

**PANAMA CITY - BAY COUNTY**

**AIRPORT AND INDUSTRIAL DISTRICT**

**PANAMA CITY, FLORIDA**

**FINANCIAL STATEMENTS**

**YEARS ENDED SEPTEMBER 30, 2016 AND 2015**



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

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

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

**CONTENTS**

	<u>PAGE</u>
Financial Section:	
Independent Auditor's Report	1
Required Supplementary Information:	
Management's discussion and analysis	4
Financial Statements – Enterprise Fund:	
Statements of net position	10
Statements of revenues, expenses, and changes in net position	11
Statements of cash flows	12
Notes to Financial Statements	13

## CONTENTS (Continued)

	<u>PAGE</u>
Other Supplementary Information – Enterprise Fund:	
Schedules of budgeted and actual receipts and expenses	26
Schedule of construction work-in-progress	29
Schedule of non-grant funded capital items	30
Schedule of grant funded capital items	31
Schedules of operations, grants, and capital expenditures	32
Debt coverage requirements	33
Schedule of expenditures of federal awards, state financial assistance, and passenger facility charges	34
Other Audit Reports:	
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 <i>Government Auditing Standards</i>	35
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	37
Schedule of findings and questioned costs	40
Independent auditor's management letter	42
Independent accountant’s report	45



## INDEPENDENT AUDITOR'S REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Panama City - Bay County Airport and Industrial District, as of and for the years ended September 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Panama City - Bay County Airport and Industrial District's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Panama City - Bay County Airport and Industrial District, as of September 30, 2016 and 2015, and the respective changes in financial position, and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Panama City - Bay County Airport and Industrial District's basic financial statements. The other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards, state financial assistance, and passenger facility charges is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and as specified in the Passenger Facility Charge Audit Guide, issued by the Federal Aviation Administration, and is also not a required part of the basic financial statements.

The schedule of expenditures of federal awards, state financial assistance, and passenger facility charges are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, state financial assistance, and passenger facility charges are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other supplementary section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2017, on our consideration of the Panama City - Bay County Airport and Industrial District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Panama City - Bay County Airport and Industrial District's internal control over financial reporting and compliance.



Panama City, Florida  
March 16, 2017

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

Management's Discussion and Analysis provides an objective and easily readable analysis of the District's financial activities. The analysis provides summary financial information for the District, and should be read in conjunction with the District's financial statements, which begin on page 10.

**FINANCIAL HIGHLIGHTS**

- Total assets of the District exceeded total liabilities by \$273,816,772 (net position). Of this amount, \$12,967,926 is unrestricted.
- Total net position decreased by \$9,007,018, or 3.18%, due largely to depreciation expense totaling \$14,148,574.
- Operating revenues increased by \$832,506, or 8.07%, over prior year operating revenues. Operating expenses increased by \$980,209, or 4.83%, over prior year operating expenses.
- Passenger facility charge revenues increased \$26,738, or 1.78%, compared to the prior year.
- Rental car concession fees, consolidated facility charge, and parking revenues increased by \$333,332, or 5.19%, over the prior year.

**BRIEF DISCUSSION OF BASIC FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements.

One of the most important questions asked about the District's finances is "Is the District better off or worse off as a result of the year's activities?" The Statements of Net Position and the Statements of Revenues, Expenses, and Changes in Net Position report information about the District and about its activities in a way that helps answer this question.

These two statements report the District's net position and changes in that net position. The District's net position – the difference between assets and liabilities – is one way to measure the District's financial position. Over time, increases or decreases in the District's net position are one indicator of whether its financial position is improving or weakening.

Since the District charges a fee to tenants and concessionaires to cover the costs of the services it provides, the District records its activities in one proprietary fund. Proprietary funds are reported using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. Under this method of accounting, all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.



