

PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
PANAMA CITY, FLORIDA
FINANCIAL STATEMENTS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018



Tipton, Marler, Garner & Chastain
The CPA Group

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FINANCIAL STATEMENTS
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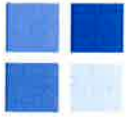
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FINANCIAL STATEMENTS
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the business-type activities of Panama City - Bay County Airport and Industrial District, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise Panama City - Bay County Airport and Industrial District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of Panama City - Bay County Airport and Industrial District, as of September 30, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2020, 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, 2020

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

The following Management's Discussion and Analysis ("MD&A") of the Panama City-Bay County Airport and Industrial District's (the "District") activities and financial performance provides an introduction to the basic financial statements of the District for the year ended September 30, 2019 with comparative information for the year ended September 30, 2018. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and the notes thereto, which are essential to a full understanding of the financial statement data.

District Background and History

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

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

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

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

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

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

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Brief Discussion of Basic Financial Statements

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

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

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

Financial Highlights

- Total assets of the District exceeded total liabilities by \$259,938,469 (net position). Of this amount, \$18,239,615 is unrestricted.
- Operating revenues increased by \$923,566, or 7.80%, over prior year operating revenues.
- Operating expenses increased by \$387,670, or 1.85%, over prior year operating expenses.
- Terminal complex revenues increased \$623,105, or 15.67%, compared to prior year.
- The District's outstanding long-term debt decreased by \$1,380,485.
- Total net position decreased by \$3,575,724, or 1.36%, due largely to depreciation expense of \$13,668,371.

Condensed Comparative Financial Statements

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

	Net Position	
	<u>2019</u>	<u>2018</u>
Current assets	\$ 28,152,920	\$ 23,008,619
Capital assets	<u>272,503,246</u>	<u>282,315,893</u>
Total assets	<u>300,656,166</u>	<u>305,324,512</u>
Long-term debt outstanding	35,773,605	37,154,090
Other liabilities	<u>4,944,092</u>	<u>4,656,229</u>
Total liabilities	<u>40,717,697</u>	<u>41,810,319</u>

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net position:		
Net investment in capital assets	236,729,641	245,161,802
Restricted	4,969,213	3,296,694
Unrestricted	<u>18,239,615</u>	<u>15,055,697</u>
Total net position	<u>\$ 259,938,469</u>	<u>\$ 263,514,193</u>

Investment in capital assets (e.g., land, buildings, and equipment), net of any related outstanding debt used to acquire those assets, represents the District's largest portion of net assets. These capital assets are utilized to provide services to the public; consequently, these assets are not available for future spending. Unrestricted net position, which is available for future spending, increased by \$3,183,918, or 21.15%.

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

Changes in Net Position

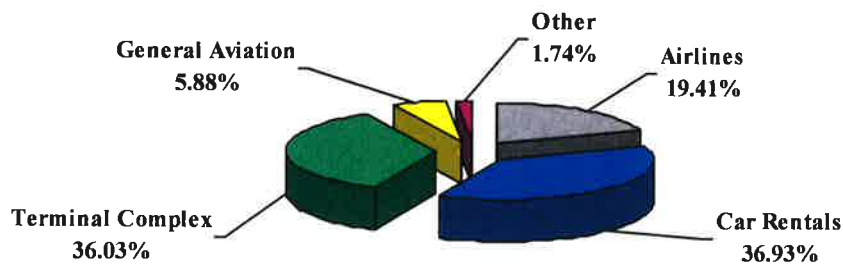
	<u>2019</u>	<u>2018</u>
Revenues		
Operating revenues	\$ 12,769,223	\$ 11,845,657
Grants and entitlements	3,199,856	4,070,819
PFC revenues	2,169,008	1,795,951
CFC revenues	1,256,338	723,898
Interest	<u>6,506</u>	<u>5,622</u>
Total revenues	<u>19,400,931</u>	<u>18,441,947</u>
Expenses		
Operating expenses	21,295,226	20,907,556
Interest expense	<u>1,709,088</u>	<u>1,769,798</u>
Total expenses	23,004,314	22,677,354
Excess (deficiency) before special items	<u>(3,603,383)</u>	<u>(4,235,407)</u>
Special items		
Unrealized gain/loss	(38)	1,605
Insurance proceeds	303,729	36,996
Disaster Expense	(275,287)	-
Gain on disposal of assets	<u>(745)</u>	<u>433,879</u>
Total special items	<u>27,659</u>	<u>472,480</u>
Increase (decrease) in net position	<u>\$ (3,575,724)</u>	<u>\$ (3,762,927)</u>

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AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

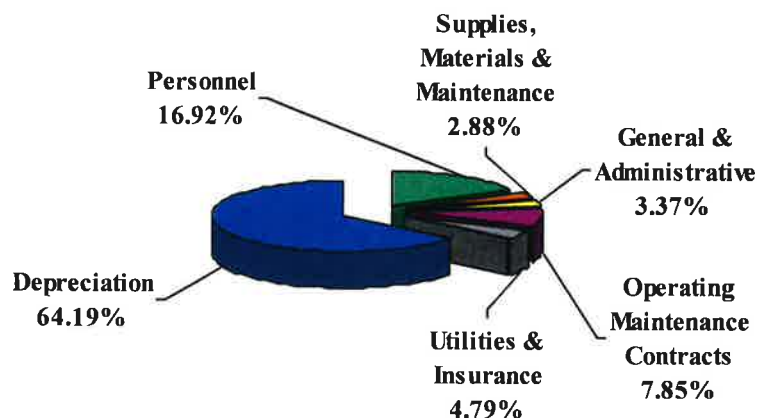
Analysis of Financial Position and Results of Operations

