

# Lee County Port Authority

## Component Unit Financial Report



**Year Ended September 30, 2023**



# Lee County Port Authority

Lee County, Florida

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BENJAMIN R. SIEGEL, CPA, C.M.  
EXECUTIVE DIRECTOR

March 18, 2024

RICHARD WM. WESCH  
PORT AUTHORITY ATTORNEY

Dear Friends,

BOARD OF  
PORT COMMISSIONERS

MIKE GREENWELL

BRIAN HAMMAN

CECIL L. PENDERGRASS

KEVIN RUANE

RAY SANDELLI

We are pleased to present the Lee County Port Authority's (LCPA) financial statements for the fiscal year ending September 30, 2023. Despite impacts from Hurricane Ian, LCPA maintained strong operating revenues and a cost per enplaned passenger (CPE) to the signatory airlines consistent with prior years and below budget. Passenger traffic rebounded by the end of the fiscal year with Southwest Florida International Airport (RSW) ultimately recording the third highest fiscal year in the history of the Airport.

**Passenger Traffic and Operating Revenue and Expenses**

For the fiscal year, total passengers at Southwest Florida International Airport (RSW) were 9,391,844, a decrease of 15.2 percent compared with the same period as last year. Total operating revenues for LCPA were \$124.6 million, a decrease of \$2.8 million compared to the prior year. Decreases were in rental cars, Page Field fuel sales, restaurants & catering, and terminal concessions. These were mostly offset by increases in parking lot and airline rents. Operating expenses were \$142.8 million, an increase of \$26.0 million. The largest increases were in contractual services, materials and supplies, salary and wages, depreciation and pension and other post-employment benefits (OPEB) expenses. Our cost per enplaned (CPE) passenger was \$7.07 compared to a budgeted \$7.35.

**Non-operating Revenue and Expenses**

Non-operating revenues increased from the prior year primarily from higher investment earnings as interest rates continued to rise during the year, as well as the receipt of more grant funds. To assist with recovery from the COVID-19 pandemic, LCPA was obligated approximately \$80 million through three separate federal stimulus acts – Coronavirus Aid, Relief, and Economic Securities Act (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA), and the American Rescue Plan Act (ARPA). A total of \$61.3 million has been received to date, of which \$24.0 million was received in fiscal year 2023. We have until March 2025 to finish drawing the last of these funds. Additionally, LCPA applied for and was obligated a separate grant of \$4.3 million through the American Rescue Plan Act to provide rent relief to certain, eligible tenants. The \$4.3 million grant was provided as rent credits to eligible tenants during the fiscal year.

**SOUTHWEST FLORIDA INTERNATIONAL AIRPORT**

11000 Terminal Access Road, Suite 8671 • Fort Myers, Florida 33913-8213  
www.flylcpa.com

### **Major Projects at RSW**

Construction continued for the first phase of the terminal expansion project, which will consolidate the terminal checkpoints and greatly expand the concession options at RSW. Substantial progress was made on the design for terminal expansion phase 2 during the year. This project will add a new 14 gate concourse E, increasing the capacity of RSW and providing opportunities for more air service. Other major ongoing projects include the rehabilitation/realignment of Chamberlin Road and the purchase of a new fire truck. Additionally, LCPA transferred the newly constructed Airport Traffic Control Tower (ATCT) to the Federal Aviation Administration (FAA) during the year.

### **Awards and Notable News**

Southwest Florida International Airport (RSW) was ranked 43<sup>rd</sup> of the top 50 airports for passengers for 2023. RSW also ranked second in the top tier of airports in the J.D. Power 2023 North American Airport Satisfaction Study. Base Operations at Page Field was rated in the top 10 percent of fixed-based operators in an international survey conducted by Aviation International News (AIN). Base Operations has been recognized by AIN for eleven consecutive years.

### **Air Service and New Airline Use and Lease Agreement**

From an air service perspective, we gained a new entrant – Canadian carrier, Porter, and new markets in 2003 to include New Orleans, Louisiana, Norfolk, Virginia, Portland, Maine, Richmond Virginia and San Juan, Puerto Rico.

The Port Authority Staff has been working closely with our airline partners on a new use and lease agreement. We are pleased to share that the Port Authority has received signed agreements from all eight (8) signatory carriers that will become effective October 1, 2024, and will continue for a term of ten (10) years, until September 30, 2034. The new agreement contains provisions that provides further financial stability to the Port Authority's capital improvement program, specifically the new 14 gate Concourse E. This long-term agreement shows the airlines' commitment to Southwest Florida and their desire to grow air service at RSW.

### **Page Field**

Page Field sold 2.2 million gallons of fuel, an 18.6% decrease from the prior year. Operating revenues were \$15.7 million, a decrease of \$2.9 million from the prior year. Operating expenses, excluding depreciation, were \$17.0 million, a \$0.7 million increase. Non-operating revenues (expenses) increased by \$2.1 million, reflecting higher investment earnings and reimbursement of insurance proceeds related to damage on buildings and hangars from Hurricane Ian. The new South Quad Hangars and ramp project started during the year.

March 18, 2024  
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This project includes the rehabilitation of aircraft ramps and taxi lanes, demolition and construction of a new general aviation center (GAC) building, and the construction of new t-hangars and box hangars for current and future tenants.

Although the past year had its challenges, Lee County and its airports have shown financial resiliency. The Lee County Port Authority is well positioned financially and has the support of our airline partners, allowing us to move forward with projects in our capital improvement program that will further enhance the customer experience, improve operations, increase capacity and provide the opportunity for new and increased air service. With hundreds of millions of improvements already under contract at RSW and Page Field and more to come, our airports are further poised to continue to be an economic driver for the region. We look forward to continuing to serve the residents, visitors and business community at both Southwest Florida International Airport and Page Field.

Sincerely,

LEE COUNTY PORT AUTHORITY

DocuSigned by:  
  
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Benjamin R. Siegel, CPA, C.M.  
Executive Director

BRS:DWA/tam



## INDEPENDENT AUDITORS' REPORT

Honorable Board of County Commissioners  
Lee County, Florida  
and  
Honorable Board of Port Commissioners  
Lee County Port Authority  
Fort Myers, Florida

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the Lee County Port Authority (the Port), a blended component unit of Lee County, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port, as of September 30, 2023, and the respective changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

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

#### ***Emphasis of Matter***

As discussed in Note XIV to the financial statements, effective October 1, 2022 the Port adopted GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard requires governments to recognize a right-to-use subscription-based information technology arrangement asset and corresponding subscription-based information technology arrangement liability for all arrangements with terms greater than twelve months. Our opinion is not modified with respect to this matter.

Honorable Board of County Commissioners  
Lee County, Florida  
and  
Honorable Board of Port Commissioners  
Lee County Port Authority

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Port's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port's ability to continue as a going concern for a reasonable period of time.

Honorable Board of County Commissioners  
Lee County, Florida  
and  
Honorable Board of Port Commissioners  
Lee County Port Authority

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of total other postemployment benefit liability, and schedules of the Port's proportionate share of the net pension liability and of its contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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***

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

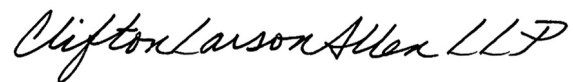
In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated.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



Honorable Board of County Commissioners  
Lee County, Florida  
and  
Honorable Board of Port Commissioners  
Lee County Port Authority

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 18, 2024, on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port'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 Port's internal control over financial reporting and compliance.



**CliftonLarsonAllen LLP**

Fort Myers, Florida  
March 18, 2024

## Management's Discussion and Analysis (Unaudited)

This discussion and analysis is intended to serve as an introduction to the Lee County Port Authority's (the Port) financial statements for fiscal years ending September 30, 2023 and 2022. The information here should be taken in conjunction with the financial statements, footnotes and supplementary information found in this report.

### Financial Highlights and Summary

Table 1 reflects a summary of net position for 2023 and 2022.

**Table 1**  
Summary of Net Position  
September 30, 2023 and 2022  
(amounts expressed in thousands)

	<u>2023</u>	<u>2022*</u>
Current and other assets	\$ 530,109	\$ 614,507
Capital assets	<u>908,883</u>	<u>865,355</u>
Total assets	<u>1,438,992</u>	<u>1,479,862</u>
Deferred outflows of resources	22,462	21,470
Current liabilities	82,092	74,870
Non-current liabilities	<u>530,824</u>	<u>546,262</u>
Total liabilities	<u>612,916</u>	<u>621,132</u>
Deferred inflows of resources	125,149	138,744
Net investment in capital assets	586,481	607,455
Restricted	53,860	40,651
Unrestricted	<u>83,048</u>	<u>93,350</u>
Total net position	<u>\$ 723,389</u>	<u>\$ 741,456</u>

\*Fiscal year 2022 balances are not restated for GASB 96. See Note XIV for further detail.

### Summary of Net Position Analysis

In fiscal year 2023, activities for the Port decreased total assets by \$40,870,000, increased deferred outflows of resources by \$992,000, decreased total liabilities by \$8,216,000, decreased deferred inflows of resources by \$13,595,000 and decreased total net position by \$18,067,000.

Net investment in capital assets is the largest portion of net position. This represents capital assets net of accumulated depreciation and the outstanding debt used to acquire the assets. The net investment in capital asset balance decreased \$20,974,000, or 3.5 percent, in comparison to prior year.

The restricted net position increased by \$13,209,000, or 32.5 percent in comparison to prior year. This balance represents assets that are subject to external restrictions imposed by creditors, through bond covenants, by grantors, or by law on how they are used.

Lee County Port Authority  
September 30, 2023

The unrestricted net position balance decreased \$10,302,000, or 11.0 percent, in comparison to prior year. The unrestricted net position balance represents assets that are available for spending at the Port Authority's discretion.

Table 2 reflects a summary of revenues, expenses, and changes in net position for 2023 and 2022.

Table 2  
Summary of Revenues, Expenses, and Changes in Net Position  
For the Years Ended September 30, 2023 and 2022  
(amounts expressed in thousands)

	2023	2022*
Revenues, net:		
User fees	\$ 62,145	\$ 58,901
Rental cars	24,668	33,416
Parking	24,454	22,158
Other, net	13,359	12,944
Total revenues, net	124,626	127,419
Expenses:		
Salaries, wages and benefits	56,997	44,057
Contractual services, materials and supplies, utilities, repairs and maintenance, and insurance	56,759	45,098
Depreciation	26,687	25,218
Other	2,348	2,381
Total expenses	142,791	116,754
Operating income (loss)	(18,165)	10,665
Non-operating revenues (expenses):		
Investment earnings	21,365	4,493
Interest expense	(12,176)	(11,896)
Grants	29,941	14,689
Passenger facility charges	18,177	21,265
Other expenses	(511)	492
Total non-operating revenues (expenses)	56,796	29,043
Income before capital contributions	38,631	39,708
Capital contributions	18,027	40,047
Special item - loss on discontinued project	(74,725)	-
Increase (decrease) in net position	(18,067)	79,755
Beginning net position	741,456	661,701
Ending net position	\$ 723,389	\$ 741,456

\* Fiscal year 2022 is not restated for GASB 96. See Note XIV for further detail.

### *Summary of Revenues and Expenses Analysis*

In fiscal year 2023, operating revenues dipped slightly to \$124,626,000. Passenger traffic at Southwest Florida International Airport dropped 15.2 percent compared to the prior fiscal year as the region recovered from impacts of Hurricane Ian that hit the area in September 2022. Despite a slow start to the fiscal year, passenger traffic rebounded later in the year with the Airport ultimately recording 9,391,844 total passengers – the third highest passenger count for a fiscal year in the history of the Airport. Operating revenues remained resilient with only a \$2,793,000 or 2.2 percent decrease in spite of impacts from the storm. Notable operating revenue category increases include airline rents \$9,959,000 and parking lot revenue \$2,296,000. These were mostly offset by decreases in fuel sales and rental cars. Additionally, an American Rescue Plan Act (ARPA) concession relief grant of \$4,321,000 was received during the year. The grant was recorded as non-operating revenue and rent credits were provided to eligible in-terminal tenants, which contributed to a decrease in restaurants & catering and terminal concessions.

Lee County Port Authority  
September 30, 2023

Total operating expenses increased by \$26,037,000 or 22.3 percent with the largest increase in contractual services, materials and supplies of \$9,092,000. Cost increases in this category were mostly due to services performed at mitigation park, clean up work related to Hurricane Ian, and various other services provided throughout the year. Salaries and wages went up \$4,428,000 with the addition of full-time equivalents throughout the year, as well as disaster pay for Hurricane Ian. Pension and OPEB expense increased \$8,002,000. Refer to the retirement plan footnote for more information on the actuarially determined, non-cash entries for the defined benefit pension plan.