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

**CONDENSED COMPARATIVE FINANCIAL STATEMENTS**

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

**Table 1  
Net Assets**

	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 16,016,411	\$ 14,159,772
Capital assets	<u>300,584,449</u>	<u>313,330,591</u>
Total assets	<u>316,600,860</u>	<u>327,490,363</u>
Long-term debt outstanding	39,735,603	40,941,852
Other liabilities	<u>3,048,485</u>	<u>3,724,721</u>
Total liabilities	<u>42,784,088</u>	<u>44,666,573</u>
Net position:		
Net investment in capital assets	260,848,846	272,388,739
Unrestricted	<u>12,967,926</u>	<u>10,435,051</u>
Total net position	<u>\$ 273,816,772</u>	<u>\$ 282,823,790</u>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the District's largest portion of net position. These capital assets are utilized to provide services to the public; consequently, these assets are not available for future spending.

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

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

**Table 2  
Changes in Net Position**

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

**ANALYSIS OF FINANCIAL POSITION AND RESULTS OF OPERATIONS**

Operating revenues are primarily generated from users of the airport, and include airline fees and charges, concessions, parking, car rentals, general aviation space rentals and building rentals. These collections are accounted for in the District's one proprietary fund.

The largest sources of operating revenues for the District are rental cars (36.72%), airlines (25.62%) and parking (23.82%).

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

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

**ANALYSIS OF BALANCES AND TRANSACTIONS**

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

**BUDGETARY ANALYSIS**

As an independent special district, the District must adopt a budget each fiscal year. This adopted budget must regulate expenditures of the special district. It is unlawful for the District to expend or contract for expenditures in any fiscal year except in pursuance of budgeted appropriations.

No budget amendments were made during the course of the year.

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

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

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

**Capital Assets**

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

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

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

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

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

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

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

## **Debt**

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

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

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

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

**CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS**

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

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

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our customers, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance and Administration, Northwest Florida Beaches International Airport, 6300 West Bay Parkway, Box A, Panama City Beach, Florida 32409.

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

**ASSETS**

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

## LIABILITIES AND NET POSITION

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

See the accompanying notes.



**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
YEARS ENDED SEPTEMBER 30, 2016 AND 2015**

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

See the accompanying notes.

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

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

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

See the accompanying notes.

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

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Reporting Entity:*

The Panama City - Bay County Airport and Industrial District (“the District”) is an independent special district created by an act of the Legislature of the State of Florida and is not considered a component unit of any other local governmental unit. The special act which created the District was Chapter 67-1099 of House Bill 1608 filed June 19, 1967, which was later repealed and replaced by Chapter 98-527 of House Bill 4545 filed May 22, 1998, Chapter 2005-311 of House Bill 939 filed June 14, 2005, and Chapter 2005-311 of House Bill 1635 filed July 1, 2010. The Panama City - Bay County Airport and Industrial District operates the Northwest Florida Beaches International Airport.

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

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

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

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

Enterprise funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with an enterprise fund’s principal ongoing operations. The principal operating revenues of the District are lease fees and related charges. Operating expenses

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

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

of the District include personnel services, contractual and professional services, supplies, repairs and maintenance, utilities, advertising and promotions, other expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital grants are reported as nonoperating revenue in compliance with GASB Statement No. 33.

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

*Advertising:*

Advertising costs are generally charged to operations in the year incurred. Advertising expense was \$184,248 and \$170,722 for the years ended September 30, 2016 and 2015, respectively.

*Investments:*

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

*Capital Assets:*

Capital assets are recorded at cost and are depreciated principally by the straight-line method over the estimated useful lives of individual assets. Donated capital assets are recorded at estimated fair market value at the date of donation.

Estimated useful lives are generally as follows:

Buildings and improvements	10-39 years
Improvements other than buildings	5-39 years
Equipment, furniture, and fixtures	3-15 years

*Cash Equivalents:*

For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

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

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

*Accounts Receivable:*

Accounts are charged to bad debt expense as they are deemed uncollectible. At September 30, 2016 and 2015, no allowance for uncollectible accounts was considered necessary.

