that have a maximum possible term under the lease contract of 12 months or less, including any option to extend, regardless of the probability of the option(s) being exercised.

GASB No. 87 Excluded Leases – Regulated

In accordance with GASB No. 87, the District does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation and Federal Aviation Administration regulate aviation leases between airports and air carriers and other aeronautical users through various policies and guidance.

Regulated lease assets include terminal passenger holdrooms, operations space, baggage service areas, terminal apron areas, ticket counters, ticket offices, hangars, and land.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 8 – LEASES (Continued)

Future expected minimum payments related to the District’s regulated leases at September 30, 2025 are as follows:

Fiscal Year Ending 9/30	Amount
2026	\$ 5,752,729
2027	5,859,798
2028	1,223,625
2029	983,653
2030	951,729
2031-2035	5,051,894
2036-2040	5,572,351
2041-2045	5,753,674
2046-2050	2,468,487
2051-2053	982,481
	<u>\$ 34,600,421</u>

NOTE 9 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

Litigation:

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

Contract Commitments:

At September 30, 2025, the District had contractual commitments of approximately \$44,845,019 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 February 19, 2026, which is the date these financial statements were available to be issued.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

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 District 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 income 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.

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, 2025, the District's actual operating revenues were less than budgeted operating revenues by \$4,692,560, due to revenue sharing with the airlines of \$4,131,195, and actual total operating expenses exceeded total budgeted operating expenses by \$13,307,685. The actual operating expenses increase over budgeted operating expenses was due to the following:

- \$14,056,925 in depreciation expense that was not budgeted by the District in 2025.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

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

For the year ended September 30, 2024, the District's actual operating revenues were less than budgeted operating revenues by \$2,419,388, due to revenue sharing with the airlines of \$2,302,087, and actual total operating expenses exceeded total budgeted operating expenses by \$15,350,290. The actual operating expenses increase over budgeted operating expenses was due to the following:

- \$16,280,349 in depreciation expense that was not budgeted by the District in 2024.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2025 AND 2024**

NOTE 12 – CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance 9/30/2023	Increases	Decreases	Balance 9/30/2024	Increases	Decreases	Balance 9/30/2025
Capital assets, not being depreciated:							
Land	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561
Construction work-in-process	4,514,873	19,678,988	(9,560,342)	14,633,519	16,490,957	(25,564,363)	5,560,113
Total capital assets, not being depreciated	<u>75,184,434</u>	<u>19,678,988</u>	<u>(9,560,342)</u>	<u>85,303,080</u>	<u>16,490,957</u>	<u>(25,564,363)</u>	<u>76,229,674</u>
Capital assets, being depreciated:							
Buildings and improvements	191,190,512	-	-	191,190,512	8,897,575	-	200,088,087
Improvements other than buildings	145,187,596	5,545,487	(1,011,798)	149,721,285	14,241,917	(51,396)	163,911,806
Furniture and equipment	11,544,837	1,443,703	(704,140)	12,284,400	697,209	(202,479)	12,779,130
Total capital assets, being depreciated	<u>347,922,945</u>	<u>6,989,190</u>	<u>(1,715,938)</u>	<u>353,196,197</u>	<u>23,836,701</u>	<u>(253,875)</u>	<u>376,779,023</u>
Less accumulated depreciation for:							
Buildings and improvements	64,502,782	5,198,284	-	69,701,066	5,271,078	-	74,972,144
Improvements other than buildings	108,013,383	10,299,870	(1,011,798)	117,301,455	7,811,939	(51,396)	125,061,998
Furniture and equipment	8,107,937	782,194	(704,140)	8,185,991	973,908	(202,479)	8,957,420
Total accumulated depreciation	<u>180,624,102</u>	<u>16,280,348</u>	<u>(1,715,938)</u>	<u>195,188,512</u>	<u>14,056,925</u>	<u>(253,875)</u>	<u>208,991,562</u>
Total capital assets being depreciated, net	<u>167,298,843</u>	<u>(9,291,158)</u>	<u>-</u>	<u>158,007,685</u>	<u>9,779,776</u>	<u>-</u>	<u>167,787,461</u>
Capital assets, net	<u>\$ 242,483,277</u>	<u>\$ 10,387,830</u>	<u>\$ (9,560,342)</u>	<u>\$ 243,310,765</u>	<u>\$ 26,270,733</u>	<u>\$ (25,564,363)</u>	<u>\$ 244,017,135</u>