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 at \$4,716,142, airlines at \$2,478,773, and the terminal complex, which includes parking and concessions, at \$4,600,290. The following chart shows the major sources of revenues for the year ended September 30, 2019:



Depreciation accounts for the largest portion of operating expenses at \$13,668,371. Depreciation is not budgeted, and it also represents a high percentage of the District's expenses compared to other airports. Since the facility is relatively new, having opened in 2010, other airports of similar size may have fully depreciated facilities and depreciation is not such a large portion of expenses. Other major operating expenses include personnel at \$3,602,579, utilities and insurance at \$1,020,067 and operating maintenance contracts totaling \$1,671,370. The following chart shows the major categories of expenses for the year:



**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Budgetary Analysis

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

The 2019 budget projected revenues of \$14,036,740 and operating expenses in the amount of \$8,279,846. It also included funds for capital projects, capital reserves and capital purchases of \$5,146,310, while debt service was budgeted at \$3,089,574. No budget amendments were made during the course of the year.

Without regard to depreciation, the District's operating expenses were under budget by \$652,990, or 7.89%, due in large part to staff efforts to control costs and operate as efficiently as possible. Actual operating expenses exceeded budget by \$13,015,380, due in large part to depreciation expense of \$13,668,371, which was not budgeted.

The District's agreement with the signatory airlines provides for a rent rebate and revenue sharing based on the financial results of operations of the Airport. Therefore, actual operating revenues were less than budget by \$1,267,517, due to the rebate of rents, fees and profit sharing to the signatory airlines in the amount of \$3,315,607.

Capital Assets

At September 30, 2019, the District had \$393,967,758 invested in a broad range of capital assets, including buildings, furniture and fixtures, police and fire equipment, maintenance equipment and vehicles. This amount represents a net increase (including additions and disposals of capital assets) of \$3,827,132, or .98%, compared to last year.

Capital Assets

	FY 2019	FY 2018
Land	\$ 70,669,561	\$ 70,669,561
Buildings and improvements	186,423,540	186,423,540
Improvements other than buildings	126,722,689	123,736,716
Furniture and equipment	7,832,627	7,420,850
Construction work-in-progress	2,319,341	1,889,959
Totals	\$ 393,967,758	\$ 390,140,626

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

- Capital equipment additions totaled \$440,369 with disposals equaling \$28,592;
- Mitigation site development was ongoing at a cost of \$365,410, of which \$230,002 was funded by FAA grants;

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MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

- A security system upgrade multi-year project was completed with a total cost of \$2,057,703, of which Florida Department of Transportation (“FDOT”) and FAA grants funded \$1,710,054;
- The Terminal crosswalk improvement project was completed at a cost of \$126,687, of which \$55,040 was funded by an FDOT grant;
- LED lighting was installed on the airport entrance road and on the terminal apron area at a cost of \$257,892, with an FDOT grant covering \$107,324 of the cost; and
- Notable projects in progress include a Terminal expansion with costs in progress of \$207,693, the Terminal apron repair and expansion with costs of \$1,678,506, and an update to the Airport’s Master Plan with expenses to date of \$311,441.

Total capital expenditures for fiscal year 2019 were \$3,946,343 for grant and non-grant projects and equipment. Federal and state contributions to these expenditures totaled \$2,880,926, while the remaining \$1,065,417 was funded by the District.

Debt Activity

At year-end, the District had long-term debt of \$35,773,605 with the State Infrastructure Bank of Florida (“SIB”) as shown below:

Outstanding Debt

	<u>FY 2019</u>	<u>FY 2018</u>
SIB Loan #1	\$ 19,353,483	\$ 20,097,091
SIB Loan #2	16,420,122	17,056,999
Total Debt	<u>\$ 35,773,605</u>	<u>\$ 37,154,090</u>

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

Statistical Information and Rates & Charges

Airport activities during 2019 as compared to 2018 are as follows:

	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Increase (Decrease)</u>
Enplanements	602,686	523,316	15.17%
Total Passengers	1,204,404	1,049,168	14.80%
Aircraft Operations	63,002	67,421	(6.55%)
Aircraft Landed Weight	692,392,787	585,447,669	18.27%

Fiscal year 2019 traffic increased as a result of additional service provided by the airline partners and up-gauging of aircraft. The Airport has signatory airline partnerships with United Airlines, American Airlines, Delta Airlines and Southwest Airlines. ECP set a record by breaking the 1,200,000 mark in total passengers with seven of twelve months seeing over 100,000 total passengers each.

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Budgeted Airport Rates & Charges are as follows:

	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Increase (Decrease)</u>
Terminal Rental Rate	\$63.74	\$61.24	4.08%
Landing Fee	\$ 4.78	\$ 5.90	(18.98%)
Signatory Cost Per Enplanement	\$ 6.25	\$ 7.42	(15.77%)

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

	<u>FY 2019</u>	<u>FY 2018</u>	<u>% Increase (Decrease)</u>
Terminal Rental Rate	\$57.84	\$60.45	(4.32%)
Landing Fee	\$ 4.23	\$ 5.04	(16.07%)
Signatory Cost Per Enplanement	\$ 4.11	\$ 5.11	(19.57%)

The settlement and revenue sharing calculations resulted in a rebate to the signatory airlines in the amount of \$3,315,607.