*Estimates:*

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

*Recently Issued Accounting Pronouncements:*

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 72 in this annual report.

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. This statement will improve the usefulness of information for decisions made by the various users of the general purpose external financial reports. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 73 in this annual report, however it does not have any current impact on the District.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This statement will improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports for making decisions and assessing accountability. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

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

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

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. This statement will establish the hierarchy of GAAP for state and local governments. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015. The District has implemented GASB Statement No. 76 in this annual report, however, it does not have any current impact on the District.

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

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

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



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

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

In March 2016, the GASB issued Statement No. 82, *Pension Issues*. This statement will improve financial reporting by enhancing consistency in the application of financial reporting requirements to certain pension issues. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

**NOTE 2 – RESTRICTED ASSETS**

The restricted assets primarily represent cash and investments reserved in accordance with the loan ordinances and with requirements of the Passenger Facility Charge program.

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

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

**NOTE 3 – RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; business interruption; job-related illnesses or injuries to employees; and natural disasters for which the District carries commercial insurance.

There have been no significant reductions in insurance coverage from coverage in the prior year. The amounts of settlements have not exceeded insurance coverage for any of the past three fiscal years.

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

**NOTE 4 – LONG-TERM LIABILITIES**

Changes in long-term liabilities are summarized as follows:

	<u>Balance October 1, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance September 30, 2016</u>	<u>Due in One Year</u>
State Infrastructure Bank Loan: Agreement dated December 21, 2007 authorized a total principal of \$25,000,000, interest payable at 4.6% beginning October 1, 2011 with principal and interest payments of \$1,668,074 due annually beginning October 1, 2011 and maturing in 2036; the loan is collateralized by a pledge of net revenues and eligible PFC revenues.	\$ 22,137,394	\$ -	\$ 649,754	\$ 21,487,640	\$ -
State Infrastructure Bank Loan: Agreement dated April 27, 2009 authorized a total principal of \$20,000,000, interest payable at 4.6% beginning October 1, 2011 with principal and interest payments of \$1,421,500 due annually beginning October 1, 2012 and maturing in 2036; the loan is collateralized by a pledge of net revenues and eligible PFC revenues.	<u>18,804,458</u>	<u>-</u>	<u>556,495</u>	<u>18,247,963</u>	<u>-</u>

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

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

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

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

Year Ended	State Infrastructure Bank Loan Agreement		State Infrastructure Bank Loan Agreement	
	Principal	Interest	Principal	Interest
2018	\$ 679,643	\$ 988,431	\$ 582,094	\$ 839,406
2019	710,906	957,168	608,870	812,630
2020	743,608	924,466	636,878	784,622
2021	777,814	890,260	666,174	755,326
2022	813,593	854,481	696,818	724,682
2023-2027	4,664,986	3,675,384	3,995,423	3,112,077
2028-2032	5,841,291	2,499,079	5,002,892	2,104,608
2033-2036	7,255,799	1,026,163	6,058,814	843,099
	<u>\$ 21,487,640</u>	<u>\$ 11,815,432</u>	<u>\$ 18,247,963</u>	<u>\$ 9,976,450</u>

The Florida Department of Environmental Protection (“DEP”) required the District to establish a management endowment to earn interest, which would be used to pay mitigation costs. In lieu of an endowment, the District established a \$6,000,000 letter of credit as agreed upon with the DEP. The DEP is authorized to draw down on the letter of credit. As of September 30, 2016, there were no draws on the letter of credit.

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

**NOTE 5 – LEASES**

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

	<u>2016</u>	<u>2015</u>
Noncancellable leases –		
Minimum rentals	\$ 4,581,549	\$ 4,379,292
Contingent rentals	<u>2,516,469</u>	<u>1,595,187</u>
	<u>\$ 7,098,018</u>	<u>\$ 5,974,479</u>

The bases of rentals are as follows:

Airlines — A fixed amount annually, plus a variable amount based on aircraft operations and enplaned passengers.