**REQUIRED SUPPLEMENTARY
INFORMATION OTHER THAN
MANAGEMENT'S DISCUSSION
AND ANALYSIS – ENTERPRISE FUND**

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2025 AND 2024**

	2025		2024
	Budget	Actual	Actual
Operating Revenues			
Airlines -			
Airline landing fees	\$ 4,051,972	\$ 3,571,185	\$ 3,295,495
Cargo airline landing fees	12,000	12,679	12,095
Airline terminal rent	3,596,209	3,479,093	2,757,427
Signatory airline revenue sharing	-	(4,131,195)	(2,302,087)
Total airlines	<u>7,660,181</u>	<u>2,931,762</u>	<u>3,762,930</u>
Car rentals -			
Rental cars concession fees	5,424,252	5,057,665	5,173,851
Rental cars customer facility charges	1,573,898	1,573,898	1,561,734
Total car rentals	<u>6,998,150</u>	<u>6,631,563</u>	<u>6,735,585</u>
Terminal complex -			
Public and employee parking	5,197,723	5,482,497	5,043,017
Ground transportation fees	602,847	658,109	630,150
Advertising concessions	80,000	105,424	81,636
Retail merchandise concessions	329,347	354,833	327,577
Food and beverage concessions	690,609	718,970	678,135
Other terminal revenue	250,906	225,933	229,258
Total terminal complex	<u>7,151,432</u>	<u>7,545,766</u>	<u>6,989,773</u>
General aviation -			
Fixed base operator rents	707,366	713,118	638,000
Fuel flowage fees	250,000	266,448	105,829
Hangar/land rentals	472,371	470,675	463,738
Total general aviation	<u>1,429,737</u>	<u>1,450,241</u>	<u>1,207,567</u>
Other tenants and miscellaneous -			
Other tenants and miscellaneous	78,415	68,134	74,088
Fuel farm	139,714	139,714	139,714
Cargo building rental	30,100	27,989	28,460
Total other tenants and miscellaneous	<u>248,229</u>	<u>235,837</u>	<u>242,262</u>
Total operating revenues	<u>23,487,729</u>	<u>18,795,169</u>	<u>18,938,117</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, 2025 AND 2024**

	2025		2024
	Budget	Actual	Actual
Operating Expenses			
Personnel costs -			
Salary and wages	5,599,119	5,286,696	4,694,382
Overtime	131,905	134,544	118,450
FICA contributions	430,872	393,414	351,356
Group insurance	1,024,886	979,470	829,618
Retirement	549,115	524,522	460,812
Workers compensation insurance	180,411	164,789	151,580
Other personnel costs	43,000	18,890	12,036
Total personnel costs	<u>7,959,308</u>	<u>7,502,325</u>	<u>6,618,234</u>
Supplies, materials, and maintenance -			
Airfield and grounds	207,100	83,763	134,945
Computer supplies and software	48,000	33,690	52,032
Machinery and equipment	45,300	49,846	42,329
Miscellaneous supplies	6,480	7,004	6,979
Radio equipment	32,904	33,214	32,184
Capital items < \$5,000	55,750	28,955	110,672
Safety and security	46,500	40,093	36,212
Small tools and equipment	11,400	10,003	9,059
Terminal facility services and supplies	312,400	341,606	244,351
Uniforms, clothing, and boots	29,500	32,142	31,537
Vehicles, oil, tires, and fuel	96,000	88,062	80,720
Total supplies, materials, and maintenance	<u>891,334</u>	<u>748,378</u>	<u>781,020</u>
General and administrative expenses -			
Bank charges	2,000	76,119	83,283
Bad debt expense	82,000	-	-
Business meetings and events	8,000	6,626	8,914
Dues, licenses, publications, and training	109,890	107,046	87,915
Marketing and advertising	300,000	298,521	257,746
Office services and supplies	30,990	29,842	29,030
Financial consulting services	80,582	106,254	57,915
Legal services	75,000	84,987	44,669
Professional services	300,000	269,991	185,407
Travel and conferences	47,590	29,400	29,974
Total general and administrative expenses	<u>1,036,052</u>	<u>1,008,786</u>	<u>784,853</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, 2025 AND 2024