Currently Known Facts, Decisions or Conditions

Northwest Florida Beaches International Airport (ECP) opened on May 23, 2010 with increased flights, improved competition and lower air fares than previously enjoyed at Panama City's predecessor airport, Panama City-Bay County International Airport (PFN). Passenger volumes in Fiscal Year 2019 have shown strong growth, which resulted in our market share being 22% of the total of the four airports in the Panhandle region in September 2019. Total passenger traffic for fiscal year 2019 showed a nearly 15% increase over 2018. As we complete the ninth fiscal year of operation, the airport continues the development of a sound financial structure. In order to move forward and carry on this trend, the Airport's goals for 2020 include working with the FAA and FDOT to further efforts in the development of the airfield and working with the Bay County Economic Development Alliance to encourage aviation-related businesses to locate at the airport. The Airport plans to continue to develop additional air service opportunities for our region.

With the increase in passenger counts, the Airport is currently working on construction of an expansion to the terminal facility to meet capacity needs. A new Airport Master Plan Update, which will shape our future growth, continues to proceed, as well as work on a transient apron and related taxiway for aircraft parking.

**PANAMA CITY-BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Additionally, the Airport is working with the Florida National Guard to relocate the Panama City Armory to the Airport and will be working with the FAA and the US Army Corp of Engineers on the basic Environmental Assessment on various parcels not included in the Phase One Permit. Our continued refinement of the business process, improved cost effectiveness and marketing initiatives, and other strategic initiatives will guide our vision for the upcoming fiscal year. The outlook for the Airport and its growth is bright.

Contacting the District's Financial Management

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

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF NET POSITION
SEPTEMBER 30, 2019 AND 2018**

ASSETS

	2019	2018
Current Assets		
Cash and cash equivalents	\$ 17,778,314	\$ 14,524,757
Investments	9,619	9,658
Accounts receivable - trade	1,267,870	1,477,327
Accounts receivable - grants	4,060,670	3,637,335
Prepaid items	67,234	62,848
Total current assets	23,183,707	19,711,925
 Noncurrent Assets		
Restricted assets	4,969,213	3,296,694
Capital assets:		
Land	70,669,561	70,669,561
Buildings and improvements	186,423,540	186,423,540
Improvements other than buildings	126,722,689	123,736,716
Furniture and equipment	7,832,627	7,420,850
Less accumulated depreciation	(121,464,512)	(107,824,733)
Construction work-in-process	2,319,341	1,889,959
Net capital assets	272,503,246	282,315,893
Total noncurrent assets	277,472,459	285,612,587
 Total Assets	\$ 300,656,166	\$ 305,324,512

LIABILITIES AND NET POSITION

	2019	2018
Current Liabilities		
Accounts payable	\$ 4,333,211	\$ 4,011,142
Accrued expenses	372,996	408,856
Current maturities of long-term liabilities	26,596	37,522
Total current liabilities	4,732,803	4,457,520
 Long-Term Liabilities		
Long-term debt, less current maturities	35,773,605	37,154,090
Accrued vacation	195,633	186,232
Accrued sick leave	15,656	12,477
Total long-term liabilities	35,984,894	37,352,799
 Total liabilities	40,717,697	41,810,319
 Net Position		
Net investment in capital assets	236,729,641	245,161,802
Restricted	4,969,213	3,296,694
Unrestricted	18,239,615	15,055,697
Total net position	259,938,469	263,514,193
 Total Liabilities and Net Position	\$ 300,656,166	\$ 305,324,512

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, 2019 AND 2018**

	2019	2018
Operating Revenues		
Airlines	\$ 2,478,773	\$ 2,971,717
Car rentals	4,716,142	4,005,982
Terminal complex	4,600,290	3,977,185
General aviation	751,308	708,499
Other tenants and miscellaneous	222,710	182,274
Total operating revenues	12,769,223	11,845,657
Operating Expenses		
Personnel costs	3,602,579	3,436,203
Supplies, materials, and maintenance	614,302	578,446
General and administrative expenses	718,537	806,504
Operating maintenance contracts	1,671,370	1,699,687
Utilities and insurance	1,020,067	1,071,717
Depreciation	13,668,371	13,314,999
Total operating expenses	21,295,226	20,907,556
Income (loss) from operations	(8,526,003)	(9,061,899)
Nonoperating Revenues (Expenses)		
Interest income	6,506	5,622
PFC revenues	2,169,008	1,795,951
CFC revenues	1,256,338	723,898
Interest expense	(1,709,088)	(1,769,798)
Grant revenues	3,199,856	4,070,819
Gain on sale of assets	(745)	433,879
Unrealized gain (loss) on investments	(38)	1,605
Disaster expenses	(275,287)	-
Net insurance proceeds	303,729	36,996
Total nonoperating revenues (expenses)	4,950,279	5,298,972
Change in Net Position	(3,575,724)	(3,762,927)
Total Net Position at Beginning of Year	263,514,193	267,277,120
Total Net Position at End of Year	\$ 259,938,469	\$ 263,514,193

See the accompanying notes.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019	2018
Cash Flows From Operating Activities		
Cash received from customers	\$ 12,974,293	\$ 11,219,018
Cash paid to suppliers for goods and services	(3,829,583)	(3,231,931)
Cash paid to employees for services	(3,674,156)	(3,308,125)
Net cash provided by operating activities	5,470,554	4,678,962
Cash Flows From Capital and Related Financing Activities		
Acquisition of capital assets	(3,868,719)	(5,356,885)
Proceeds from disposition of assets	12,250	435,047
PFC/CFC revenues	3,516,465	2,457,863
Proceeds from insurance	303,729	36,996
SIB loan proceeds (principal paid)	(1,380,485)	(1,319,775)
Interest expense on debt	(1,709,088)	(1,769,798)
Grants received -		
State of Florida	466,558	133,434
Federal Aviation Administration	2,199,424	1,869,341
Net cash used in capital and related financing activities	(459,866)	(3,513,777)
Cash Flows From Investing Activities		
Interest earned on investments	6,506	5,622
Net Increase in Cash and Cash Equivalents	5,017,194	1,170,807
Cash and Cash Equivalents at Beginning of Year	17,562,395	16,391,588
Cash and Cash Equivalents at End of Year	\$ 22,579,589	\$ 17,562,395