Rental Cars — The greater of an amount fixed annually or a percentage of revenues, and a fixed amount for terminal area and maintenance facility rent.

Restaurant/Gift Shop — The greater of a fixed annual amount or a percentage of revenues, which percentage is periodically renegotiated.

Fixed Base Operations — Fixed amounts annually based on amounts of acreage plus a variable amount based on gallons of fuel flowage.

All Others — Advertisements in the airport are on a percentage of fee basis; all others are fixed monthly amounts.

Future minimum rental commitments as of September 30, 2016, for the next five years are as follows:

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

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

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

**NOTE 6 – PASSENGER FACILITY CHARGE**

The District imposes a passenger facility charge (“PFC”) of \$4.50 per enplaned passenger (except for those passengers exempt under the application or the regulation) at the District. The air carriers receive an \$0.11 handling fee per passenger, so the District nets \$4.39 per enplaned passenger. The PFC application allows PFC funds to be collected up to five years in advance of an anticipated project or an alternative project in the event the anticipated project is not undertaken.

**NOTE 7 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS**

*Litigation:*

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

*Contract Commitments:*

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

*Sales Tax Audit:*

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

*Subsequent Events:*

The District did not have any other subsequent events requiring disclosure or recording in these financial statements through March 16, 2017, which is the date these financial statements were issued.

**NOTE 8 – COMPENSATED ABSENCES**

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

Employees are not paid in lieu of vacation except in the event of resignation or termination, in which case unused vacation pay is paid up to the amount earned. Vacation benefits are accrued in the period they are earned. The liability for accumulated annual leave at September 30, 2016 and 2015, is \$157,282 and \$169,906, respectively.

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

**NOTE 8 – COMPENSATED ABSENCES (Continued)**

All full-time employees, excluding firefighters, of the District earn or accumulate sick leave with pay at the rate of one day per month and may accumulate a maximum of 60 days. Firefighters earn or accumulate sick leave with pay at 4.89 hours per pay period or 127 hours annually and may accumulate a maximum of 636 hours. Employees accumulating the maximum sick leave may be paid annually for one-third of the excess sick leave earned over the maximum, provided the maximum accumulation is maintained. The amount of excess sick leave paid to an employee may not exceed four days per annum. A percentage of accumulated sick leave may be paid upon termination. The amount paid is dependent upon retirement age and years of service. The liability for accumulated annual sick leave at September 30, 2016 and 2015, is \$6,824 and \$10,425, respectively.

**NOTE 9 – RETIREMENT PLAN**

The District provides pension benefits for all of its full-time employees through the Panama City - Bay County Airport and Industrial District Money Purchase Plan, a defined contribution plan. The plan is administered by the District with Regions Morgan Keegan Trust serving as trustee and can only be amended by an action of the Board. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate one month after the date of employment. Benefits fully vest after six years of employment. Plan forfeitures are used to pay Plan administrative fees. Contributions in the amount of 10% of the preceding month's compensation are made each month by the District, as outlined in the adoption agreement which was approved by the Board on November 2, 1982. The Plan is noncontributory. Plan assets are invested in annuity contracts. Contributions made equaled required contributions for the current and two preceding years. The plan had 52 active participants at September 30, 2016.

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

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

**NOTE 10 – DEPOSITS AND INVESTMENTS**

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

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

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

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

Included in the District's cash balances are amounts deposited with banks in interest bearing accounts, non-interest bearing demand accounts, and interest bearing time deposit accounts. The bank balances are entirely insured by federal depository insurance or by collateral pursuant to the Florida Security for Public Deposits Act of the State of Florida.