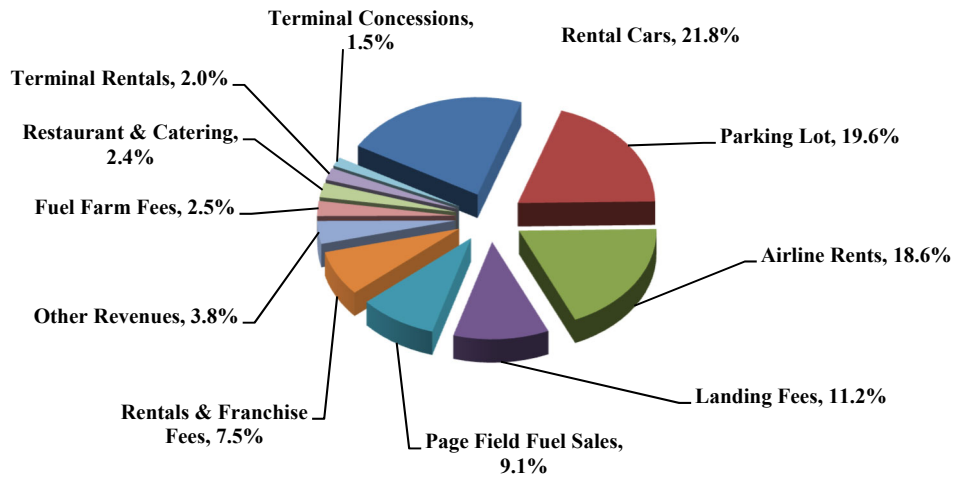
Total non-operating revenues (expenses) increased by \$27,753,000. Investment earnings improved by \$16,872,000 as interest rates yielded higher returns. Additionally, the amount of grant funds received from the Coronavirus Aid Relief and Economic Security (CARES), Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) and American Rescue Plan Act (ARPA) increased from the prior year by \$14,412,000. Settlement proceeds from Hurricane Ian totaled \$1,688,000. These increases were partially offset by a decrease in passenger facility charges (PFC's) \$3,088,000 due to the decrease in passenger activity.

Capital contributions totaled \$18,027,000, a decrease of \$22,020,000 in comparison to prior year. The decrease was mainly due to grant funds received for large projects that were completed or mostly completed during the year. Major grants received this year include \$3,145,000 for the RSW Terminal expansion, \$2,371,000 for the RSW road rehabilitation, and \$2,030,000 for South Quad Hangars and Ramp at Page Field.

There was a special item to record a loss for the transfer of the newly constructed Airport Traffic Control Tower (ATCT) to the Federal Aviation Administration (FAA). The Port Authority managed and oversaw the funding and construction of the ATCT. In accordance with the agreement between the FAA and Port Authority, the FAA then took possession of the new ATCT during the fiscal year resulting in a transfer out of construction work in progress of \$74,725,000.

The following charts summarize the Net Revenues and Expenses for fiscal year 2023.

**Operating Revenues for Fiscal Year 2023**

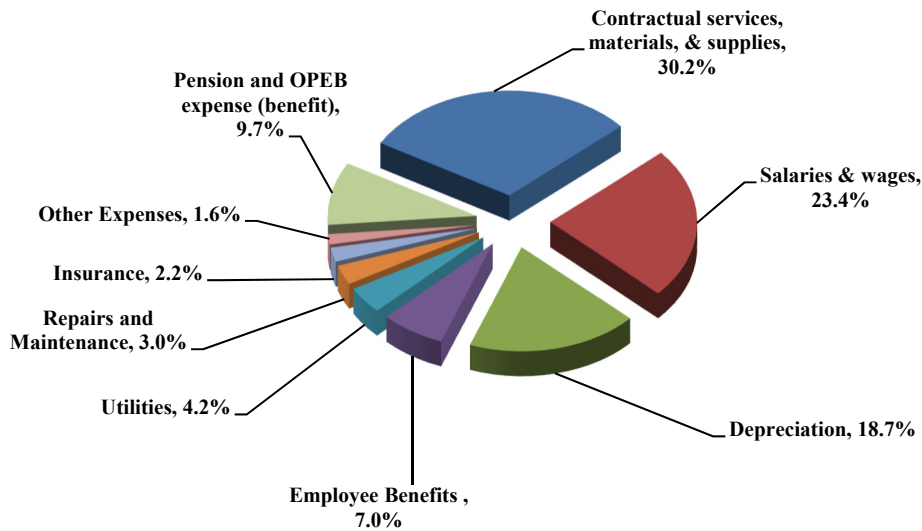


Operating Revenues	2023	2022	2023 % of Total	Increase / (Decrease)	% Change
Rental Cars (w/ RAC rents)	\$27,148,000	\$35,962,000	21.8%	(\$8,814,000)	(24.5)%
Parking Lot	24,454,000	22,158,000	19.6%	2,296,000	10.4%
Airline Rents	23,167,000	13,208,000	18.6%	9,959,000	75.4%
Landing Fees	13,920,000	13,438,000	11.2%	482,000	3.6%

**Lee County Port Authority**  
September 30, 2023

Page Field Fuel Sales	11,309,000	14,057,000	9.1%	(2,748,000)	(19.5)%
Rentals & Franchise Fees	9,367,000	9,648,000	7.5%	(281,000)	(2.9)%
Other Revenues	4,749,000	4,465,000	3.8%	284,000	6.4%
Fuel Farm Fees	3,146,000	2,736,000	2.5%	410,000	15.0%
Restaurants & Catering	2,957,000	5,537,000	2.4%	(2,580,000)	(46.6)%
Terminal Rentals	2,532,000	2,080,000	2.0%	452,000	21.7%
Terminal Concessions	1,877,000	4,130,000	1.5%	(2,253,000)	(54.6)%
<b>Total Net Operating Revenues</b>	<b>\$124,626,000</b>	<b>\$127,419,000</b>	<b>100.0%</b>	<b>(\$2,793,000)</b>	<b>(2.2)%</b>

**Operating Expenses for Fiscal Year 2023**



<u>Operating Expenses</u>	<u>2023</u>	<u>2022</u>	<u>2023 % of Total</u>	<u>Increase / (Decrease)</u>	<u>% Change</u>
Contractual services, materials, & supplies	\$43,154,000	\$34,062,000	30.2%	\$9,092,000	26.7%
Salaries & wages	33,346,000	28,918,000	23.4%	4,428,000	15.3%
Depreciation	26,687,000	25,218,000	18.7%	1,469,000	5.8%
Employee benefits	9,779,000	9,269,000	7.0%	510,000	5.5%
Utilities	6,050,000	5,533,000	4.2%	517,000	9.3%
Repairs & maintenance	4,347,000	3,146,000	3.0%	1,201,000	38.2%
Insurance	3,208,000	2,357,000	2.2%	851,000	36.1%
Other Expenses	2,348,000	2,381,000	1.6%	(33,000)	(1.4)%
Pension & OPEB Expenses (Benefits)	13,872,000	5,870,000	9.7%	8,002,000	136.3%
<b>Total Operating Expenses</b>	<b>\$142,791,000</b>	<b>\$116,754,000</b>	<b>100.00%</b>	<b>\$26,037,000</b>	<b>22.3%</b>

### *Passenger Facility Charges*

In November 1992, the Port received approval from the Federal Aviation Administration (“FAA”) to impose a Passenger Facility Charge (PFC) of \$3.00 per eligible enplaned passenger. In November 2003, the Port was granted the authority to raise the PFC level from \$3.00 to \$4.50. In August 2019, the FAA approved amendments to Application #8 and #9 for \$115,194,000 and \$65,063,000 respectively increasing the total collection authority to \$522,185,000 as of September 30, 2019 with an estimated expiration date of June 1, 2028. In October 2019, the FAA approved Application #10 for \$385,351,000 and a third amendment to Application # 9 for \$758,000 increasing the total collection and use authority to \$908,294,000 and concurrently revising the estimated charge expiration date to November 1, 2039.

### *Capital Assets*

Non-depreciable capital assets include land, construction in progress, and artwork. Depreciable assets include buildings, improvements other than buildings, machinery and equipment, software, and infrastructure. Amortizable assets include intangible right-to-use buildings, machinery and equipment, infrastructure, and subscription based information technology arrangements (SBITA’s). Major capital spending in 2023 included the following:

<u>Southwest Florida International Airport:</u>	
Terminal Expansion	\$ 96,314,000
Terminal Expansion - Concourse E	\$ 23,902,000
Rehabilitate/Realign Roads	\$ 8,202,000
Airport Rescue Fire Truck	\$ 1,131,000
 <u>Page Field General Aviation Airport:</u>	
South Quad Ramp and Hangar	\$ 4,769,000

Table 3 reflects a summary of capital assets for 2023 and 2022.

Table 3  
Capital Assets  
September 30, 2023 and 2022  
(000’s)

	<u>2023</u>	<u>2022*</u>
Land, easements and rights of ways	\$132,436	\$132,623
Construction in progress	267,630	209,366
Buildings	363,586	362,878
Improvements	33,222	33,103
Equipment	122,865	115,527
Software	3,741	3,741
Artwork	293	293
Intangible right-to-use equipment	99	55
Intangible right-to-use SBITA	2,740	-
Infrastructure	<u>403,078</u>	<u>403,693</u>
Subtotal	1,329,690	1,261,279
Less accumulated depreciation	<u>(420,807)</u>	<u>(395,924)</u>
Total	<u>\$908,883</u>	<u>\$865,355</u>

\*Fiscal year 2022 balances are not restated for implementation of GASB 96. See Note XIV for further detail.

Please see Note V to the financial statements for additional information regarding the Port Authority’s capital assets.

### Debt Administration

As of September 30, 2023, the Port had \$388,810,000 in outstanding debt, a decrease of \$14,143,000.

Table 4  
Outstanding Debt  
September 30, 2023 and 2022  
(000's)

	<u>2023</u>	<u>2022</u>
2020 Line of Credit Note	\$ -	\$9,008
Series 2021B Airport Revenue Refunding Bonds	215,825	217,670
Series 2021A Airport Revenue Refunding Bonds	139,560	139,560
Series 2015 Airport Revenue Refunding Bonds	33,425	33,425
Series 2010A Airport Revenue Refunding Bonds	-	<u>3,290</u>
<b>Total</b>	<b><u>\$388,810</u></b>	<b><u>\$402,953</u></b>

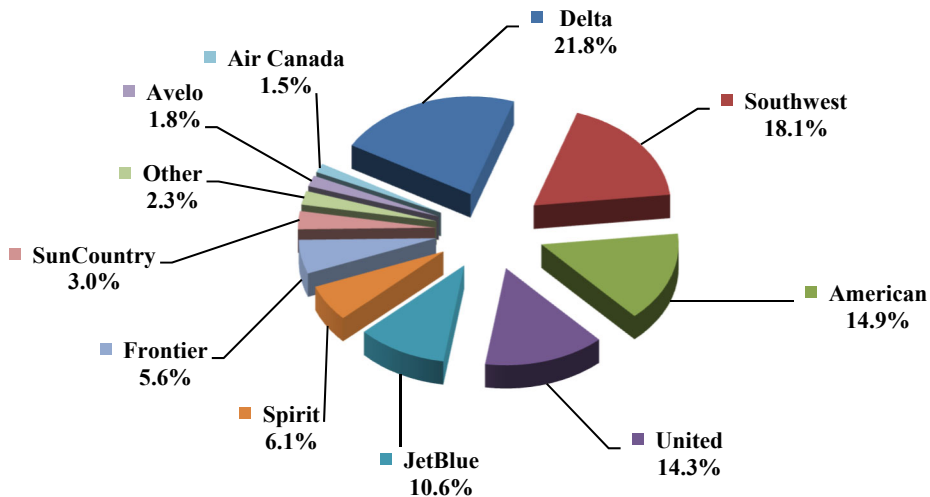
See additional information on the Port Authority's debt in note VI to the financial statements.

### Airport Activities

The total passenger count for fiscal year 2023 was 9,391,844, a decrease of 15.2 percent over the prior year. Below is a summary of new and increased airline service to Southwest Florida International Airport over the past year.

- **American Airlines**, Austin (AUS)
- **Avelo Airlines**, Raleigh-Durham (RDU), Wilmington, DE (ILG)
- **Breeze Airways**, Hartford (BDL), Providence (PVD)
- **Sun Country Airlines**, Eau Claire, WI (EAU)

The following chart exhibits the Total Passenger Market Share for the Top Ten Airlines operating at Southwest Florida International Airport during Fiscal Year 2023.