	<u>2019</u>	<u>2018</u>
Reconciliation of Operating Income to Net Cash Provided		
By Operating Activities		
Operating loss	\$ (8,526,003)	\$ (9,061,899)
Adjustments to reconcile operating income to net cash provided by operating activities-		
Depreciation	13,668,371	13,314,999
Disaster expenses	(275,287)	-
TSA	110,540	106,980
(Increase) decrease in assets:		
Accounts receivable	209,457	(665,245)
Prepaid items	(4,386)	38,607
Increase (decrease) in liabilities:		
Accounts payable	322,069	877,930
Accrued expenses	(44,284)	36,449
Accrued vacation	6,898	26,045
Accrued sick leave	3,179	5,096
Net cash provided by operating activities	<u>\$ 5,470,554</u>	<u>\$ 4,678,962</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$ 1,709,088</u>	<u>\$ 1,769,798</u>
 Reconciliation of Cash and Cash Equivalents per Statements of Cash Flows to the Statements of Net Position		
Cash and cash equivalents	\$ 17,778,314	\$ 14,524,757
Restricted cash and cash equivalents	4,801,275	3,037,638
	<u>\$ 22,579,589</u>	<u>\$ 17,562,395</u>

See the accompanying notes.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity:

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

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

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

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

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

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

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

expenses of the District include personnel costs, supplies, materials, maintenance, general and administrative expenses, operating maintenance contracts, utilities and insurance, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. Capital grants are reported as nonoperating revenue in compliance with GASB Statement No. 33.

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

Advertising:

Advertising costs are generally charged to operations in the year incurred. Advertising expense was \$253,144 and \$227,282 for the years ended September 30, 2019 and 2018, respectively.

Investments:

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

Capital Assets:

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

Estimated useful lives are generally as follows:

Buildings and improvements	10-39 years
Improvements other than buildings	5-39 years
Furniture and equipment	3-15 years

Cash Equivalents:

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

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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, 2019 and 2018, no allowance for uncollectible accounts was considered necessary.

Estimates:

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

Recently Issued Accounting Pronouncements:

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

In June 2017, the GASB issued Statement No. 87, *Leases*. This statement increased the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

In May 2019, the GASB issued Statement No. 91, “*Conduit Debt Obligations*”. This statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with 1) commitments extended by issuers, 2) arrangements associated with conduit debt obligations, and 3) related note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. The District is evaluating the impact, if any, upon its financial position, results of operations or cash flows upon adoption.

In January 2020, the GASB issued Statement No. 92, “*Omnibus 2020*”. This statement will enhance the comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB statements. The requirements of this statement are effective for reporting periods beginning after June 15, 2020. 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, 2019 and 2018, restricted assets consisted of the following:

	<u>2019</u>	<u>2018</u>
Cash and Cash Equivalents –		
CFC Account	\$ 4,005,509	\$ 2,905,167
Construction	19,318	9,576
PFC Excess Cash	754,634	101,084
Forfeiture Funds	1,821	1,821
Law Enforcement Trust	605	605
Escrow Fund	12,000	12,000
Treasury Funds	7,388	7,385
Accounts Receivable - PFC	<u>167,938</u>	<u>259,056</u>
	<u>\$ 4,969,213</u>	<u>\$ 3,296,694</u>

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 3 – RISK MANAGEMENT

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

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

NOTE 4 – LONG-TERM LIABILITIES

Changes in long-term liabilities are summarized as follows:

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019	Due in One Year
State Infrastructure Bank Loan: Agreement dated December 21, 2007 authorized a total principal of \$25,000,000, interest payable at 4.6% beginning October 1, 2011 with principal and interest payments of \$1,668,074 due annually beginning October 1, 2011 and maturing in 2036; The loan is collateralized by a pledge of net revenues and eligible PFC revenues.	\$ 20,097,091	\$ -	\$ 743,608	\$ 19,353,483	\$ -
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.	17,056,999	-	636,877	16,420,122	-

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019	Due in One Year
Total Long-Term Debt	<u>37,154,090</u>	-	<u>1,380,485</u>	<u>35,773,605</u>	-
Total Compensated Absences	<u>236,231</u>	<u>1,654</u>	-	<u>237,885</u>	<u>26,596</u>
Total Long-Term Liabilities	<u>\$37,390,321</u>	<u>\$ 1,654</u>	<u>\$ 1,380,485</u>	<u>\$ 36,011,490</u>	<u>\$ 26,596</u>

Debt service requirements to maturity for long-term debt subsequent to September 30, 2019, are as follows:

Fiscal Year Ended	State Infrastructure Bank Loan Agreement		State Infrastructure Bank Loan Agreement	
	Principal	Interest	Principal	Interest
2021	\$ 777,814	\$ 890,260	\$ 666,174	\$ 755,326
2022	813,593	854,481	696,818	724,682
2023	851,018	817,056	728,872	692,628
2024	890,165	777,909	762,400	659,100
2025	931,113	736,961	797,471	624,029
2026-2030	5,338,822	3,001,548	4,572,543	2,534,957
2031-2035	6,685,038	1,655,332	5,725,536	1,381,964
2036-2037	<u>3,065,920</u>	<u>211,821</u>	<u>2,470,308</u>	<u>167,106</u>
	<u>\$ 19,353,483</u>	<u>\$ 8,945,368</u>	<u>\$ 16,420,122</u>	<u>\$ 7,539,792</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, 2019, there were no draws on the letter of credit.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 5 – LEASES

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

	2019	2018
Noncancellable leases –		
Minimum rentals	\$ 7,016,189	\$ 6,349,128
Contingent rentals	4,383,634	3,762,145
	\$ 11,399,823	\$ 10,111,273

The bases of rentals are as follows:

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

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

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

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

All Others — Advertisements in the airport are the greater of a fixed annual amount or a percentage of revenues; all others are fixed monthly amounts.