The District held the following investments:

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

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

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

Fair Value

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

	9/30/16		9/30/15	
	<u>Total</u>	<u>Quoted Prices Level 1</u>	<u>Total</u>	<u>Quoted Prices Level 1</u>
<b>Investments by fair value level</b>				
Stocks	\$ 6,573	\$ 6,573	\$ 7,493	\$ 7,493

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

**NOTE 11 – BUDGET TO ACTUAL - REVENUES AND EXPENSES**

The annual budget is adopted on a basis consistent with generally accepted accounting principles. Management may not increase a department's total expenditures without seeking the approval of the Board of Directors, who may amend the budget at any time during the fiscal year. Amounts shown in the financial statements represent the original budgeted amounts and all supplemental amendments.

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

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

For the year ended September 30, 2015, the District's actual operating revenues were less than budgeted operating revenues by \$1,917,541, due to revenue sharing with the airlines of \$2,705,250, and actual operating expenses exceeded budgeted operating expenses by \$12,329,508. The actual operating expenses increase over budgeted operating expenses was primarily due to the \$13,107,005 in depreciation expense that was not budgeted by the District in 2015.



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

**NOTE 12 – CAPITAL ASSETS**

Changes in capital assets were as follows:

	Balance 9/30/14	Increases	Decreases	Balance 9/30/15	Increases	Decreases	Balance 9/30/16
Capital assets, not being depreciated:							
Land	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561
Construction work-in-process	<u>4,688,253</u>	<u>2,002,064</u>	<u>2,493,018</u>	<u>4,197,299</u>	<u>1,301,558</u>	<u>4,861,589</u>	<u>637,268</u>
Total capital assets, not being depreciated	<u>75,357,814</u>	<u>2,002,064</u>	<u>2,493,018</u>	<u>74,866,860</u>	<u>1,301,558</u>	<u>4,861,589</u>	<u>71,306,829</u>
Capital assets, being depreciated:							
Buildings and improvements	186,293,377	129,814	-	186,423,191	349	-	186,423,540
Improvements other than buildings	111,057,225	1,899,388	-	112,956,613	4,765,935	46,650	117,675,898
Furniture and equipment	<u>8,125,880</u>	<u>463,816</u>	<u>32,824</u>	<u>8,556,872</u>	<u>243,177</u>	<u>1,719,581</u>	<u>7,080,468</u>
Total capital assets, being depreciated	<u>305,476,482</u>	<u>2,493,018</u>	<u>32,824</u>	<u>307,936,676</u>	<u>5,009,461</u>	<u>1,766,231</u>	<u>311,179,906</u>
Less accumulated depreciation for:							
Buildings and improvements	20,232,782	4,783,580	-	25,016,362	4,790,452	-	29,806,814
Improvements other than buildings	30,284,381	7,579,862	-	37,864,243	8,537,680	-	46,401,923
Furniture and equipment	<u>5,880,310</u>	<u>743,563</u>	<u>31,533</u>	<u>6,592,340</u>	<u>819,107</u>	<u>1,717,898</u>	<u>5,693,549</u>
Total accumulated depreciation	<u>56,397,473</u>	<u>13,107,005</u>	<u>31,533</u>	<u>69,472,945</u>	<u>14,147,239</u>	<u>1,717,898</u>	<u>81,902,286</u>
Total capital assets being depreciated, net	<u>249,079,009</u>	<u>(10,613,987)</u>	<u>1,291</u>	<u>238,463,731</u>	<u>(9,137,778)</u>	<u>48,333</u>	<u>229,277,620</u>
Capital assets, net	<u>\$ 324,436,823</u>	<u>\$ (8,611,923)</u>	<u>\$ 2,494,309</u>	<u>\$ 313,330,591</u>	<u>\$ (7,836,220)</u>	<u>\$ 4,909,922</u>	<u>\$ 300,584,449</u>