Lee County Port Authority  
September 30, 2023

<u>Airline</u>	FY 2023 Market Share	FY 2022 Market Share	Increase/ (Decrease)	% Change
Delta	21.8%	21.0%	0.8%	3.8%
Southwest	18.1%	18.1%	0.0%	0.0%
American	14.9%	14.2%	0.7%	4.9%
United	14.3%	13.2%	1.1%	8.3%
JetBlue	10.6%	10.3%	0.3%	2.9%
Spirit	6.1%	8.7%	(2.6%)	(29.9%)
Frontier	5.6%	7.8%	(2.2%)	(28.2%)
Sun Country	3.0%	2.9%	0.1%	3.4%
Other	2.3%	2.1%	0.2%	9.5%
Avelo	1.8%	0.6%	1.2%	200.0%
Air Canada	1.5%	1.1%	0.4%	36.4%

### *Airline Rates and Charges*

The Port negotiated an airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred to as Signatory Airlines) with the key terms of the agreement approved by the Board in May, 2008. The Agreement commenced on October 1, 2008, with a five-year term, expiring on September 30, 2013 and then a second five year extension expiring on September 30, 2018. The signatory airlines signed a three year extension to this agreement, expiring on September 30, 2021. Most recently, a two year extension of the original 2008 agreement was signed by the signatory carriers and will expire on September 30, 2023. All of the key terms of the agreement are the same.

Subsequent to the end of the fiscal year, the Board signed and approved a new long-term agreement with seven out of the eight existing signatory carriers at the January 18, 2024 Board of Port Commissioners meeting. The eighth and final signatory carrier agreement is scheduled to be taken to the Board for approval at the March 7, 2024 meeting. The new agreement extends the terms of the existing agreement from October 1, 2023 to September 30, 2024. Thereafter, the terms of the new agreement will become effective beginning October 1, 2024 and will continue for a term of ten (10) years, until September 30, 2034.

The current agreement, commonly referred to as a hybrid compensatory agreement, has a revenue sharing component. In any year in which there are net remaining revenues generated at the airport, and all requirements of the Bond Resolution have been satisfied, the net remaining revenues shall be divided between the Port (60 percent) and the Signatory Airlines (40 percent). The agreement provides for better flexibility as there is no Majority in Interest approval required for capital projects.

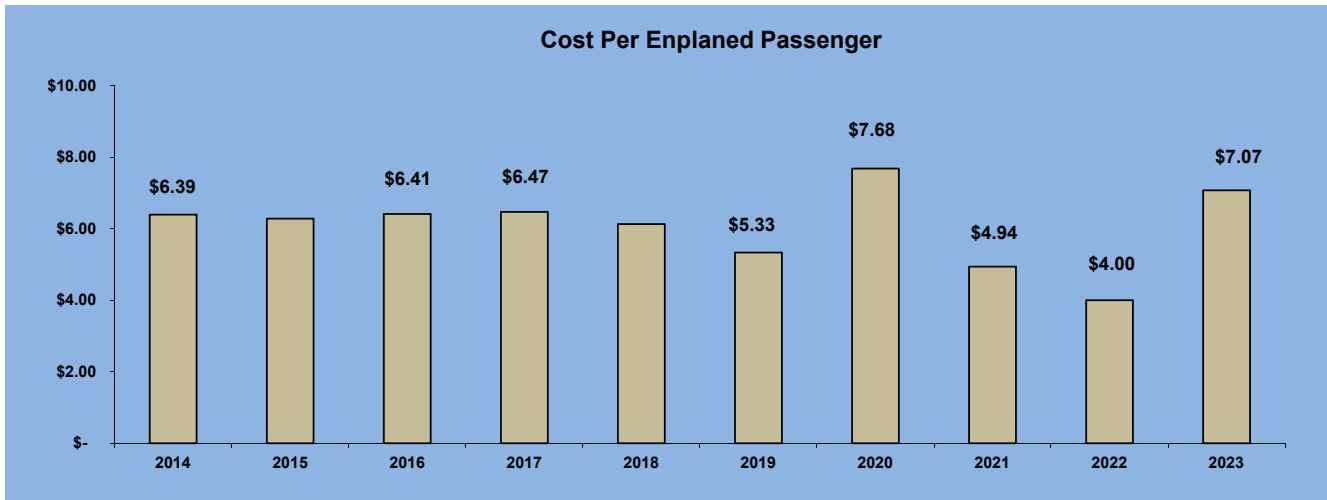
Terminal premises are leased on an exclusive use, preferential use and joint use basis. The Port will lease certain terminal premises on a common use basis, as may be necessary. It is the intent of the Port to manage its terminal facilities in an efficient manner, while also respecting the schedules of its airline parties. Ticket counters, offices, operations areas, and baggage make-up facilities will be leased on an exclusive use basis. Gates/holdrooms and aircraft parking positions will be leased on a preferential use basis. Baggage claim will be leased on a joint use basis, with costs allocated to the Signatory Airlines based on twenty percent allocated to all Signatory Airlines equally, and eighty percent allocated to all Signatory Airlines based on the ratio of each Signatory Airline's enplaned passengers annually at the airport.

Landing Fees are calculated using a "residual" Airfield Cost Center approach and will be based upon the total landed weight for all airline groups (Signatory, non-Signatory, Cargo, Charter, and International). Terminal rents are calculated using a commercial compensatory method (i.e., rentable square foot divisor). Charges for the leasing of all terminal space will be assessed on a square-footage basis. In fiscal year 2023, the Signatory Airlines paid the Port \$20,560,000. This amount is net of refunds/(deficits) in airline rents of (\$238,000) and revenue sharing of \$4,598,000.



Lee County Port Authority  
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It is typical for the airline industry to measure its costs by its cost per enplaned passenger. Airports use this as a management tool to assess how well they are doing compared to the industry and how effective they are in managing the airport. The following chart shows the cost per enplanement at Southwest Florida International Airport over the past 10 fiscal years.



### *Economic Factors and Next Year's Budget Rates*

The following were factors considered when the 2024 budget was prepared:

- The total number of passengers is projected to be 10,098,383, a 6.67 percent decrease over the 2023 budget.
- The total operating budget is \$173.6 million, an increase of 3.9 percent or \$6.6 million over the 2023 budget.
- Increases in revenues were in parking and investment income. Due to a forecasted drop in passenger activity several revenue categories are expected to decrease. Decreases were realized in rental cars, advertising, concessions and restaurants.
- Increases in personnel were a result of a 5 percent salary adjustment, new positions, and an increase in the Port Authority's contribution to the Florida Retirement System.
- Operating expenses include increases in insurance, contracted services, professional services, property insurance and utilities.
- The budgeted rates for 2024 include \$2.59 for the landing fee and a terminal rental rate of \$128.33.
- Hurricane Ian, a strong category 4 hurricane, made landfall in Lee County on September 28, 2022. The Port Authority expects to receive reimbursement from federal and state agencies on certain expenses related to the hurricane. Additionally, the Port Authority anticipates receiving funds on insurance claims for property damage and business interruption.

### *Financial Contact*

Please refer to the Lee County Annual Comprehensive Financial Report for additional financial information related to the Port. If you should have any questions regarding this report or require additional information, please contact the Lee County Port Authority Finance Department, 11000 Terminal Access Road, Suite 8671, Fort Myers, Florida, 33913.

# Financial Statements



Lee County Port Authority  
Lee County, Florida  
STATEMENT OF NET POSITION  
As of September 30, 2023  
(amounts expressed in thousands)

ASSETS

Current assets:

Cash, cash equivalents and investments	\$ 171,150
Restricted assets	54,444
Receivables:	
Accounts (net)	3,260
Grants	18,311
Leases	4,901
Accrued interest	77
Inventories	286
Prepays	2,835
Total current assets	<u>255,264</u>

Noncurrent assets:

Restricted assets	
Cash, cash equivalents and investments	179,122
Receivables	
Accounts	2,874
Leases	92,849
Capital assets (net)	908,883
Total noncurrent assets	<u>1,183,728</u>
Total assets	<u>1,438,992</u>

DEFERRED OUTFLOWS OF RESOURCES

Loss on refunding of debt	3,590
Unamortized pension costs and subsequent contributions	12,526
Unamortized other postemployment benefits costs	6,346
Total deferred outflows of resources	<u>22,462</u>

LIABILITIES

Current liabilities:

Contracts and accounts payable	17,428
Accrued liabilities	1,153
Refunds and rebates	4,359
Due to other governments	771
Leases payable	36
SBITA payable	666
Customer deposits	1,049
Accrued interest payable	31
Unearned revenues	586
Compensated absences	1,569

Current liabilities payable from restricted assets:

Contracts and accounts payable	30,432
Accrued liabilities	9,262
Revenue bonds payable	14,750
Total current liabilities	<u>82,092</u>

Lee County Port Authority  
Lee County, Florida  
STATEMENT OF NET POSITION (Continued)  
As of September 30, 2023  
(amounts expressed in thousands)

Noncurrent liabilities:	
Compensated absences	734
Leases payable	30
SBITA payable	1,168
Revenue bonds payable	438,332
Net pension liability	47,699
Total other postemployment benefits liability	40,644
Other	2,217
Total noncurrent liabilities	<u>530,824</u>
Total liabilities	<u>612,916</u>
DEFERRED INFLOWS OF RESOURCES	
Unamortized pension costs	1,027
Unamortized other postemployment benefits costs	27,735
Unamortized leases	96,387
Total deferred inflows of resources	<u>125,149</u>
NET POSITION	
Net investment in capital assets	586,481
Restricted	
Capital projects	33,888
Debt service	19,472
Renewal and replacement	500
Unrestricted	83,048
Total net position	<u><u>\$ 723,389</u></u>

The notes to the financial statements are an integral part of this statement.

Lee County Port Authority  
Lee County, Florida  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
For the Year Ended September 30, 2023  
(amounts expressed in thousands)

OPERATING REVENUES	
User fees	\$ 62,145
Rentals	9,367
Concessions	8,166
Parking revenues	24,454
Rental car revenues	24,668
Miscellaneous	424
Total operating revenues	<u>129,224</u>
Less: Rebates	<u>(4,598)</u>
Net operating revenues	<u>124,626</u>
OPERATING EXPENSES	
Salaries and wages	33,346
Employee benefits	9,779
Pension and OPEB expense	13,872
Contractual services, materials and supplies	43,154
Utilities	6,050
Repairs and maintenance	4,347
Insurance	3,208
Other	2,348
Depreciation	26,687
Total operating expenses	<u>142,791</u>
Operating loss	<u>(18,165)</u>
NON-OPERATING REVENUES (EXPENSES):	
Investment earnings	21,365
Interest expense	(12,176)
Grants	29,941
Loss on disposal of capital assets	(333)
Passenger facility charges	18,177
Other revenues	2,152
Other expenses	<u>(2,330)</u>
Total non-operating revenues (expenses)	<u>56,796</u>
Income before contributions	<u>38,631</u>
Capital grants and contributions	18,027
Special item - loss on discontinued project	<u>(74,725)</u>
Change in net position	<u>(18,067)</u>
Total net position - beginning	741,456
Total net position - ending	<u><u>\$ 723,389</u></u>

The notes to the financial statements are an integral part of this statement.