Future minimum rental commitments as of September 30, 2019, for the next five years are as follows:

2020	\$ 6,281,907
2021	543,175
2022	527,553
2023	522,323
2024	508,433

The approximate carrying value and accumulated depreciation pertaining to property held for rental included on the Statements of Net Position at September 30, 2019 is not readily determinable.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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, 2019, the District had contractual commitments of approximately \$1,984,952 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, 2020, 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, 2019 and 2018, is \$195,633 and \$186,232, respectively.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 8 – COMPENSATED ABSENCES (Continued)

All full-time employees, excluding firefighters, of the District earn or accumulate sick leave with pay at the rate of one day per month and may accumulate a maximum of 60 days. Firefighters earn or accumulate sick leave with pay at 4.89 hours per pay period or 127 hours annually and may accumulate a maximum of 636 hours. Employees accumulating the maximum sick leave may be paid annually for one-third of the excess sick leave earned over the maximum, provided the maximum accumulation is maintained. A percentage of accumulated sick leave may be paid upon termination. The liability for accumulated annual sick leave at September 30, 2019 and 2018, is \$15,656 and \$12,477, 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 70 active participants at September 30, 2019.

The District's total personnel costs in fiscal year 2019 and 2018 were \$3,602,579 and \$3,436,203, respectively. The District's contributions were calculated using the salary amount of approximately \$2,682,836 and \$2,400,080 for September 30, 2019 and 2018, respectively. The retirement expense by the District was \$253,787 and the amount contributed was \$253,787 for the year ended September 30, 2019; the expense for the year ended September 30, 2018 was \$242,041 and the amount contributed was \$242,041.

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;

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 10 – DEPOSITS AND INVESTMENTS (Continued)

- 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>9/30/19</u>		<u>9/30/18</u>	
	<u>Less than 1 Year</u>	<u>More than 1 Year</u>	<u>Less than 1 Year</u>	<u>More than 1 Year</u>
Other	\$ 0	\$ 9,619	\$ 0	\$ 9,658

Fair Value

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

Investments by Fair value level	<u>9/30/19</u>		<u>9/30/18</u>	
	<u>Total</u>	<u>Quoted Prices Level 1</u>	<u>Total</u>	<u>Quoted Prices Level 1</u>
	Stocks	\$ 9,619	\$ 9,619	\$ 9,658

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

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

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, 2019, the District's actual operating revenues were less than budgeted operating revenues by \$1,267,517, due to revenue sharing with the airlines of \$2,684,887, and actual operating expenses exceeded budgeted operating expenses by \$13,015,380. The actual operating expenses increase over budgeted operating expenses was due to the following:

- \$13,668,371 in depreciation expense that was not budgeted by the District in 2019.

For the year ended September 30, 2018, the District's actual operating revenues were less than budgeted operating revenues by \$1,137,796, due to revenue sharing with the airlines of \$1,997,464, and actual operating expenses exceeded budgeted operating expenses by \$12,990,728. The actual operating expenses increase over budgeted operating expenses was primarily due to the \$13,314,999 in depreciation expense that was not budgeted by the District in 2018.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2019 AND 2018**

NOTE 12 – CAPITAL ASSETS

Changes in capital assets were as follows:

	Balance 9/30/17	Increases	Decreases	Balance 9/30/18	Increases	Decreases	Balance 9/30/19
Capital assets, not being depreciated:							
Land	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561	\$ -	\$ -	\$ 70,669,561
Construction work-in-process	466,698	4,245,285	2,822,024	1,889,959	3,789,996	3,360,614	2,319,341
Total capital assets, not being depreciated	71,136,259	4,245,285	2,822,024	72,559,520	3,789,996	3,360,614	72,988,902
Capital assets, being depreciated:							
Buildings and improvements	186,423,540	-	-	186,423,540	-	-	186,423,540
Improvements other than buildings	120,273,723	3,462,993	-	123,736,716	2,985,973	-	126,722,689
Furniture and equipment	7,054,178	470,631	103,959	7,420,850	440,369	28,592	7,832,627
Total capital assets, being depreciated	313,751,441	3,933,624	103,959	317,581,106	3,426,342	28,592	320,978,856
Less accumulated depreciation for:							
Buildings and improvements	34,592,057	4,785,243	-	39,377,300	4,784,485	-	44,161,785
Improvements other than buildings	53,818,106	8,205,218	-	62,023,324	8,560,976	-	70,584,300
Furniture and equipment	6,202,363	324,538	102,792	6,424,109	322,910	28,592	6,718,427
Total accumulated depreciation	94,612,526	13,314,999	102,792	107,824,733	13,668,371	28,592	121,464,512
Total capital assets being depreciated, net	219,138,915	(9,381,375)	1,167	209,756,373	(10,242,029)	-	199,514,344
Capital assets, net	\$ 290,275,174	\$ (5,136,090)	\$ 2,823,191	\$ 282,315,893	\$ (6,452,033)	\$ 3,360,614	\$ 272,503,246