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

	2016		2015
	Budget	Actual	Actual
<b>Operating Revenues</b>			
Airline -			
Passenger airline landing fees	\$ 3,195,407	\$ 2,773,182	\$ 1,652,994
Cargo airline landing fees	16,750	20,114	18,312
Terminal rentals and common use	2,038,578	1,688,988	933,550
Airline profit sharing	-	(1,625,028)	(135,020)
Total airline revenue	<u>5,250,735</u>	<u>2,857,256</u>	<u>2,469,836</u>
Car rentals -			
Concession fee	1,825,000	2,063,392	1,978,231
Customer facility charge	1,744,343	2,032,188	1,875,887
Total car rental revenue	<u>3,569,343</u>	<u>4,095,580</u>	<u>3,854,118</u>
Terminal complex -			
Public and employee parking	2,750,000	2,656,866	2,564,997
Ground transportation fees	75,450	91,266	76,830
Food and beverage concession	225,000	258,888	236,176
Retail merchandise concession	90,000	120,958	89,272
Advertising	125,000	143,748	120,346
Other terminal revenue	117,500	111,555	117,657
Total terminal complex revenue	<u>3,382,950</u>	<u>3,383,281</u>	<u>3,205,278</u>
General aviation -			
Fixed base operator rents	257,500	250,077	217,908
Fuel flowage fees	42,000	46,510	48,533
Hangar rentals	436,170	302,891	294,612
Total general aviation revenue	<u>735,670</u>	<u>599,478</u>	<u>561,053</u>
Other revenue -			
Other tenants/miscellaneous	254,900	68,957	78,987
Fuel farm	140,000	139,714	139,714
Cargo building rental	6,000	8,656	11,430
Total other revenue	<u>400,900</u>	<u>217,327</u>	<u>230,131</u>
Total operating revenues	<u>13,339,598</u>	<u>11,152,922</u>	<u>10,320,416</u>

See independent auditor's report.

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

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

See independent auditor's report.

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

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

See independent auditor's report.

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

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

See independent auditor's report.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
SCHEDULE OF NON-GRANT FUNDED CAPITAL ITEMS  
ACQUIRED DURING THE YEAR ENDED SEPTEMBER 30, 2016**

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

See independent auditor's report.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
SCHEDULE OF GRANT FUNDED CAPITAL ITEMS  
EXPENDED DURING THE YEAR ENDED SEPTEMBER 30, 2016**

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

See independent auditor's report.

**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
SCHEDULES OF OPERATIONS, GRANTS, AND CAPITAL EXPENDITURES  
LAST TEN FISCAL YEARS**

Year Ended 9/30	Percentage Increase (Decrease) of Operating Revenue Over Prior Year	Operating Revenue	Operating Expense	Net Operating Income (Loss)	PFC Revenues	Contributions/ Grants for Capital Outlay	Net Operating Income, PFC Revenues, and Contributions	Capital/ Grants Expenditures
2016	8%	\$ 11,152,922	\$ 21,281,096	\$ (10,128,174)	\$ 1,530,156	\$ 1,279,148	\$ (7,318,870)	\$ 1,402,366
2015	3%	10,320,416	20,300,887	(9,980,471)	1,503,418	823,494	(7,653,559)	2,002,064
2014	2%	9,973,071	19,950,890	(9,977,819)	1,435,586	2,793,047	(5,749,186)	3,680,103
2013	-6%	9,737,443	20,800,222	(11,062,779)	1,482,204	4,000,105	(5,580,470)	5,773,800
2012	27%	10,339,893	19,309,761	(8,969,868)	1,639,762	2,858,891	(4,471,215)	7,844,991
2011	52%	8,158,802	18,881,027	(10,722,225)	1,646,924	975,501	(8,099,800)	18,115,240
2010	49%	5,380,727	10,112,199	(4,731,472)	1,059,557	49,154,767	45,482,852	87,537,401
2009	1%	3,618,245	4,088,439	(470,194)	574,597	70,803,689	70,908,092	113,650,503
2008	6%	3,595,524	4,475,771	(880,247)	678,352	52,278,001	52,076,106	59,151,245
2007	5%	3,365,907	4,380,660	(1,014,753)	781,950	5,946,307	5,713,504	7,371,227

The following are omitted from the above data:

- (1) Interest earnings
- (2) Interest expenses
- (3) Gain (loss) on sale of fixed assets
- (4) Miscellaneous nonoperating revenues

See independent auditor's report.