Lee County Port Authority  
Lee County, Florida  
STATEMENT OF CASH FLOWS  
For the Year Ended September 30, 2023  
(amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from customers	\$ 117,365
Cash received from customer deposits	91
Cash returned from customer deposits	(198)
Payments to suppliers	(55,088)
Payments to employees	(42,621)
Payments for interfund services used	(7,241)
Net cash provided by operating activities	12,308

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Non-capital grants received	38,003
Non-capital grants issued	(55)
Net cash provided by noncapital financing activities	37,948

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Proceeds from capital debt	3,900
Proceeds from capital grants	10,182
Proceeds from passenger facilities charges	17,833
Capital asset purchases	(141,428)
Principal paid on bonds, loans, leases and subscriptions	(18,748)
Interest paid on bonds, loans, leases and subscriptions	(19,128)
Proceeds from sale of capital assets	390
Net cash used in capital and related financing activities	(146,999)

CASH FLOWS FROM INVESTING ACTIVITIES

Interest on investments	21,340
Net cash provided by investing activities	21,340
Net decrease in cash and cash equivalents	(75,403)

Cash and equivalents at beginning of year	480,119
Cash and equivalents at end of year	\$ 404,716

Classified as:

Current assets	
Cash, cash equivalents, and investments	\$ 171,150
Restricted assets	54,444
Non-current assets	
Restricted assets	179,122
Totals	\$ 404,716

Lee County Port Authority  
Lee County, Florida  
STATEMENT OF CASH FLOWS (Continued)  
For the Year Ended September 30, 2023  
(amounts expressed in thousands)

RECONCILIATION OF OPERATING INCOME TO NET CASH  
PROVIDED BY OPERATING ACTIVITIES:

Operating loss	<u>\$ (18,165)</u>
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	26,687
Other revenues	2,152
Decrease in accounts receivable	939
Decrease in lease receivable	9,133
Decrease in inventories	2
Increase in other assets	(1,155)
Increase in contracts and accounts payable	5,046
Increase in accrued liabilities	51
Decrease in refunds and rebates	(8,653)
Increase in due to other governments	49
Decrease in customer deposits	(106)
Decrease in unearned revenues	(984)
Increase in compensated absences	115
Decrease in deferred inflows of resources related to leases	(9,829)
Increase in net pension liability	11,556
Increase in deferred outflows of resources related to pensions	(3,011)
Decrease in deferred inflows of resources related to pensions	(72)
Increase in total other postemployment benefits liability	510
Decrease in deferred outflows of resources related to other postemployment benefits	1,456
Decrease in deferred inflows of resources related to other postemployment benefits	(3,413)
Total adjustments	<u>30,473</u>
Net cash provided by operating activities	<u><u>\$ 12,308</u></u>

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES

Purchase of capital assets on account	\$ 33,192
Loss on capital assets	(723)
Capital assets acquired through lease and subscription arrangements	717

The notes to the financial statements are an integral part of this statement.

Lee County Port Authority  
Lee County, Florida  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2023

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Reporting Entity*

Lee County (the "County") is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the "Board"), which is governed by state statutes and regulations. The Lee County Port Authority is a blended component unit of the County and is reported as an enterprise fund in the countywide primary government financial statements. In 1987, the Board authorized the creation of the Lee County Port Authority (the "Port Authority") transferring the management and administration of the County's Department of Airports (including Page Field General Aviation Airport and the Southwest Florida International Airport, the "SWFIA") to the Port Authority. Although the Board retained ownership of the Port Authority's assets and liabilities, all of the assets and liabilities used in the operations of the Port Authority are reflected in these financial statements since the Port Authority has the rights and responsibilities of ownership. The Port Authority was established under authority of Sections 125.01 and 332.08, *Florida Statutes*, Lee County Resolution Number 87-8-9, and subsequently, Lee County Ordinance Number 90-02, subsequently amended and restated as Lee County Ordinance Number 01-14.

The Board of Port Commissioners was established as the governing body for the Port Authority and consists of the members of the Board of County Commissioners. Also created was an Airports Special Management Committee, a citizen's advisory board, whose members were appointed by the Port Commissioners for the administration and management of the Lee County Airports ("Airports").

*Fund Accounting*

The Port Authority uses an enterprise fund to report its activities. Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the 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 (2) where it is 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.

As an enterprise fund, the Port Authority records both operating and non-operating revenues and expenses. Operating revenues are those that are obtained from the operations of the enterprise fund that include user fees, rental fees, and concessions. Non-operating revenues are not related to the operations of the enterprise fund and include interest earnings, grants, and passenger facility charges. Operating expenses represent the cost of operations, which includes depreciation. Non-operating expenses, such as interest expense, are not related to operations.

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

The Port Authority is accounted for on an "economic resources" measurement focus. Accordingly, all assets, deferred outflows/inflows of resources, and liabilities are included on the Statement of Net Position, and the reported fund net position (total reported assets plus total reported deferred outflows of resources less total reported liabilities less total reported deferred inflows of resources) provides an indication of the economic net worth of the Port Authority. The Statement of Revenues, Expenses, and Changes in Net Position report increases (revenues) and decreases (expenses) in total economic net worth.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.



Lee County Port Authority  
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September 30, 2023

The Port Authority is accounted for using the accrual basis of accounting. Under this method, revenues are recognized when they are earned; expenses are recognized when they are incurred.

When both restricted and unrestricted resources are available, restricted resources will be used first for incurred expenses, and then unrestricted as needed.

### *Use of Estimates*

The preparation of the financial statements requires management to make a number of estimates and assumptions relating to the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and the disclosure of contingent assets and liabilities at the date of the financial statements. Preparation of the financial statements also requires management to make a number of estimates and assumptions relating to the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

### *Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position*

#### *Cash, Cash Equivalents and Investments*

The Port Authority considers cash, cash equivalents and investments to be cash on hand, demand deposits, highly liquid investments, including those held as restricted assets, with original maturities of three months or less when purchased, and those included in the internal investment pool.

For accounting and investment purposes, the County maintains a cash and investment pool that the Port Authority participates in and is available for use by all funds except those whose cash and investments must be segregated due to legal or other restrictions. Investments within this pool are treated as a demand deposit account. Interest earned on investments in the pool is allocated to the various funds based upon each fund's equity balance in the pool during the allocation period.

For purposes of the Statements of Cash Flows, the Port Authority considers cash and cash equivalents and investments (restricted and unrestricted), and restricted cash and cash equivalents with fiscal agent to be cash and cash equivalents.

The Port Authority reports all investments at fair value, with the exception of the State Board of Administration's ("SBA") Florida Local Government Surplus Trust Fund Investment Pool (Florida PRIME) which is reported at amortized cost and approximates fair value. The Port Authority also participates in the Florida Cooperative Liquid Assets Securities System (FLCLASS) investment pool, the Florida Fixed Income Trust (FLFIT), and the Florida Surplus Asset Fund Trust (FLSAFE) investment pool which are measured at net asset value per share. The investment pools were created under sections 218.405 and 218.415, Florida Statutes and governed by Part IV of Chapter 218, Florida Statutes.

#### *Accounts Receivable*

The accounts receivable of the Port Authority are recorded net of an allowance for doubtful accounts. Management uses an estimate of 10 percent of the average accounts receivable balance plus any amounts to be submitted to the Board for write-off due to known uncollectible amounts to derive the allowance.

Lee County Port Authority  
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September 30, 2023

*Inventory*

Inventory, consisting of items for resale, is stated at cost that approximates market value. The “first - in, first - out” method of accounting is used to determine cost.

*Prepaid Items*

Some payments to vendors represent costs applicable to future accounting periods and are recorded as prepaid items in the financial statements.

*Capital Assets*

Capital assets include artwork, land, easements and rights of way, buildings, improvements, equipment, software, infrastructure, and intangible right-to-use assets. Infrastructure assets are defined as public domain capital assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, and similar assets that are immovable and of value only to the government unit. The threshold for capitalizing property, plant, and equipment is \$5,000. The threshold for capitalizing software and infrastructure is \$100,000. Capital assets are recorded at cost or estimated historical cost. Contributed assets are recorded at acquisition value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets. The ranges of the useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	6-50
Machinery and Equipment	3-35
Software	3-5
Infrastructure	20-50

*Leases*

The Port Authority is a lessor for noncancelable leases of land, buildings and infrastructure. The Port Authority recognizes a lease receivable and a deferred inflow of resources in the fund financial statements. The lease receivable is measured at the present value of payments expected to be received during the lease term. The receivable is reduced by the principal portion of lease payment received. The deferred inflow of resources is measured as the initial amount of the lease receivable, adjusted for lease payments received on or before the lease commencement date. The deferred inflow of resources is recognized as revenue over the term of the lease.

Key estimates and judgments include how the Port Authority determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, (3) lease receipts. When the interest rate is not provided or cannot be readily determined, the Port Authority’s prior year actual interest yield is used as the discount rate. The lease term includes the noncancelable period of the lease. Lease receipts included in the measurement of the lease receivable are comprised of fixed payments from the lessee.

The Port Authority is a lessee for noncancelable leases of equipment. The Port Authority recognizes a lease liability and an intangible right-to-use lease asset in the fund financial statements. The Port Authority measures the lease liability at the present value of payments expected to be made during the lease term at the commencement of the lease. The lease liability is reduced by the principal portion of lease payment made each year. The lease asset is measured as the initial amount of the lease liability and is amortized on a straight-line basis over the term of the lease. Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the Statement of Net Position.

Estimates and judgments related to leases include, (1) the discount rate used, (2) lease term, (3) lease payments. The Port Authority uses the interest rate charged by the lessor as the discount rate. When the interest rate

Lee County Port Authority  
Lee County, Florida  
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charged is not provided or cannot be readily determined, the Port Authority's incremental borrowing rate is used as the discount rate. The lease term includes the noncancelable period of the lease including options to extend (only if they are reasonably certain to extend). Lease payments included in the measurement of the lease liability are comprised of fixed payments and any purchase option price the Port Authority is reasonably certain to exercise.

The Port Authority monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease asset and liability or lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect those amounts.

### *Subscription-Based Information Technology Arrangements*

The Port Authority is currently committed to various noncancelable subscription-based information technology arrangements (SBITA) of right-to-use software. The Port Authority recognizes a SBITA payable and an intangible right-to-use SBITA asset in the financial statements. The Port Authority measures the SBITA liability at the present value of payments expected to be made during the subscription term at the commencement of the subscription. The SBITA liability is reduced by the principal portion of the subscription payment made each year. The SBITA asset is measured as the initial amount of the SBITA liability and is amortized on a straight-line basis over the term of the subscription. SBITA assets are reported with other capital assets and SBITA liabilities are reported with long-term debt on the Statement of Net Position.

Estimates and judgments related to subscriptions include, (1) the discount rate used, (2) subscription term, (3) subscription payments. The Port Authority's incremental borrowing rate is used as the discount rate. The subscription term includes the noncancelable period of the subscription including options to extend (only if they are reasonably certain to extend). Subscription payments included in the measurement of the subscription liability are comprised of fixed payments and any purchase option price the Port Authority is reasonably certain to exercise.

The Port Authority monitors changes in circumstances that would require a remeasurement of its subscriptions, and will remeasure the SBITA asset and liability if certain changes occur that are expected to significantly affect those amounts.

### *Unearned Revenues*

Unearned revenues represent revenues collected in advance of services performed and will be recognized when the services are rendered.

### *Compensated Absences*

The Port Authority provides employees a bank of time for paid absences on an annual basis. The bank of time is referred to as Paid Time Off ("PTO"). Under this policy, employees receive a bank of PTO based on years of continuous service with the Port Authority. All unused time is bought back annually by the Port Authority.

The Port Authority also maintains a separate vacation policy for 39 members of the Southwest Florida Professional Fire Fighters, Local Chapter 1826, IAFF, Inc. Under this policy, the employees are able to accumulate earned but unused vacation and sick pay benefits, which will be paid to employees upon separation from service if certain criteria are met.

Benefits under both policies, plus their related tax, are classified as compensated absences and are accrued when incurred. This is pursuant to GASB Statement Number 16, *Accounting for Compensated Absences*.

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*Unamortized Bond Premiums and Discounts*

Bond premiums and discounts related to long-term debt are amortized over the life of the debt, principally by the effective-interest method. Notes Payable and Revenue bonds payable are shown net of unamortized discounts and premiums.

*Deferred Outflows of Resources*

Deferred outflows of resources represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense or expenditure) until then. The deferred outflows of resources reported in the Port Authority's Statement of Net Position represents other postemployment benefit related balances, pension related balances, and losses on refunded debt. These amounts will be recognized as increases in expense in future years.

*Deferred Inflows of Resources*

Deferred inflows of resources represents an acquisition of resources that applies to future period(s) and will not be recognized as an inflow of resources (revenue) until then. The deferred inflows of resources reported in the Port Authority's Statement of Net Position represents other postemployment benefit related balances, pension related balances, and gains on refunded debt. These amounts will be recognized as reductions in expense in future years. The Port Authority is reporting deferred inflows of resources related to unamortized lease revenue, which will be recognized over the term of the lease.

*Pensions*

In the statement of net position, liabilities are recognized for the Port Authority's proportionate share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Florida Retirement System (FRS) defined benefit plan and the Health Insurance Subsidy (HIS) and additions to/deductions from FRS's and HIS's fiduciary net position have been determined on the same basis as they are reported by the FRS and HIS plans. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds of employee contribution are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*Net Position*

Net position is categorized as net investment in capital assets, restricted, and unrestricted. Restricted net position indicates amounts that have constraints on their use externally imposed by creditors, through debt covenants, by grantors, or by law. Restricted for debt service is used to segregate resources accumulated for current or future debt service payments.