	2025		2024
	Budget	Actual	Actual
Operating Expenses (continued)			
Operating maintenance contracts -			
Computer services	272,983	261,881	163,037
Janitorial service and supplies	1,456,400	1,372,477	1,258,403
Elevator and escalator services	60,000	63,280	73,066
Loading bridges contract and parts	373,531	350,031	344,865
Parking lot management	619,280	708,256	728,863
Total operating maintenance contracts	<u>2,782,194</u>	<u>2,755,925</u>	<u>2,568,234</u>
Utilities and insurance -			
Electricity	907,625	796,375	830,778
Telephone	56,925	47,600	55,423
Water and sewer	243,784	280,003	211,183
Building and contents insurance	245,986	245,985	235,304
Liability insurance	164,422	153,013	138,142
Total utilities and insurance	<u>1,618,742</u>	<u>1,522,976</u>	<u>1,470,830</u>
Total	14,287,630	13,538,390	12,223,171
Depreciation	<u>-</u>	<u>14,056,925</u>	<u>16,280,349</u>
Total operating expenses	<u>14,287,630</u>	<u>27,595,315</u>	<u>28,503,520</u>
Operating income (loss)	<u>9,200,099</u>	<u>(8,800,146)</u>	<u>(9,565,403)</u>
Nonoperating Revenues (Expenses)			
Interest income	715,000	817,481	851,379
Interest income - leases	-	28,414	23,527
PFC revenues	3,746,502	3,581,756	3,401,281
CFC revenues	1,815,839	1,918,018	1,759,568
Interest expense	(626,854)	(626,854)	(671,579)
Grant revenues	33,490,189	12,385,346	16,544,242
Gain on disposal of assets	-	63,900	101,235
Nonoperating grant expense	-	-	(584,338)
Net insurance proceeds (claims)	-	(117,157)	85,600
Total nonoperating revenues (expenses)	<u>39,140,676</u>	<u>18,050,904</u>	<u>21,510,915</u>
Income	<u>\$ 48,340,775</u>	<u>\$ 9,250,758</u>	<u>\$ 11,945,512</u>

See independent auditor's report.

**OTHER SUPPLEMENTARY
INFORMATION – ENTERPRISE FUND**

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF CONSTRUCTION WORK-IN-PROGRESS
SEPTEMBER 30, 2025**

Funding Source

FDOT JPA 423599-2-94-01	Terminal expansion design	\$ 4,239,775
FDOT JPA 423599-2-94-01	Terminal buildout	194,728
Airport Funding	Escalator addition	124,263
FAA AIP 3-12-0159-048-2024	SMS	132,462
AIP 3-12-0159-049-2025	Terminal loop road	260,017
AIP 3-12-0159-045-2024	Stormwater management airport drainage	282,802
Airport Funding	Rental car	326,066
		<u>\$ 5,560,113</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, 2025**

Parking Lot Revenue Control System Upgrade	\$ 145,719
Lighted Solar Message Sign	16,792
Lighted Solar Message Sign	16,792
2025 Rollsite Trailer	9,720
Powerwasher with Trailer	13,000
One-second Transfer Switch and Battery Replacement	102,784
CVSA (Computer Voice Stress Analyzer)	9,995
Generac Mobile Light Tower	12,217
Parking Expansion	23,480
John Deere Track Loader	116,993
Kubota RTV520	14,537
Kubota RTV520	14,537
PlaneSkate Aircraft Towing Device	6,137
2025 Cushman Shuttle 8 Person with Enclosure	18,377
2025 Cushman Shuttle 8 Person with Enclosure	18,377
2025 Cushman Shuttle 8 Person with Enclosure	18,377
2025 Cushman Shuttle 8 Person with Enclosure	18,377
Scintrex E-3500 Hand Held Explosive Detection	38,119
Parking Lot Count Signage	37,112
Lumenpulse Uplighting for ATCT	14,896
2025 Dodge Durango Pursuit V6	54,353
	<u>\$ 720,691</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, 2025**