**PANAMA CITY - BAY COUNTY  
AIRPORT AND INDUSTRIAL DISTRICT  
DEBT COVERAGE REQUIREMENTS  
LAST TEN FISCAL YEARS**

Year Ended 9/30	Required Debt Coverage on 1993 Series Revenue Bonds
2016	\$ 0
2015	0
2014	0
2013	0
2012	0
2011	0
2010	0
2009	0
2008	0
2007	430,631

\* The Series 1993 Bonds were paid in full during 2008.

See independent auditor's report.

**PANAMA CITY - BAY COUNTY**  
**AIRPORT AND INDUSTRIAL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL**  
**ASSISTANCE, AND PASSENGER FACILITY CHARGES**  
**YEAR ENDED SEPTEMBER 30, 2016**

	CFDA/ CSFA Number	Balance October 1, 2015	Adjustments (2)	Cash Receipts	Expenditures	Balance September 30, 2016 (1)
<b>Federal Aviation Administration</b>						
3-12-0159-007-2014	20.106	\$ (51,083)	\$ -	\$ 51,083	\$ -	\$ -
3-12-0159-008-2016	20.106	-	-	-	(953,832)	(953,832)
Total Federal Aviation Administration		(51,083)	-	51,083	(953,832)	(953,832)
<b>Department of Homeland Security</b>						
HSTS02-13-HS-LR017		(8,060)	(7,800)	62,660	(46,800)	-
HSTS02-16-HS-LR727		-	-	31,720	(47,580)	(15,860)
Total Department of Homeland Security		(8,060)	(7,800)	94,380	(94,380)	(15,860)
<b>FEMA</b>						
15-SP-8Z-01-13-13-557		(337,707)	(58,099)	-	(81,133)	(476,939)
Total Federal Awards		<u>\$ (396,850)</u>	<u>\$ (65,899)</u>	<u>\$ 145,463</u>	<u>\$ (1,129,345)</u>	<u>\$ (1,446,631)</u>
<b>Florida Department of Transportation</b>						
GO 309	55004	\$ (22,763)	\$ -	\$ 22,763	\$ (34,928)	\$ (34,928)
ARO 04	55004	(14,378)	62	27,326	(13,010)	-
AR 057	55004	(7,882)	-	7,882	-	-
Total Florida Department of Transportation		(45,023)	62	57,971	(47,938)	(34,928)
<b>SERT</b>						
SERT		(37,880)	(22,443)	-	(13,522)	(73,845)
Total State Financial Assistance		<u>\$ (82,903)</u>	<u>\$ (22,381)</u>	<u>\$ 57,971</u>	<u>\$ (61,460)</u>	<u>\$ (108,773)</u>
		Cash/Investments/ Receivables October 1, 2015	Adjustment	Revenue*	Expended	Cash/Investments/ Receivables September 30, 2016 (1)
Passenger Facility Charges		<u>\$ 187,290</u>	<u>\$ (88)</u>	<u>\$ 1,530,156</u>	<u>\$ (1,520,000)</u>	<u>\$ 197,358</u>

\* Includes interest earnings of \$292

(1) Includes receivable.

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

See independent auditor's report.



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Panama City - Bay County Airport and Industrial District, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Panama City - Bay County Airport and Industrial District's basic financial statements, and have issued our report thereon dated March 16, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Panama City - Bay County Airport and Industrial District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Panama City - Bay County Airport and Industrial District's internal control. Accordingly, we do not express an opinion on the effectiveness of Panama City - Bay County Airport and Industrial District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Panama City – Bay County Airport and Industrial District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

A handwritten signature in black ink, reading "Robert M. Carter, Esq. Chastain". The signature is written in a cursive style with a large, stylized initial 'R'.