*User Fees*

User fees are generated from airlines' signatory and non-signatory leases with the Port Authority and include landing fees and rents. Also in this category are gross fuel sales from Page Field.

*Rentals*

Revenues from this category include rental car revenues paid to the Airports, gross parking lot revenues, and terminal concession payments to the SWFIA.

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*Capital Contributions*

Capital contributions consist mainly of grants from Federal and State agencies. As these grants are subject to annual approved appropriations by the Federal and State agencies, they are recognized as revenue when both the expenses are incurred and the appropriations are approved by the Federal and State agencies.

NOTE II. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of September 30, 2023 the Port Authority had the following deposits, investments, and maturities (amounts in thousands):

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Call Date</u>	<u>Call Frequency</u>	<u>Rating</u>
Cash on hand	N/A	\$139	N/A	N/A	N/A
Cash with fiscal agent	N/A	24,012	N/A	N/A	N/A
Demand deposits	N/A	40,866	N/A	N/A	N/A
Local Government Investment Pool					
FLSAFE	45 days	21,550	N/A	N/A	AAAm
Florida PRIME	35 days	318,149	N/A	N/A	AAAm
Total		<u>\$ 404,716</u>			

Reconciliation of cash, cash equivalents and investments, from the schedule of deposits and investments to the basic financial statements (dollars in thousands):

*Current:*

Cash, cash equivalents and investments	\$ 171,150
Restricted cash, cash equivalents and investments	54,444

*Non-current:*

Restricted cash, cash equivalents and investments	179,122
Total	<u>\$ 404,716</u>

*Fair Value*

The Port Authority categorizes its fair value measurements within the fair value hierarchy established in Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurements and Application*. The hierarchy is based on valuation inputs used to measure the fair value of the asset.

Level 1 - Valuation is based on quoted prices for identical instruments traded in active markets. At September 30, 2023, the Port Authority held no such assets.

Level 2 - Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market. At September 30, 2023, the Port Authority held no such assets.

Level 3 - Valuation is based on model-based techniques that use significant inputs and assumptions not observable in the market. These unobservable inputs and assumptions reflect the Reserve Banks' estimates of inputs and assumptions that market participants would use in pricing the assets and liabilities. Valuation

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techniques include the use of option pricing models, discounted cash flow models, and similar techniques. At September 30, 2023, the Port Authority held no such assets.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

The Port Authority has the following recurring fair value measurements as of September 30, 2023 (dollars in thousands):

Investments measured at net asset value (NAV)	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>	<u>Redemption Restrictions</u>
Florida Surplus Asset Fund Trust (FLSAFE)	\$ 21,550	\$ -	Daily	1:00 p.m. EST (same day)	None
Total investments measured at the NAV	<u>\$ 21,550</u>	<u>\$ -</u>			

Additional information for investments measured at amortized cost:

The State Board of Administration's ("SBA") Florida Local Government Surplus Trust Fund Investment Pool (Florida PRIME) is reported at amortized cost and approximates fair value. Florida PRIME is considered a qualifying external investment pool that meets all of the necessary criteria to elect to measure all of the investments at amortized cost. Therefore, the fair value of the County's position in the pool is the same as the value of the pool shares. The Florida PRIME investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout the year, and as of September 30, 2023, Florida PRIME contained certain floating and adjustable rate securities. These investments represented 31.4 percent of Florida PRIME's portfolio at September 30, 2023.

With regard to redemption gates, Section 218.409(8)(a), *Florida Statutes*, states that "The principal, and any part thereof, of each account constituting the trust fund is subject to payment at any time from the moneys in the trust fund. However, the Executive Director may, in good faith, on the occurrence of an event that has a material impact on liquidity or operations of the trust fund, for 48 hours limit contributions to or withdrawals from the trust fund to ensure that the Board can invest moneys entrusted to it in exercising its fiduciary responsibility. Such action must be immediately disclosed to all participants, the Trustees, the Joint Legislative Auditing Committee, and the Investment Advisory Council. The Trustees shall convene an emergency meeting as soon as practicable from the time the Executive Director has instituted such measures and review the necessity of those measures. If the Trustees are unable to convene an emergency meeting before the expiration of the 48-hour moratorium on contributions and withdrawals, the moratorium may be extended by the Executive Director until the Trustees are able to meet to review the necessity for the moratorium. If the Trustees agree with such measures, the Trustees shall vote to continue the measures for up to an additional 15 days. The Trustees must convene and vote to continue any such measures before the expiration of the time limit set, but in no case may the time limit set by the Trustees exceed 15 days."

With regard to liquidity fees, Section 218.409(4), *Florida Statutes* provides authority for the SBA to impose penalties for early withdrawal, subject to disclosure in the enrollment materials of the amount and purpose of such fees. At present, no such disclosure has been made.

As of September 30, 2023, there were no redemption fees or maximum transaction amounts, or any other requirements that serve to limit a participant's daily access to 100 percent of their account value.

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*Credit Risk*

The Port Authority adheres to the Board's Investment Policy ("the Policy"), which limits credit risk by restricting authorized investments for their investment portfolio to the following:

- A.) Direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government.
- B.) U.S. Government sponsored enterprises.
- C.) U.S. Government Agencies.
- D.) Florida Local Government Surplus Funds Trust Fund (Florida PRIME) or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act of 1969.
- E.) Interest-bearing time deposits or savings accounts in banks organized under the laws of Florida, in national banks organized under the laws of the United States and doing business and situated in Florida. Savings and loan associations which are under federal law and supervision, provided deposits are secured by collateral as may be prescribed by law. The institution must be fully insured by Federal Deposit Insurance Corporation, or Federal Savings and Loan Insurance Corporation, and are approved by the State Treasurer as a qualified public depository.
- F.) Securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided their portfolio is limited to United States Government obligations and repurchase agreements fully collateralized by such United States Government obligations.
- G.) Term and overnight repurchase agreements with any primary brokers/dealers that are fully collateralized by direct obligations of United States, or United States government sponsored corporation/instrumentalities, or United States government agencies. Collateral for overnight and term repurchase agreements must maintain a minimum price of 101 percent on U.S. Treasuries and 102 percent on Agencies and Instrumentalities not to exceed five (5) years, and must be "marked to market" on a weekly basis.
- H.) Bonds, notes or obligations of any state of the United States, any municipality, political subdivision, agency or authority of this state which are exempt from federal income taxation, and are rated by any nationally recognized rating agency for municipal bonds in any of the two highest classifications.
- I.) SEC - registered, no-load money market mutual funds whose portfolios consist of tax exempt securities and repurchase agreements, whose shares of the mutual fund must be rated in the highest category by a nationally recognized rating service.
- J.) Florida Local Government Investment Trust (FLGIT).
- K.) SEC registered money market mutual funds with average portfolio maturities under 120 days, whose portfolios consist of United States Government securities and repurchase agreements secured by such securities.

The Board's Policy requires that the obligations of any state or municipality be rated by at least one of the nationally recognized rating agencies in any one of the two (2) highest classifications, and that investments in money market mutual funds must be rated in the highest category by a nationally recognized rating service.

*Custodial Credit Risk*

The Policy requires that bank deposits be secured as provided by Chapter 280, *Florida Statutes*, and that the banks must be fully insured by the Federal Deposit Insurance Corporation ("FDIC") or the Federal Savings and Loan Insurance Corporation ("FSLIC") and approved by the State Treasurer as a public depository. At September 30, 2023, all of the Port Authority's bank deposits were in qualified public depositories.

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*Interest Rate Risk*

The Policy requires an average minimum dollar amount equivalent to eight weeks of expenditures shall be held in a liquid investment, and securities will not be directly invested in or accepted as collateral that have a maturity date greater than five (5) years from the settlement date.

*Concentration of Credit Risk*

The Policy establishes the following guidelines on portfolio composition in order to control concentration of credit risk:

United States Treasuries/Agencies	100%
Local Government Surplus Funds Trust Fund and other investment pools	50%
Term Repurchase agreements	20%
Money Market Mutual Funds (no individual fund family over 30 percent)	65%
CD's and Savings Accounts (10 percent per institution)	30%
FLGIT	5%

The Investment Committee may adjust the target percentages of each eligible security in the portfolio due to market and cash flow conditions.

NOTE III. RECEIVABLES

*Accounts Receivable*

At September 30, 2023 accounts receivable consisted of the following (dollars in thousands):

	Gross Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Unrestricted	\$3,760	(\$500)	\$3,260
Restricted	<u>2,874</u>	<u>-</u>	<u>2,874</u>
Total	<u>\$6,634</u>	<u>(\$500)</u>	<u>\$6,134</u>

*Leases Receivable*

The Port Authority currently leases land, buildings and infrastructure to various third parties. As of September 30, 2023, the Port Authority's lease receivables were valued at \$97,750,000 and the deferred inflow of resources associated with these leases which will be recognized as revenue over the term of the leases was \$96,387,000. These payments are generally fixed monthly payments with certain variable payments not included in the measurement of the lease receivable. The Port Authority has agreements with rental car companies and certain concessionaires with a minimum annual guarantee. These agreements have abatement clauses that make the payments variable in nature as they are based on future performance of the lessee. These variable payments are not included in the measurement of the lease receivable.

The lease receivables at September 30, 2023 were as follows:

Land - During the fiscal year, the Port Authority recognized \$2,841,000 in lease revenue related to various land leases at an interest rate of 0.86 percent, with



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term dates ranging from 2028 to 2092. Variable payments not previously included in the measurement of the lease receivable were \$1,271,000 for the year. \$78,963,000

Buildings – During the fiscal year, the Port Authority recognized \$3,035,000 in lease revenue related to various building leases at interest rates ranging from 0.86 to 2.47 percent, with term dates ranging from 2024 to 2036. Variable payments not previously included in the measurement of the lease receivable were \$33,239,000 for the year. 18,569,000

Infrastructure – During the fiscal year, the Port Authority recognized \$127,000 in lease revenue related to various infrastructure leases at an interest rate of 0.86 percent, with term dates ranging through 2025. 218,000

Total Lease Receivables \$97,750,000

*Payments for lease receivables are expected to be received in subsequent years as follows (dollars in thousands):*

Fiscal Year	Principal	Interest
2024	\$ 4,901	\$ 899
2025	4,855	852
2026	4,790	804
2027	4,853	757
2028	4,836	709
2029-2033	12,498	3,004
2034-2038	7,319	2,476
2039-2043	6,666	2,170
2044-2048	7,041	1,872
2049-2053	6,512	1,581
2054-2058	6,153	1,306
2059-2063	6,016	1,050
2064-2068	6,039	782
2069-2073	4,257	561
2074-2078	2,959	407
2079-2083	2,838	287
2084-2088	2,963	162
2089-2092	2,254	37
	\$ 97,750	\$ 19,716

### *Regulated Leases*

The Port Authority leases certain assets to various third parties, whose leases meet the definition of a regulated lease as defined in GASB No. 87 and therefore, are only subject to the disclosure requirements. Regulated leases are certain leases that are subject to external laws, regulations, or legal rulings, e.g. the U.S. Department of Transportation and the Federal Aviation Administration, regulated aviation leases between airport and other

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aeronautical users. Certain assets are subject to preferential or exclusive use by the counterparties to these agreement, as follows:

- Jet bridges - 19 of 27 total jet bridges are designated preferential use.
- Passenger hold rooms - 19 of 27 hold rooms are designated preferential use.
- Baggage service offices - All space in this category is designated exclusive use.
- Baggage make up units - 9 of 14 baggage make up units are designated exclusive use.
- Ticket counters - 32 of 58 total ticket counters are designated exclusive use.
- Ticket office space - All space in this category is designated exclusive use.
- Concourse operations space - All space in this category is designated exclusive use.