Project Number	Description	Airport Funding	FAA Funding	Total
Capital Projects:				
AIP 3-12-0159-042-2023	North Terminal Buildout	\$ 1,110,149	\$ 178,151	\$ 1,288,300
AIP 3-12-0159-040-2023	Mitigation Site Development	146,009	65,325	211,334
AIP 3-12-0159-044-2024	Mitigation Site Development	58,488	83,849	142,337
		<u>204,497</u>	<u>149,174</u>	<u>353,671</u>
AIP 3-12-0159-041-2023	Baggage Make-Up Expansion	229,638	334,371	564,009
AIP 3-12-0159-045-2024	Airport Drainage Study	28,280	254,522	282,802
AIP 3-12-0159-046-2024	East Escalator	4,340	39,062	43,402
AIP 3-12-0159-048-2024	Safety Management System Manual	10,436	93,926	104,362
AIP 3-12-0159-047-2024	North Apron Expansion	966,596	8,668,839	9,635,435
AIP 3-12-0159-049-2025	Loop Road Design	26,002	234,016	260,018
	Total capital projects	<u>2,579,938</u>	<u>9,952,061</u>	<u>12,531,999</u>
Operating Costs:				
CRRSA 3-12-0159-021-2021	Operating Costs		1,144,905	1,144,905
ARPA 3-12-0159-023-2022	Operating Costs		1,254,824	1,254,824
	Total operating costs		<u>2,399,729</u>	<u>2,399,729</u>
Total Grant Funding		<u>\$ 2,579,938</u>	<u>\$ 12,351,790</u>	<u>\$ 14,931,728</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 Revenues Over Prior Year	Operating Revenues	Operating Expenses	Net Operating Income (Loss)	PFC Revenues	Contributions/ Grants for Capital Outlay/ Other Costs	Net Operating Income, PFC Revenues, and Contributions	Capital/ Grant Expenditures
2025	0%	\$ 18,795,169	\$ 27,595,315	\$ (8,800,146)	\$ 3,581,756	\$ 12,385,346	\$ 7,166,956	\$ 14,763,297
2024	20%	18,938,117	28,503,520	(9,565,403)	3,401,281	16,544,242	10,380,120	17,107,836
2023	7%	15,819,474	26,559,238	(10,739,764)	2,993,370	5,868,178	(1,878,216)	8,366,310
2022	10%	14,723,034	25,370,269	(10,647,235)	2,693,720	4,968,139	(2,985,376)	4,238,430
2021	11%	13,428,769	23,815,442	(10,386,673)	2,714,234	7,208,155	(464,284)	6,993,749
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

The following are omitted from the above data:

- (1) Interest income
- (2) Interest expense
- (3) Gain on disposal of assets
- (4) Miscellaneous nonoperating revenues (expenses)
- (5) CFC revenues

See independent auditor's report.

SINGLE AUDIT SECTION

**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, 2025**

	CFDA/ CSFA Number	Balance 10/01/2024	Adjustments (1)	Cash Receipts	Expenditures	Balance 09/30/2025
Federal Aviation Administration						
3-12-0159-021-2021	20.106	\$ 363,477	\$ -	\$ 1,508,382	\$ (1,144,905)	\$ -
3-12-0159-022-2021	20.106	133,089	-	133,089	-	-
3-12-0159-023-2022	20.106	1,206,960	-	1,206,960	(1,254,824)	1,254,824
3-12-0159-024-2022	20.106	453,910	-	453,910	-	-
3-12-0159-040-2023	20.106	30,485	-	78,800	(65,325)	17,010
3-12-0159-041-2023	20.106	2,971,099	-	2,977,988	(334,371)	327,482
3-12-0159-042-2023	20.106	539,363	302,661	545,503	(480,812)	172,011
3-12-0159-044-2024	20.106	-	-	14,391	(83,849)	69,458
3-12-0159-045-2024	20.106	-	-	254,522	(254,522)	-
3-12-0159-046-2024	20.106	-	-	12,439	(39,062)	26,623
3-12-0159-047-2024	20.106	-	(37,962)	6,085,882	(8,630,877)	2,582,957
3-12-0159-048-2024	20.106	25,290	-	89,024	(93,926)	30,192
3-12-0159-049-2025	20.106	-	-	-	(234,015)	234,015
Total Federal Aviation Administration		<u>5,723,673</u>	<u>264,699</u>	<u>13,360,890</u>	<u>(12,616,488)</u>	<u>4,714,572</u>
FEMA						
15-SP-8Z-01-13-13-557	97.036	1,940,063	-	-	-	1,940,063
Total Federal Awards		<u>\$ 7,663,736</u>	<u>\$ 264,699</u>	<u>\$ 13,360,890</u>	<u>\$ (12,616,488)</u>	<u>\$ 6,654,635</u>
Florida Department of Transportation						
423599-2-94-01	55.004	\$ 73,779	\$ -	\$ 73,779	\$ -	\$ -
454249-1-94-01	55.004	200,000	-	200,000	-	-
Total Florida Department of Transportation		<u>273,779</u>	<u>-</u>	<u>273,779</u>	<u>-</u>	<u>-</u>
SERT						
SERT		317,700	-	-	-	317,700
Total State Financial Assistance		<u>\$ 591,479</u>	<u>\$ -</u>	<u>\$ 273,779</u>	<u>\$ -</u>	<u>\$ 317,700</u>
		Cash/Investments/ Receivables 10/01/2024	Adjustments	Revenue (1)	Expenditures	Cash/Investments/ Receivables 09/30/2025
Passenger Facility Charges		<u>\$ 7,122,043</u>	<u>\$ -</u>	<u>\$ 3,581,756</u>	<u>\$ (1,359,393)</u>	<u>\$ 9,344,406</u>

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

(1) Including interest earnings

**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, 2025**

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges (the Schedule) includes the grant activity of the District and is presented on the accrual basis of accounting.