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULES OF BUDGETED AND ACTUAL RECEIPTS AND EXPENSES
YEARS ENDED SEPTEMBER 30, 2019 AND 2018**

	2019		2018
	Budget	Actual	Actual
Operating Revenues			
Airlines -			
Airline landing fees	\$ 2,884,194	\$ 2,896,803	\$ 2,893,923
Cargo airline landing fees	16,473	16,636	19,002
Airline terminal rent	2,342,534	2,250,221	2,056,256
Signatory airline revenue sharing	-	(2,684,887)	(1,997,464)
Total airlines	<u>5,243,201</u>	<u>2,478,773</u>	<u>2,971,717</u>
Car rentals -			
Rental cars concession fees	2,452,379	3,196,973	2,499,019
Rental cars customer facility charges	1,519,169	1,519,169	1,506,963
Total car rentals	<u>3,971,548</u>	<u>4,716,142</u>	<u>4,005,982</u>
Terminal complex -			
Public and employee parking	3,169,657	3,749,376	3,154,323
Ground transportation fees	102,115	122,918	103,389
Advertising concessions	90,574	88,275	101,354
Retail merchandise concessions	107,129	111,153	104,446
Food and beverage concessions	312,768	397,036	324,764
Other terminal revenue	131,384	131,532	188,909
Total terminal complex	<u>3,913,627</u>	<u>4,600,290</u>	<u>3,977,185</u>
General aviation -			
Fixed base operator rents	337,684	337,701	312,974
Fuel flowage fees	53,535	63,153	55,054
Hangar/land rentals	331,200	350,454	340,471
Total general aviation	<u>722,419</u>	<u>751,308</u>	<u>708,499</u>
Other tenants and miscellaneous -			
Other tenants and miscellaneous	40,231	76,996	36,560
Fuel farm	139,714	139,714	139,714
Cargo building rental	6,000	6,000	6,000
Total other tenants and miscellaneous	<u>185,945</u>	<u>222,710</u>	<u>182,274</u>
Total operating revenues	<u>14,036,740</u>	<u>12,769,223</u>	<u>11,845,657</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, 2019 AND 2018**

	2019		2018
	Budget	Actual	Actual
Operating Expenses			
Personnel costs -			
Salary and wages	\$ 2,701,916	\$ 2,474,850	\$ 2,401,168
Overtime	89,622	98,773	82,507
FICA contributions	208,889	186,681	179,947
Group insurance	585,142	504,225	451,810
Retirement	274,909	253,787	242,041
Workers compensation insurance	79,500	81,106	73,908
Other personnel costs	13,200	3,157	4,822
Total personnel costs	<u>3,953,178</u>	<u>3,602,579</u>	<u>3,436,203</u>
Supplies, materials, and maintenance -			
Airfield and grounds	209,675	160,817	143,078
Computer supplies and software	23,250	22,127	18,674
Machinery and equipment	24,400	27,312	22,070
Miscellaneous supplies	11,200	6,771	12,149
Radio equipment	10,056	10,166	12,196
Safety and security	31,700	30,674	29,820
Small tools and equipment	13,000	11,078	12,062
Terminal facility services and supplies	302,200	262,122	240,747
Uniforms, clothing, and boots	19,300	16,518	19,730
Vehicles, oil, tires, and fuel	72,500	66,717	67,920
Total supplies, materials, and maintenance	<u>717,281</u>	<u>614,302</u>	<u>578,446</u>
General and administrative expenses -			
Bank charges	52,200	53,535	40,950
Bad debt expense	5,000	16,407	480
Business meetings and events	7,500	5,265	7,574
Dues, licenses, publications, and training	73,321	66,798	64,769
Marketing and advertising	275,000	253,144	227,282
Office services and supplies	28,925	27,958	28,317
Financial consulting services	68,000	41,511	40,601
Legal services	85,000	36,573	46,580
Professional services	264,004	198,424	329,027
Travel and conferences	34,700	18,922	20,924
Total general and administrative expenses	<u>893,650</u>	<u>718,537</u>	<u>806,504</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, 2019 AND 2018**

	2019		2018
	Budget	Actual	Actual
Operating Expenses (continued)			
Operating maintenance contracts			
Computer services	\$ 148,633	\$ 136,973	\$ 218,671
Contract cleaning	708,150	730,689	662,758
Elevator and escalator	50,000	38,032	35,470
Passenger loading bridges	298,539	305,837	290,723
Parking lot management	444,812	459,839	419,199
Contract security	-	-	72,866
Total operating maintenance contracts	<u>1,650,134</u>	<u>1,671,370</u>	<u>1,699,687</u>
Utilities and insurance			
Electricity	687,758	637,912	689,059
Telephone	25,500	22,531	26,158
Water and sewer	195,113	201,158	210,243
Building and contents insurance	80,744	84,736	75,111
Liability and auto insurance	76,488	73,730	71,146
Total utilities and insurance	<u>1,065,603</u>	<u>1,020,067</u>	<u>1,071,717</u>
Total	8,279,846	7,626,855	7,592,557
Depreciation	-	13,668,371	13,314,999
Total operating expenses	<u>8,279,846</u>	<u>21,295,226</u>	<u>20,907,556</u>
Excess operating revenues (expenses)	<u>5,756,894</u>	<u>(8,526,003)</u>	<u>(9,061,899)</u>
Nonoperating Revenues (Expenses)			
Interest income	5,389	6,506	5,622
PFC revenues	2,143,413	2,169,008	1,795,951
CFC Revenue	585,499	1,256,338	723,898
Interest expense	(1,709,088)	(1,709,088)	(1,769,798)
Grant revenues	63,556,148	3,199,856	4,070,819
Gain on sale of assets	-	(745)	433,879
Unrealized gain (loss) on investments	-	(38)	1,605
Disaster expenses	-	(275,287)	-
Net insurance proceeds	-	303,729	36,996
Total nonoperating revenues (expenses)	<u>64,581,361</u>	<u>4,950,279</u>	<u>5,298,972</u>
Excess Revenues (Expenses)	<u>\$ 70,338,255</u>	<u>\$ (3,575,724)</u>	<u>\$ (3,762,927)</u>