The following represents the Port Authority's regulated leases excluded from GASB 87 as of September 30, 2023:

Land - During the fiscal year, the Port Authority recognized \$3,102,000 in revenue related to regulated land leases, with term dates ranging from 2024 to 2049. Variable payments related to these signatory leases was \$2,745,000 for the year.	\$48,061,000
Building (Hangar) - During the fiscal year, the Port Authority recognized \$187,000 in revenue related to regulated building leases, with term dates ranging from 2024 to 2032. Variable payments related to these signatory leases was \$20,249,000 for the year.	<u>1,702,000</u>
Total Regulated Leases	<u>\$49,763,000</u>

*Payments for regulated leases are expected to be received in subsequent years as follows (dollars in thousands):*

Fiscal Year(s)	Business-type Activities
2024	\$ 3,080
2025	3,114
2026	3,171
2027	3,222
2028	3,221
2029 - 2033	14,632
2034 - 2038	11,538
2039 - 2043	7,213
2044 - 2048	549
2049	23
Total	\$ 49,763

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NOTE IV. RESTRICTED ASSETS

At September 30, 2023, restricted assets consisted of the following (dollars in thousands):

<i>Current:</i>	
Cash, cash equivalents and investments	\$ 30,432
Cash and cash equivalents with fiscal agent	24,012
<i>Non-current:</i>	
Cash, cash equivalents and investments	179,122
Accounts receivables, net	2,874
Total	<u><u>\$ 236,440</u></u>

NOTE V. CAPITAL ASSETS

Increases and decreases in capital asset activity include transfers. Capital asset activity for the fiscal year ended September 30, 2023 is as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized :				
Land, easements, and rights of way	\$ 132,623	\$ -	\$ (187)	\$ 132,436
Artwork	293	-	-	293
Construction in progress	209,366	136,378	(78,114)	267,630
Total capital assets not being depreciated/amortized	342,282	136,378	(78,301)	400,359
Capital assets being depreciated/amortized:				
Buildings	362,878	1,204	(496)	363,586
Improvements other than buildings	33,103	119	-	33,222
Machinery and equipment	115,527	8,540	(1,202)	122,865
Software	3,741	-	-	3,741
Infrastructure	403,693	26	(641)	403,078
Intangible right-to-use machinery and equipment	55	44	-	99
Intangible right-to-use SBITA*	1,843	897	-	2,740
Total capital assets being depreciated/amortized	920,840	10,830	(2,339)	929,331
Less accumulated depreciation/amortization for:				
Buildings	127,418	7,305	(416)	134,307
Improvements other than buildings	21,176	1,509	-	22,685
Machinery and equipment	53,603	6,626	(1,055)	59,174
Software	3,741	-	-	3,741
Infrastructure	189,975	10,644	(333)	200,286
Intangible right-to-use machinery and equipment	11	24	-	35
Intangible right-to-use SBITA*	-	579	-	579
Total accumulated depreciation/amortization	395,924	26,687	(1,804)	420,807
Total capital assets being depreciated/amortized, net	524,916	(15,857)	(535)	508,524
Capital assets, net	\$ 867,198	\$ 120,521	\$ (78,836)	\$ 908,883

\*See note XIV Other Information for detail on the change in beginning balance due to change in accounting principle.

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*NOTE VI. LONG-TERM OBLIGATIONS*

*Revenue Bonds*

The Airport Revenue Bonds were issued for various capital projects. The bonds are secured by a lien on and a pledge of net revenues of the Southwest Florida International Airport. Principal and interest paid for the current year and pledged revenues collected were \$23,788,000 and \$71,570,000, respectively. The total principal and interest remaining to be paid is \$611,649,000.

Issue	Maturity	Interest Rate	Effective Interest Rate	Amount Issued	Outstanding Balances
Airport Revenue Refunding Bonds, Series 2015	2033	5.00%	4.65%	\$ 33,425,000	\$ 33,425,000
Airport Revenue Refunding Bonds, Series 2021A	2032	5.00%	1.42%	139,560,000	139,560,000
Airport Revenue Bonds, Series 2021B	2051	4% to 5.00%	3.06%	217,670,000	215,825,000
					<u>\$ 388,810,000</u>

The annual debt service requirements for revenue bonds at September 30, 2023, were as follows (dollars in thousands):

Fiscal Year(s)	Port Authority	
	Principal	Interest
2024	\$ 14,750	\$ 18,156
2025	15,490	17,400
2026	17,965	16,564
2027	18,865	15,643
2028	19,805	14,676
2029-2033	105,370	57,946
2034-2038	55,495	35,575
2039-2043	40,545	26,796
2044-2048	50,990	16,024
2049-2052	49,535	4,059
Total	<u>\$ 388,810</u>	<u>\$ 222,839</u>

*Bond Resolutions*

The Airport Revenue Refunding Bonds, Series 2015, the Airport Revenue Refunding Bonds, Series 2021A and the Airport Revenue Bonds, Series 2021B are collateralized by a lien on and a pledge of the net revenues from the operation of SWFIA.

The Port Authority has agreed to maintain such fees and rates to provide revenues sufficient to pay all current expenses of SWFIA and the greater of 125 percent of the principal and interest payments due in the next

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succeeding fiscal year or 100 percent of the principal and interest payments due in the next succeeding fiscal year plus any other required payments under the bond resolutions.

The resolutions for the following bonds established certain accounts and determined the order in which certain revenues are to be deposited into those accounts. In addition, there are various other covenants established by the official statements and resolutions, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with these covenants. All required balances at year-end were maintained on the following issues:

Revenue Bonds

Airport Revenue Refunding Bonds, Series 2015  
Airport Revenue Refunding Bonds, Series 2021A  
Airport Revenue Bonds, Series 2021B

*Direct Borrowing - Variable Debt*

Direct Borrowing – Business-Type Activities

The Port Authority entered into a \$50,000,000 taxable subordinate revolving credit facility agreement on May 6, 2020 with a final maturity on May 6, 2025 with a commercial bank. The line of credit is to be used to finance certain airport-related capital projects. On November 4, 2022, the agreement was amended to extend the maturity to November 4, 2027, and to change the interest rate basis from London Interbank Offered Rates (“LIBOR”) to Bloomberg Short-Term Bank Yield index rate (“BSBY”). The rate is based on the bond rating and the current rate is the one month BSBY rate plus .61 percent. On September 30, 2023, the rate was 5.99 percent. Interest payments began on June 1, 2020, and will be paid monthly on the unpaid balance until final maturity on November 4, 2027.

The unused portion of the line of credit is subject to a non-refundable fee currently at .25 percent per annum for each day the line is unused. No fee will be issued on the days either the advances are suspended or the outstanding principal is greater than 50 percent of the maximum principal amount. The applicable margins for the interest rate and credit facility fee is based on the table below.

Interest Applicable Margin and Applicable Credit Facility Fee Margin - rate per annum associated with the Level corresponding to the lowest long-term unenhanced debt rating assigned by:

Level	Moody's Rating	S&P Rating	Fitch Rating	Interest Rate Applicable Margin	Applicable Credit Facility Fee Margin
Level 1	A2 or above	A or above	A or above	0.61%	0.25%
Level 2	A3	A-	A-	0.68%	0.30%
Level 3	Baa1	BBB+	BBB+	0.87%	0.35%
Level 4	Baa2	BBB	BBB	1.18%	0.45%
Level 5	Baa3 or below	BBB- or below	BBB- or below	Default Rate	Default Rate

Default rate is 4% per annum

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Principal for all draws made against the line of credit is due on November 4, 2027. The line of credit is solely collateralized by a lien on and a pledge of the net revenues of Southwest Florida International Airport. On September 30, 2023, there was no outstanding balance and the unused line of credit was \$50,000,000. Interest paid for the current year was \$295,000.

If an event of default occurs, the notes shall bear interest at the applicable interest rate plus 4 percent per annum until the default is cured to the satisfaction of the lender. A late fee equal to 4 percent of the amount due will be accessed if the amount due is not paid within 15 days of the due date.

*Leases Payable*

The Port Authority is currently committed to various non-cancelable leases of equipment with terms in excess of one year. The leases payable at September 30, 2023 were as follows:

Equipment- During the fiscal year, the Port Authority paid \$24,000 related to various equipment leases with interest rates between 4.40 percent and 4.76 percent, with term dates ranging from 2025 to 2026. \$66,000

The future principal and interest lease payments as of September 30, 2023 were as follows (dollars in thousands):

Fiscal Year(s)	Business-type	
	Activities	
	Principal	Interest
2024	\$ 36	\$ 2
2025	18	1
2026	12	-
Total	\$ 66	\$ 3

*Subscription-Based Information Technology Arrangements (SBITAs) Payable*

The Port Authority is currently committed to various non-cancellable service-based information technology arrangements (SBITAs) with terms in excess of one year. The SBITAs payable at September 30, 2023 were as follows:

During the fiscal year, the Port Authority paid \$682,000 in principal related to various SBITAs with an interest rate of 4.76 percent, with term dates ranging from 2024 to 2027. \$1,834,000

The future principal and interest SBITA payments as of September 30, 2023 were as follows (dollars in thousands):

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Fiscal Year(s)	Business-type Activities	
	Principal	Interest
2024	\$ 666	\$ 87
2025	547	56
2026	372	30
2027	249	12
Total	\$ 1,834	\$ 185

### *Arbitrage Rebate Payable*

Any excess interest earnings on tax-exempt bond proceeds must be remitted to the federal government in five-year intervals. Even though a payment may not be required until several years into the future, the liability is recorded in business-type activities. The obligation as of September 30, 2023, was \$2,217,000.

### *Changes in Long-Term Debt*

Changes in bonded and other indebtedness of the Port Authority for the year ended September 30, 2023, were as follows (dollars in thousands):

<u>Business-Type Activities:</u>	Beginning			Ending	Due Within
<u>Port Authority</u>	Balance (as restated)	Additions	Reductions	Balance	One Year
Bonds payable:					
Revenue bonds	\$ 393,945	\$ -	\$ (5,135)	\$ 388,810	\$ 14,750
Less/plus deferred amounts:					
Unamort discount/premium	71,565	-	(7,293)	64,272	-
Total bonds payable	465,510	-	(12,428)	453,082	14,750
Direct borrowing - variable debt	9,008	-	(9,008)	-	-
Arbitrage rebate payable	-	2,217	-	2,217	-
Leases payable	46	44	(24)	66	36
SBITAs payable	1,843 *	673	(682)	1,834	666
Compensated absences	2,187	2,089	(1,973)	2,303	1,569
Total Port Authority					
long-term liabilities	\$ 478,594	\$ 5,023	\$ (24,115)	\$ 459,502	\$ 17,021

\*See note XIV Other Information for detail on change in accounting principle.

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NOTE VII: SEGMENT INFORMATION

The County has outstanding revenue bonds and an outstanding line of credit that are financed by Southwest Florida International Airport revenues. Both activities are accounted for in a single fund (Lee County Port Authority). Summary financial information for the Southwest Florida International Airport and Page Field General Aviation Airport are presented as follows (dollars in thousands).

	<u>Southwest Florida International Airport</u>	<u>Page Field General Aviation Airport</u>
<i>Condensed Statements of Net Position</i>		
Assets		
Current assets	\$ 150,179	\$ 14,790
Restricted assets	148,144	-
Noncurrent assets	43,529	49,320
Capital assets (net)	841,557	62,607
Total assets	<u>1,183,409</u>	<u>126,717</u>
Deferred outflows of resources	<u>20,960</u>	<u>1,502</u>
Liabilities		
Current liabilities	23,494	3,232
Current liabilities payable from restricted assets	54,444	-
Noncurrent liabilities	523,525	7,299
Total liabilities	<u>601,463</u>	<u>10,531</u>
Deferred inflows of resources	<u>73,016</u>	<u>52,132</u>
Net position		
Net investment in capital assets	522,016	59,947
Restricted	20,007	-
Unrestricted	(12,133)	5,609
Total net position	<u>\$ 529,890</u>	<u>\$ 65,556</u>



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NOTE VII: SEGMENT INFORMATION (continued)

	Southwest Florida International Airport	Page Field General Aviation Airport
<u>Condensed Statements of Revenues, Expenses, and Changes in Net Position</u>		
Operating revenues		
User fees	\$ 50,289	\$ 11,856
Rentals	5,642	3,725
Concessions	57,169	119
Miscellaneous	383	41
Less: Rebates	(4,598)	-
Total operating revenues	108,885	15,741
Operating expenses		
Depreciation	23,115	3,572
Other operating expenses	95,004	17,034
Total operating expenses	118,119	20,606
Operating loss	(9,234)	(4,865)
Non-operating revenues (expenses)		
Investment earnings	\$ 15,110	\$ 1,054
Interest expense	(12,173)	(3)
Other non-operating	27,358	1,014
Total non-operating revenues (expenses)	30,295	2,065
Income(loss) before capital contributions and transfers	21,061	(2,800)
Capital contributions	15,802	2,030
Special item - loss on discontinued project	(74,725)	-
Transfers	(2,190)	-
Change in net position	(40,052)	(770)
Beginning net position	569,942	66,326
Ending net position	\$ 529,890	\$ 65,556
 <u>Condensed Statements of Cash Flows</u>		
Net cash provided (used) by:		
Operating activities	\$ 16,290	\$ (521)
Noncapital financing activities	17,613	115
Capital and related financing activities	(145,167)	(2,883)
Investing activities	15,102	1,036
Net decrease	(96,162)	(2,253)
Beginning cash and cash equivalents	368,861	13,197
Ending cash and cash equivalents	\$ 272,699	\$ 10,944

Certain funds that relate to activities at both the Southwest Florida International Airport and Page Field are not included in the segmented statements, including the K-9 donation fund and the discretionary fund. In addition, all of the funds related to the passenger facility charges are omitted from the segmented statements.