The accompanying Schedule summarizes the federal, state, and passenger facility charge expenditures of the District under programs of the federal government and Passenger Facility Charge Audit Guide for Public Agencies, for the year ended September 30, 2025. 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) and as specified in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the FAA. The amounts reported as federal awards, state financial assistance, 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 financial assistance, and passenger facility charges include all grants, contracts, and similar agreements entered into directly with the federal government and passenger facility charge programs. The District has obtained Catalog of Federal Domestic Assistance (CFDA) to ensure that all programs and projects have been identified in the Schedule.

Indirect Cost Rate:

The District has elected not to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.



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, 2025, and the related notes to the financial statements, which collectively comprise Panama City - Bay County Airport and Industrial District's basic financial statements and have issued our report thereon dated February 19, 2026.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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, Mauler, Garner & Chastain

Panama City, Florida
February 19, 2026



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
Panama City - Bay County
Airport and Industrial District
Panama City, Florida

Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program

Opinion on 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 identified as subject to audit in the *OMB Compliance Supplement* and the requirements described in the Passenger Facility Audit Guide for Public Agencies, issued by the Federal Aviation Administration 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, 2025. 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.

In our opinion, Panama City - Bay County Airport and Industrial District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs and Passenger Facility Charge programs for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program and Passenger Facility Charge Program

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. Our responsibilities under those standards, the Uniform Guidance, and the Passenger Facility Audit Guide for Public Agencies, are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Panama City - Bay County Airport and Industrial District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and Passenger Facility Charge program. Our audit does not provide a legal determination of Panama City - Bay County Airport and Industrial District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Panama City - Bay County Airport and Industrial District's federal programs and Passenger Facility Charge programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Panama City - Bay County Airport and Industrial District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the Passenger Facility Audit Guide for Public Agencies will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Panama City - Bay County Airport and Industrial District's compliance with the requirements of each major federal program and Passenger Facility Charge program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the Passenger Facility Audit Guide for Public Agencies, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Panama City - Bay County Airport and Industrial District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Panama City - Bay County Airport and Industrial District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Passenger Facility Audit Guide for Public Agencies, but not for the purpose of expressing an opinion on the effectiveness of Panama City - Bay County Airport and Industrial District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 for Public Agencies. Accordingly, this report is not suitable for any other purpose.

Lipton, Mauler, Garner & Chastain

Panama City, Florida
February 19, 2026

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025**

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 or material weaknesses 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 or material weaknesses in internal control relating to the audit of the major federal award programs or Passenger Facility Charge 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 programs and Passenger Facility Charge programs 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 that are required to be reported 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 federal programs was \$1,000,000.
9. Panama City - Bay County Airport and Industrial District was determined to be a low-risk auditee for federal programs.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2025**

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, 2025, and have issued our report thereon February 19, 2026.

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 for Federal Awards* (Uniform Guidance).

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 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. Disclosures in those reports and schedule, which are dated February 19, 2026, 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 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 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.

Special District Component Units

Section 10.554(1)(i)5.c., Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statutes.

As required by Section 218.39(3)(c), Florida Statutes, and Section 10.554(1)(i)7, Rules of the Auditor General, Panama City - Bay County Airport and Industrial District reported:

- a. The total number of district employees compensated in the last pay period of the district's fiscal year as: 85.
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district's fiscal year as: 0.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as: \$5,421,240.

- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as: \$0.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as:

<u>Project Name</u>	<u>FY25 Expenditures</u>
North Terminal Apron	\$ 9,626,957
Mitigation Services	60,808
Terminal Expansion	1,141,701
North Terminal Buildout	801,082
	<u>\$ 11,630,548</u>

- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes, is included on pages 32-34.

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 fraud, waste, or abuse, that has occurred, or is likely to have occurred, that has an effect on the financial statements that is less than material but 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, Mauler, Garner & Chastain

Panama City, Florida
February 19, 2026



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, 2025. 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 AICPA. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether Panama City - Bay County Airport and Industrial District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether Panama City - Bay County Airport and Industrial District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the examination engagement.

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, 2025.

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
February 19, 2026