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF CONSTRUCTION WORK-IN-PROGRESS
SEPTEMBER 30, 2019**

<u>Project Number</u>			
FDOT GO309	Terminal expansion	\$	207,693
AIP 3-12-0159-008-2017/2018	Gate apron		974,627
AIP 3-12-0159-012-2018/FDOT ARB-67	Master Plan		311,441
AIP 3-12-0159-015-2019	Transient apron		75,423
AIP 3-12-0159-015-2019	Taxiway E-1		4,277
AIP 3-12-0159-013-2018/GO309	Terminal ramp expansion		703,880
Airport Funding	Capital		42,000
			<u>2,319,341</u>
		\$	<u>2,319,341</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, 2019**

Police utility vehicle	\$	14,119
Cargo trailer		2,650
Tires for fire truck		12,976
Police ballistic shield		1,455
Police ballistic shield		1,455
SCBA unit		7,419
SCBA unit		7,419
Firefighter turnout gear		1,579
Firefighter turnout gear		1,579
Skylight replacement		50,990
Baggage makeup belt replacement		53,435
Bathroom flooring replacement		37,260
4 inch deep well with pump		7,500
4 inch deep well with pump		7,500
LED lighting		43,244
		<hr/>
	\$	<u>250,580</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, 2019**

Project Number	Description	Airport Funding	FAA Funding	FDOT Funding	Total
Capital Projects:					
AIP 3-12-0159-009-2017	Mitigation site development	\$ 21,142	\$ 110,804	\$ -	\$ 131,946
AIP 3-12-0159-010-2018	Mitigation site development	114,265	119,199	-	233,464
	Total mitigation site development	135,407	230,003	-	365,410
AIP 3-12-0159-012-2018/FDOT ARB-67	Master plan update	29,218	253,004	29,218	311,440
AIP 3-12-0159-015-2019	Transient apron	7,542	67,881	-	75,423
AIP 3-12-01-015-2019	Taxiway E-1	428	3,849	-	4,277
FDOT GO-309	LED lighting upgrade	107,324	-	107,324	214,648
AIP 3-12-0159-008-2016	Security system upgrades	6,003	54,030	-	60,033
AIP 3-12-0159-010-2018/FDOT GO309	Security system upgrades	39,905	145,534	38,773	224,212
	Total security system upgrades	45,908	199,564	38,773	284,245
AIP 3-12-0159-015-2019/FDOT GO-309	Terminal building expansion	10,443	93,983	55,237	159,663
AIP 3-12-0159-013-2018/FDOT GO-309	Terminal ramp expansion	70,388	633,492	-	703,880
FDOT ARB-67	Shuttle vehicles for parking lot	23,940	-	23,940	47,880
FDOT ARB-67	Replacement ARFF vehicle	17,959	-	17,729	35,688
FDOT ARB-67	Wheel loader	42,624	-	42,624	85,248
FDOT ARB-67	Computerized fueling system	64,043	-	57,000	121,043
FDOT ARB-67	Paint striper	14,500	-	14,500	29,000
FDOT ARB-67	Personnel lift	4,786	-	4,786	9,572
FDOT ARB-67	Uninterruptible power supply system	30,787	-	30,500	61,287
FDOT ARB-67	Bi-part automatic siding door	11,096	-	10,500	21,596
FDOT ARB-67	Terminal ramp rehabilitation	7,813	-	7,813	15,626
AIP 3-12-0159-011-2018/FDOT ARO-06	Terminal ramp rehabilitation	39,856	825,435	36,232	901,523
	Total terminal ramp rehabilitation	47,669	825,435	44,045	917,149
FDOT GO-309	Crosswalk improvements	60,653	-	55,040	115,693
	Projects not capitalized	48,120	-	42,499	90,619
Total Grant Funding		<u>\$ 772,835</u>	<u>\$ 2,307,211</u>	<u>\$ 573,715</u>	<u>\$ 3,653,761</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 Revenues, and Contributions	Capital/Grants Expenditures
2019	8%	\$ 12,769,223	\$ 21,295,226	\$ (8,526,003)	\$ 2,169,008	\$ 3,199,856	\$ (3,157,139)	\$ 3,855,724
2018	3%	11,845,657	20,907,556	(9,061,899)	1,795,951	4,070,819	(3,195,129)	5,356,885
2017	3%	11,504,891	20,696,329	(9,191,438)	1,579,988	2,794,938	(4,816,512)	3,141,260
2016	8%	11,152,922	21,281,096	(10,128,174)	1,530,157	1,279,147	(7,318,870)	1,402,366
2015	3%	10,320,416	20,300,887	(9,980,471)	1,503,418	823,494	(7,653,559)	2,002,064
2014	2%	9,973,071	19,950,890	(9,977,819)	1,435,586	2,793,047	(5,749,186)	3,680,103
2013	-6%	9,737,443	20,800,222	(11,062,779)	1,482,204	4,000,105	(5,580,470)	5,773,800
2012	27%	10,339,893	19,309,761	(8,969,868)	1,639,762	2,858,891	(4,471,215)	7,844,991
2011	52%	8,158,802	18,881,027	(10,722,225)	1,646,924	975,501	(8,099,800)	18,115,240
2010	49%	5,380,727	10,112,199	(4,731,472)	1,059,557	49,154,767	45,482,852	87,537,401