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NOTE VIII. RETIREMENT PLAN

*Defined Benefit Pension Plans*

*Background*

The Florida Retirement System (FRS) was created by Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the FRS Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost-sharing multiple-employer defined benefit pension plan, to assist retired members of any State-administered retirement system in paying the costs of health insurance.

All regular Port Authority employees are eligible to enroll as members of the State-administered FRS. Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and described in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is a single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs. An annual comprehensive financial report of the FRS, which includes its financial statements, required supplementary information, actuarial report, and other relevant information, is available from the Florida Department of Management Services' Web site ([www.dms.myflorida.com](http://www.dms.myflorida.com)).

The Port Authority's pension expenses for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2023 totaled \$13,576,000.

***Florida Retirement System Pension Plan (FRS Plan)***

*Plan Description*

The Florida Retirement System Pension Plan (FRS Plan) is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

- *Regular Class* - Members of the FRS who do not qualify for membership in the other classes.
- *Elected County Officers Class* - Members who hold specified elective offices in local government.
- *Senior Management Service Class (SMSC)* - Members in senior management level positions.
- *Special Risk Class* - Members who are special risk employees, such as law enforcement officers, meet the criteria to qualify for this class.

Employees enrolled in the FRS Plan prior to July 1, 2011, vest at 6 years of creditable service and employees enrolled in the FRS Plan on or after July 1, 2011, vest at 8 years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of service. All members enrolled in the FRS Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service, except for members classified as special risk who are eligible for normal retirement benefits at age 55 or at any age after 25 years of

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service. Employees enrolled in the FRS Plan may include up to 4 years of credit for military service toward creditable service. The FRS Plan also includes an early retirement provision; however, there is a benefit reduction for each year a member retires before his or her normal retirement date. The FRS Plan provides retirement, disability, death benefits, and annual cost-of-living adjustments to eligible participants.

DROP, subject to provisions of Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the FRS Plan to defer receipt of monthly benefit payments while continuing employment with an FRS participating employer. An employee may participate in DROP for a period not to exceed 96 months after electing to participate, except that certain instructional personnel may participate for up to 120 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the FRS Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the 5 highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the 8 highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits. The following chart shows the percentage value for each year of service credit earned:

<u>Class, Initial Enrollment, and Retirement Age / Years of Service</u>	<u>% Value</u>
<b>Regular Class members initially enrolled before July 1, 2011</b>	
Retirement up to age 62 or up to 30 years of service	1.60
Retirement up to age 63 or up to 31 years of service	1.63
Retirement up to age 64 or up to 32 years of service	1.65
Retirement up to age 65 or up to 33 years of service	1.68
<b>Regular Class members initially enrolled on or after July 1, 2011</b>	
Retirement up to age 65 or up to 33 years of service	1.60
Retirement up to age 66 or up to 34 years of service	1.63
Retirement up to age 67 or up to 35 years of service	1.65
Retirement up to age 68 or up to 36 years of service	1.68
<b>Senior Management Service Class</b>	2.00
<b>Special Risk Regular</b>	
Service from December 1, 1970, through September 30, 1974	2.00
Service on and after October 1, 1974	3.00

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. FRS Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement. In 2017, Senate Bill 7022 made several changes to FRS. The bill provides for renewed

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membership in the investment plan to reemployed defined contribution plan retirees, as well as, In-Line-of Duty Death Benefits.

Contributions

The Florida Legislature establishes contribution rates for participating employers and employees. Effective July 1, 2011, all FRS Plan members (except those in DROP) are required to make 3 percent employee contributions on a pretax basis. The contribution rates attributable to the Port Authority, effective July 1, 2022, were applied to employee salaries as follows: regular employees 10.19 percent, senior management 29.85 percent, special risk 26.11 percent, and DROP participants 16.94 percent. The Port Authority's contributions to the FRS Plan were \$5,076,000 for the year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the Port Authority reported a liability of \$36,372,000 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Port Authority's proportion of the net pension liability was based on the Port Authority's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2023, the Port Authority's proportion was 0.0913 percent, which was an increase of 0.0118 percent from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the Port Authority recognized pension expense of \$8,907,000 for its proportionate share of FRS's pension expense.

In addition, the Port Authority reported its proportionate share of FRS's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 3,415,000	\$ -
Changes in Actuarial Assumptions	2,371,000	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,519,000	-
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	2,486,000	-
Port Authority Contributions Subsequent to the Measurement Date	1,246,000	-
Total	<u>\$ 11,037,000</u>	<u>\$ -</u>

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Deferred outflows of resources related to pensions included \$1,246,000 from contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended September 30:	
2024	\$1,657,000
2025	198,000
2026	6,538,000
2027	1,085,000
2028	313,000

Actuarial Assumptions

The total pension liability in the July 1, 2023 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%, per year
Salary increases	3.25%, Average
Investment rate of return	6.70%

Mortality rates were based on the PUB2010 base table which vary by member category and sex, projected generationally with Scale MP-2018. The actuarial assumptions used in the July 1, 2023, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

The long-term expected rate of return on pension plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions, and includes an adjustment for the inflation assumption. The target allocation, as outlined in the FRS Plan's investment policy, and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Annual Arithmetic Return	Compound Annual Geometric Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.1%
Fixed Income	19.8%	4.5%	4.4%	3.4%
Global Equity	54.0%	8.7%	7.1%	18.1%
Real Estate (property)	10.3%	7.6%	6.6%	14.8%
Private Equity	11.1%	11.9%	8.8%	26.3%
Strategic Investments	3.8%	6.3%	6.1%	7.7%
<b>Totals</b>	<b>100.0%</b>			
Assumed Inflation - Mean			2.4%	1.4%

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Discount Rate

The discount rate used to measure the total pension liability remained at 6.70 percent for the FRS Plan. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rate specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

The following presents the Port Authority’s proportionate share of the net pension liability for the FRS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Port Authority’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	5.70%	6.70%	7.70%
Port Authority Proportionate Share of the FRS Plan Net Pension Liability	\$ 62,131,000	\$ 36,372,000	\$ 14,822,000

Pension Plan Fiduciary Net Position

Detailed information about the FRS Plan’s fiduciary’s net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report. The report maybe obtained through the Florida Department of Management Services website: <http://www.dms.myflorida.com>.

***Retiree Health Insurance Subsidy Program (HIS Plan)***

Plan Description

The Retiree Health Insurance Subsidy Program (HIS Plan) is a cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided

For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$7.50 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$45 and a maximum HIS payment of \$225 per month, pursuant to Section 112.363, Florida Statutes. To be eligible

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to receive a HIS Plan benefit, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended June 30, 2023, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statutes. On July 1, 2023, the rate increases to 2 percent. The Port Authority contributed 100 percent of its statutorily required contributions for the current and preceding 3 years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event the legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or canceled. The Port Authority's contributions to the HIS Plan were \$575,000 for the year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2023, the Port Authority reported a liability of \$11,327,000 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. Liabilities originally calculated as of the actuarial valuation date are recalculated as of June 30, 2023 using a standard actuarial roll-forward technique. The Port Authority's proportion of the net pension liability was based on the Port Authority's contributions received during the measurement period for employer payroll paid dates from July 1, 2022, through June 30, 2023, relative to the total employer contributions received from all participating employers. At June 30, 2023, the Port Authority's proportion was 0.0713 percent, which was an increase of 0.0092 percent from its proportion measured as of June 30, 2022.

For the year ended September 30, 2023, the Port Authority recognized pension expense of \$4,669,000 for its proportionate share of HIS's pension expense. In addition, the Port Authority reported its proportionate share of HIS's deferred outflows of resources and deferred inflows of resources from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 166,000	\$ 26,000
Changes in Actuarial Assumptions	298,000	982,000
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	6,000	-
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	875,000	19,000
Port Authority Contributions Subsequent to the Measurement Date	144,000	-
Total	<u>\$ 1,489,000</u>	<u>\$ 1,027,000</u>

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Deferred outflows of resources related to pensions included \$144,000 resulting from Port Authority's contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended September 30, 2024. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase in pension expense as follows:

Year Ended September 30:	
2024	\$111,000
2025	116,000
2026	57,000
2027	(36,000)
2028	39,000
Thereafter	31,000

Actuarial Assumptions

The total pension liability in the July 1, 2022, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 %, per year
Salary increases	3.25 %, avg with inflation
Investment rate of return	3.65%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018. The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013, through June 30, 2018.

Discount Rate

The discount rate used to measure the total pension liability changed from 3.54 to 3.65 percent for the HIS Plan. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Pension Liability Sensitivity

The following presents the Port Authority's proportionate share of the net pension liability for the HIS Plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Port Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:



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Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	2.65%	3.65%	4.65%
Port Authority's Proportionate Share of the HIS Plan Net Pension Liability	\$ 12,922,000	\$ 11,327,000	\$ 10,004,000

*Pension Plan Fiduciary Net Position*

Detailed information about the HIS Plan's fiduciary's net position is available in a separately-issued FRS Pension Plan and Other State-Administered Systems Annual Comprehensive Financial Report. That report may be obtained through the Florida Department of Management Services website: <http://www.dms.myflorida.com>.

*Summary*

The aggregate amount of net pension liability, related deferred outflows of resources and deferred inflows of resources and pension expense for the Port Authority's proportionate share of the defined benefit pension plans are summarized below.

<u>Description</u>	<u>FRS Plan</u>	<u>HIS Plan</u>	<u>Total</u>
Net Pension Liability	\$ 36,372,000	\$ 11,327,000	\$ 47,699,000
Deferred outflows of resources related to pensions	11,037,000	1,489,000	12,526,000
Deferred inflows of resources related to pensions	-	1,027,000	1,027,000
Pension expense	8,907,000	4,669,000	13,576,000

*Defined Contribution Plan*

The Florida State Board of Administration (SBA) administers the defined contribution plan officially titled the FRS Investment Plan (Investment Plan). The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Annual Comprehensive Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Port Authority employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the FRS defined benefit plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members.

For all membership classes, employees are immediately vested in their own contributions and are vested after 1 year of service for employer contributions and investment earnings. If an accumulated benefit obligation for

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service credit originally earned under the FRS Pension Plan is transferred to the Investment Plan, the member must have the years of service required for FRS Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Non-vested employer contributions are placed in a suspense account for up to 5 years. If the employee returns to FRS-covered employment within the 5-year period, the employee will regain control over their account. If the employee does not return within the 5-year period, the employee will forfeit the accumulated account balance. For the fiscal year ended June 30, 2023, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Port Authority.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the FRS Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the FRS Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Port Authority's Investment Plan pension expense totaled \$306,000 for the year ended September 30, 2023.

#### NOTE IX. OTHER POSTEMPLOYMENT BENEFITS

##### Plan Description

The Port Authority provides post-retirement health care benefits, through participation in the Group Health Program for Lee County (GHPLC) Plan (the Plan), to all employees who retire from the Port Authority. The Group Health Program for Lee County provides medical, dental, vision and life insurance benefits (OPEB) to Port Authority retirees and their spouses. At October 1, 2023, the date of the latest actuarial valuation, plan participation consisted of 396 current active plan members, 141 retirees and 68 eligible dependents receiving postemployment health care benefits. In addition, Medicare eligible retirees and their Medicare eligible dependents may enroll in the Medicare Advantage Plan (MAP), a fully funded insurance plan administered by Aetna.

A publicly available financial report that includes financial statements and required supplementary information is not available for this plan.

##### Funding Policy

The Port Authority subsidizes the premium rates paid by retirees by allowing them to participate at blended premium rates for both active and retired employees. These rates provide an implicit subsidy for retirees because, on an actuarial basis, retiree claims are expected to result in higher costs to the Plan on average than those of active employees. On January 1, 2020, the Port Authority reinstated the subsidy program that had been discontinued on October 1, 2008. The subsidy program offers retirees with six or more years of consecutive employment prior to retirement a direct subsidy of 60 percent for MAP participants and 50 percent for Aetna participants. A \$96 discount is applied for plan members enrolled in Medicare Part B for the self-insurance plan. No discount is offered for MAP. Vision and dental insurance are offered to retirees; however, they are not subsidized by the Port Authority. The Plan also allows retirees the option to continue to participate in the GHPLC life insurance policy. The life insurance is only available to the retiree, and has a face value of \$5,000. The following table summarizes the retirees' monthly contribution rates for 2023. The Plan is funded on a pay-as-you-go basis.