Panama City, Florida  
March 16, 2017



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

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

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

We have audited Panama City – Bay County Airport and Industrial District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the requirements described in the Passenger Facility Audit Guide for Public Agencies, issued by the Federal Aviation Administration for its passenger facility charge program that could have a direct and material effect on each of Panama City - Bay County Airport and Industrial District's major federal programs and Passenger Facility Charge programs for the year ended September 30, 2016. Panama City - Bay County Airport and Industrial District's major federal programs and Passenger Facility Charge programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards and passenger facility charges applicable to its federal programs and Passenger Facility Charge programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Panama City - Bay County Airport and Industrial District's major federal programs and Passenger Facility Charge programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the requirements described in the Passenger Facility Audit Guide for Public Agencies, issued by the Federal Aviation Administration. Those standards, the Uniform

Guidance, and the Passenger Facility Audit Guide require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or Passenger Facility Charge program occurred. An audit includes examining, on a test basis, evidence about Panama City - Bay County Airport and Industrial District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program and Passenger Facility Charge program. However, our audit does not provide a legal determination of Panama City - Bay County Airport and Industrial District's compliance.

### ***Opinion on Each Major Federal Program and Passenger Facility Charge Program***

In our opinion, Panama City – Bay County Airport and Industrial District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal programs and Passenger Facility Charge programs for the year ended September 30, 2016.

### **Report on Internal Control over Compliance**

Management of Panama City – Bay County Airport and Industrial District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Panama City – Bay County Airport and Industrial District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program and Passenger Facility Charge program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and Passenger Facility Charge program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the Passenger Facility Audit Guide, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Panama City - Bay County Airport and Industrial District's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and Passenger Facility Charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program and Passenger Facility Charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program and Passenger Facility Charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the Passenger Facility Audit Guide. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in cursive script, reading "Elizabeth M. Carter, CPA". The signature is written in dark ink and is positioned above the printed name and title.

Panama City, Florida  
March 16, 2017

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

**SUMMARY OF AUDITOR'S RESULTS**

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

<b>Federal Program</b>	<b>Federal CFDA No.</b>
Federal Aviation Administration	20.106

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



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

**FINDINGS – FINANCIAL STATEMENT AUDIT**

NONE

**FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT**

NONE



## INDEPENDENT AUDITOR'S MANAGEMENT LETTER

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

### Report on the Financial Statements

We have audited the financial statements of the Panama City - Bay County Airport and Industrial District, as of and for the fiscal year ended September 30, 2016, and have issued our report thereon dated March 16, 2017.

### Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); and Chapter 10.550, Rules of the Auditor General.

### Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated March 16, 2017, should be considered in conjunction with this management letter.

## **Prior Audit Findings**

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

## **Official Title and Legal Authority**

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The Panama City - Bay County Airport and Industrial District is an independent special district created by an act of the Legislature of the State of Florida and is not considered a component unit of any other local governmental unit. The special act which created the District was Chapter 67-1099 of House Bill 1608 filed June 19, 1967, which was later repealed and replaced by Chapter 98-527 of House Bill 4545 filed May 22, 1998, Chapter 2005-311 of House Bill 939 filed June 14, 2005, and Chapter 2005-311 of House Bill 1635 filed July 1, 2010.

## **Financial Condition**

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not Panama City - Bay County Airport and Industrial District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Panama City - Bay County Airport and Industrial District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Panama City - Bay County Airport and Industrial District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

## **Annual Financial Report**

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Panama City - Bay County Airport and Industrial District for the fiscal year ended September 30, 2016, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2016. In connection with our audit, we determined that these two reports were in agreement.

## **Other Matters**

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

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

## **Purpose of this Letter**

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

A handwritten signature in cursive script that reads "Mark A. Carver, Esq. Chastain". The signature is written in dark ink and is positioned above the typed name and title.

Panama City, Florida  
March 16, 2017



## INDEPENDENT ACCOUNTANT'S REPORT

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

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

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

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

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

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

*Tipton, Marler, Garner & Chastain*

Panama City, Florida  
March 16, 2017