The following are omitted from the above data:

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

See independent auditor's report.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE, AND PASSENGER FACILITY CHARGES
YEAR ENDED SEPTEMBER 30, 2019**

	CFDA/ CSFA Number	Balance October 1, 2018	Adjustments (2)	Cash Receipts	Expenditures	Balance September 30, 2019 (1)
Federal Aviation Administration						
3-12-0159-008-2016	20.106	\$ (236,607)	\$ -	\$ 290,637	\$ (54,030)	\$ -
3-12-0159-009-2017	20.106	(751,871)	-	1,008,209	(256,338)	-
3-12-0159-010-2018	20.106	-	-	36,345	(119,199)	(82,854)
3-12-0159-011-2018	20.106	(20,508)	(3,520)	804,153	(825,435)	(45,310)
3-12-0159-012-2018	20.106	-	-	59,887	(253,004)	(193,117)
3-12-0159-013-2018	20.106	-	(192)	192	(633,492)	(633,492)
3-12-0159-015-2019	20.106	-	(231,672)	-	(165,712)	(397,384)
Total Federal Aviation Administration		<u>(1,008,986)</u>	<u>(235,384)</u>	<u>2,199,423</u>	<u>(2,307,210)</u>	<u>(1,352,157)</u>
Department of Homeland Security						
HSTS02-16-H-SLR727	NA	(9,060)	-	110,540	(110,540)	(9,060)
FEMA						
15-SP-8Z-01-13-13-557	97.036	(1,977,477)	-	-	-	(1,977,477)
Total Federal Awards		<u>\$ (2,995,523)</u>	<u>\$ (235,384)</u>	<u>\$ 2,309,963</u>	<u>\$ (2,417,750)</u>	<u>\$ (3,338,694)</u>
Florida Department of Transportation						
ARB 67	55004	\$ -	\$ -	98,748	(281,109)	(182,361)
ARO 06	55004	-	(2,518)	-	(36,232)	(38,750)
GO 309	55004	(317,877)	29,513	367,810	(256,374)	(176,928)
Total Florida Department of Transportation		<u>(317,877)</u>	<u>26,995</u>	<u>466,558</u>	<u>(573,715)</u>	<u>(398,039)</u>
SERT						
SERT		(323,937)	-	-	-	(323,937)
Total State Financial Assistance		<u>\$ (641,814)</u>	<u>\$ 26,995</u>	<u>\$ 466,558</u>	<u>\$ (573,715)</u>	<u>\$ (721,976)</u>
		Cash/Investments/ Receivables October 1, 2018	Adjustment	Revenue*	Expended	Cash/Investments/ Receivables September 30, 2019 (1)
Passenger Facility Charges		<u>\$ 360,141</u>	<u>\$ -</u>	<u>\$ 2,169,008</u>	<u>\$ (1,606,577)</u>	<u>\$ 922,572</u>

* Includes interest earnings of \$401

(1) Includes receivable.

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

See independent auditor's report

**PANAMA CITY – BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, STATE FINANCIAL
ASSISTANCE, AND PASSENGER FACILITY CHARGES
YEAR ENDED SEPTEMBER 30, 2019**

NOTE A – BASIS OF PRESENTATION

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

The accompanying schedule of expenditures of federal awards, state financial assistance, and passenger facility charges summarizes the federal, state, and passenger facility charge expenditures of the District under programs of the federal government, state departments, and Passenger Facility Charge Audit Guide for Public Agencies, for the year ended September 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the requirements of Chapter 10.550, Rules of the Auditor General, and the Passenger Facility Charge Audit Guide for Public Agencies. The amounts reported as federal awards, state projects, and passenger facility charge expenditures were obtained from the District's general ledger. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

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



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Panama City - Bay County Airport and Industrial District, as of and for the year ended September 30, 2019, 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, 2020.

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.

Lipton, Maulr, Garner & Crastain

Panama City, Florida
February 19, 2020



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, 2019. 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, 2019.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program and Passenger Facility Charge program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance

with a type of compliance requirement of a federal program and Passenger Facility Charge program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program and Passenger Facility Charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Lipton, Mauler, Garner & Chastain

Panama City, Florida
February 19, 2020

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

SUMMARY OF AUDITOR'S RESULTS

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

Federal Program	Federal CFDA No.
Federal Aviation Administration	20.106
8. The threshold used for distinguishing between Type A and Type B programs was \$750,000.
9. Panama City - Bay County Airport and Industrial District was determined to be a low-risk auditee.

**PANAMA CITY - BAY COUNTY
AIRPORT AND INDUSTRIAL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2019**

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, 2019, and have issued our report thereon dated February 19, 2020.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major Federal Program and Passenger Facility Charge Program and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 19, 2020, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Additional Matters

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

Purpose of this Letter

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

Zipton, Mauler, Garner : Chastain

Panama City, Florida
February 19, 2020



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, 2019. Management of Panama City - Bay County Airport and Industrial District is responsible for Panama City - Bay County Airport and Industrial District's compliance with the specified requirements. Our responsibility is to express an opinion on Panama City - Bay County Airport and Industrial District's compliance with the specified requirements based on our examination.

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

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

In our opinion, Panama City - Bay County Airport and Industrial District complied, in all material respects, with the aforementioned requirements during the year ended September 30, 2019.

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, 2020

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