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	General Employee Retirees after subsidy		General Employee Retirees without subsidy	
	<u>Aetna</u>	<u>MAP</u>	<u>Aetna</u>	<u>MAP</u>
Medical/ Prescriptions:				
Retiree Only				
Pre 65 Years Old	\$590	N/A	\$1,180	N/A
Medicare Eligible	494	125	987	312
Retiree plus Spouse				
Pre 65 Years Old	988	N/A	1,975	N/A
Medicare Eligible	795	250	1,589	624
Retiree Plus dependent				
Pre 65 Years Old	973	N/A	1,945	N/A
Medicare Eligible	780	250	1,559	624
Retiree plus family				
Pre 65 Years Old	995	N/A	1,990	N/A
Medicare Eligible (3) (spouse + one dep)	802	374	1,604	936
Life:				
Individual Coverage	13		13	
Spouse	N/A		N/A	

Actuarial Methods and Assumptions

At September 30, 2023, the Port Authority's OPEB liability of \$40,644,000 was measured as of September 30, 2023, and was determined by an actuarial valuation as of that date. The following actuarial assumptions and other inputs were applied to all periods included in the measurement:

Inflation Rate	2.50%
Salary Increases	N/A
Discount Rate	4.09%
Healthcare Cost Trend Rate	8.30% pre 65 8.90% at least 65 14.60% MAP
Retirees' share of benefit cost, percent of premium:	
Subsidy Eligible	40% MAP 50% Aetna

The discount rate was based on the 20 Year Municipal Bond Rate at September 30, 2023, in the Bond Buyer GO 20-Bond Municipal Bond Index. The discount rate changed from 4.02 percent at September 30, 2022.

Mortality rates were based on the PUBG.H-2010 and PUBS.H-2010 Tables for employees and retirees projected generationally with Scale MP-2021 and PUBG.H-2010SB Tables for survivor beneficiaries projected generationally with Scale MP-2021.

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Changes in assumptions also included a shift in the future medical plan election for new Medicare eligible retirees, expected claims costs and premiums were updated to reflect actual claims experience and known premiums and health care cost trend rates were updated to reflect recent experience and expectations.

The actuarial assumptions used in the September 30, 2023 valuation were based on the results of an actuarial experience study for the period October 1, 2022 through September 30, 2023.

The rationales for selecting each of the assumptions used in the financial accounting valuation and for the assumption changes summarized above are to best reflect the current market conditions and recent plan experience.

Total OPEB Liability

At September 30, 2023, the Port Authority reported a liability of \$40,644,000 for its share of the County's GHPLC plan's other postemployment benefits liability. The liability was measured as of September 30, 2023 and determined by an actuarial valuation as of that date. The Port Authority's proportion was based on the Port Authority's number of eligible employees. At September 30, 2023, the Port Authority's proportion was 13.6341 percent, which was an increase of 1.1121 percent from its proportion measured at September 30, 2022.

Changes in the Total OPEB Liability

Balance at September 30, 2022	\$40,133,000
Changes for the year:	
Service Cost	1,524,000
Interest	1,655,000
Difference between Expected and Actual Experience	(214,000)
Changes in Assumptions	(1,487,000)
Benefit Payments	<u>(967,000)</u>
Net Changes	<u>511,000</u>
Balance at September 30, 2023	<u>\$40,644,000</u>

The following presents the Port Authority's proportionate share of total OPEB liability as well as what the Port Authority's proportionate share of total OPEB liability would be if it were calculated using a discount rate that is 1 percent higher or 1 percent lower than the current discount rate.

Description	1% Decrease (3.09%)	Current Rate (4.09%)	1% Increase (5.09%)
OPEB Liability	\$47,019,000	\$40,644,000	\$35,486,000

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The following presents the Port Authority's proportionate share of total OPEB liability as well as what the Port Authority's proportionate share of total OPEB liability would be if it were calculated using healthcare trend rates that are 1 percent higher or 1 percent lower than the current healthcare cost trend rate.

Description	1% Decrease	Trend Rate	1% Increase
OPEB Liability	\$ 35,017,000	\$40,644,000	\$ 47,789,000

For the year ended September 30, 2023, the Port Authority recognized a benefit of \$480,000 for its proportionate share of other postemployment benefits expense.

At September 30, 2023, the Port Authority reported its proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 476,000	\$ 2,102,000
Changes in Assumptions	5,870,000	25,633,000
Total	<u>\$ 6,346,000</u>	<u>\$ 27,735,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended September 30:	
2024	\$(3,659,000)
2025	(3,659,000)
2026	(2,487,000)
2027	(2,075,000)
2028	(2,899,000)
Thereafter	(6,610,000)

**NOTE X. RISK MANAGEMENT**

The Port Authority property and casualty insurance lines are written through their broker, Alliant Insurance Services. All lines of insurance costs for 2023 was \$3,208,000. There have been no significant reductions in insurance coverage that have exceeded the amount of coverage in any of the past three years.

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The Port Authority participates in the County's self-insurance program for group medical and group dental coverage. Funding for this program is generated by charges to the operating departments based on management's annual estimates of claim loss funding and administration/operating costs. For the fiscal year ended September 30, 2023, the Port Authority was charged \$7,067,000 for the insurance program.

The Port Authority is exposed to other various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

#### NOTE XI. COMMITMENTS AND CONTINGENCIES

At September 30, 2023 the Port Authority had in process various construction contracts totaling \$502,059,000. Costs incurred on these contracts as of September 30, 2023 totaled \$329,696,000 including retainage payable of \$8,492,000.

The Port Authority is currently receiving, and has received in the past, grants that are subject to special compliance audits by the grantor agency, which may result in disallowed expense amounts. These amounts constitute a contingent liability of the Port Authority. The Port Authority does not believe any contingent liabilities to be material.

The Port Authority currently prepares rebate calculations on all debt subject to arbitrage per the United States Department of the Treasury Regulations, Section 1.148, and the Internal Revenue Service Code of 1986. Rebates, if any, are paid to the Internal Revenue Service every fifth year after the year of issuance. Within the five-year period, any positive arbitrage (liability) can be offset by any negative arbitrage (non-liability). These rebates constitute a liability of the Port Authority, which is reported as other noncurrent liabilities. The rebate liability for the fiscal year ended September 30, 2023 was \$2,217,000.

#### NOTE XII. PASSENGER FACILITY CHARGE

In November 1992, the Port Authority received approval from the Federal Aviation Administration ("FAA") to impose a Passenger Facility Charge (PFC) of \$3.00 per eligible enplaned passenger. In November 2003, the Port Authority was granted the authority to raise the PFC level from \$3.00 to \$4.50. In August 2019, the FAA approved amendments to Application #8 and #9 for \$115,194,000 and \$65,063,000 respectively increasing the total collection authority to \$522,185,000 as of September 30, 2019 with an estimated expiration date of June 1, 2028. In October 2019, the FAA approved Application #10 for \$385,351,000 and a third amendment to Application #9 for \$758,000 increasing the total collection and use authority to \$908,294,000 and concurrently revising the estimated charge expiration date to November 1, 2039.

#### NOTE XIII. AIRLINE USE AGREEMENTS

##### *Signatory Airlines*

The Port Authority negotiated an airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred as Signatory Airlines) with the key terms of the agreement approved by the Board in May, 2008. The Agreement commenced on October 1, 2008, with a five-year term, expiring on September 30, 2013 a second five-year extension expiring on September 30, 2018, and a three-year extension expiring on September 30, 2021. The signatory airlines signed a two-year extension to this agreement, expiring on September 30, 2023. All of the key terms of the agreement are the same.

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Subsequent to the end of the fiscal year, the Board signed and approved a new long-term agreement with seven out of the eight existing signatory carriers at the January 18, 2024 Board of Port Commissioners meeting. The eighth and final signatory carrier agreement is scheduled to be taken to the Board for approval at the March 7, 2024 meeting. The new agreement extends the terms of the existing agreement from October 1, 2023 to September 30, 2024. Thereafter, the terms of the new agreement will become effective beginning October 1, 2024 and will continue for a term of ten (10) years, until September 30, 2034.

The current agreement, commonly referred to as a hybrid compensatory agreement, has a revenue sharing component. In any year in which there are net remaining revenues generated at the Airport, and all requirements of the Bond Resolution have been satisfied, the net remaining revenues shall be divided between the Authority (60 percent) and the Signatory Airlines (40 percent). The agreement provides for better flexibility as there is no majority-in-interest approval required for capital projects.

Refunds/Rebates are generated from settlement with the Airlines and the revenue sharing component of the Airline Airport Lease & Use Agreement.

Terminal premises are leased on an exclusive use, preferential use, and joint use basis. The Authority will lease certain Terminal premises on a common use basis, as may be necessary. It is the intent of the Authority to manage its Terminal facilities in an efficient manner, while also respecting the schedules of its airline parties. Ticket counters, offices, operations areas, and baggage make-up facilities are leased on an exclusive use basis. Gates/holdrooms and aircraft parking positions are leased on a preferential use basis. Baggage claim is leased on a joint use basis, with costs allocated to the Signatory Airlines based on twenty percent allocated to all Signatory Airlines equally, and eighty percent allocated to all Signatory Airlines based on the ratio of each Signatory Airline's annual enplaned passengers at the Airport.

Landing Fees are calculated using a "residual" Airfield Cost Center approach and are based upon the total landed weight for all airline groups (Signatory, non-Signatory, Cargo, Charter, and International). Terminal Rents are calculated using a commercial compensatory method (i.e., rentable square foot divisor). Charges for the leasing of all Terminal space are assessed on a square-footage basis.

In fiscal year 2023, the Signatory Airlines paid the Port \$20,560,000. This amount is net of refunds/(deficits) in airline rents of (\$238,000) and revenue sharing of \$4,598,000.

### *Nonparticipating Airlines*

The Port Authority has also entered into short-term use agreements or permits with the airlines serving the Airport other than the Signatory Airlines. Nonparticipating airlines are assessed fees no less than those paid by the Signatory Airlines and do not share in any rebates.

### NOTE XIV. OTHER

#### *Litigation*

The Port Authority is involved in ongoing litigation arising in the ordinary course of operations. It is the opinion of management and legal counsel that the outcome of this litigation will not materially affect the financial position of the Port Authority.

Lee County Port Authority  
Lee County, Florida  
NOTES TO THE FINANCIAL STATEMENTS  
September 30, 2023

*Special Item – Loss on Discontinued Project*

On December 28, 2014, the Board of Port Commissioners approved an agreement with the Department of Transportation Federal Aviation Administration (FAA) to replace and relocate the air traffic control tower at Southwest Florida International Airport. The Port Authority paid for the design and construction of the new air traffic control tower. On November 3, 2022, this agreement was amended to change the ownership of the air traffic control tower to the FAA upon commissioning. On September 29, 2023, the transfer of ownership took place and a loss on discontinued project was recognized in the amount of \$74,525,000.

*Change in Accounting Principle*

During the year ended September 30, 2023, the Port Authority implemented GASB Statement No. 96, "Subscription-Based Information Technology Arrangements". The statement requires the recognition of certain subscription based technology assets and subscription based technology liabilities that previously were classified as operating expenses. It establishes a single model for subscription accounting based upon the foundational principle that subscriptions are financings of the right to use an underlying asset. Subscriptions where the maximum possible term is one year or less continue to be reported as operating expenses.

As a result of implementing GASB Statement 96, the Port Authority has recorded the following to adjust beginning balances (dollars in thousands):

	Statement of Net Position	
Intangible right-to-use SBITA	\$	1,843
SBITA payable		(1,843)
	\$	-



# Required Supplementary Information



Lee County Port Authority  
Required Supplementary Information  
September 30, 2023

*Other Postemployment Benefits Plan*  
(unaudited)

**Group Health Program for Lee County Plan**  
**Schedule of the Port Authority's Proportionate Share of Total OPEB Liability**

<u>Total OPEB liability</u>	Measurement Date						
	2017	2018	2019	2020	2021	2022	2023
Service cost	\$ 1,829,000	\$ 1,059,000	\$ 975,000	\$ 1,148,000	\$ 2,619,000	\$ 2,286,000	\$ 1,524,000
Interest	1,606,000	1,523,000	1,690,000	1,483,000	1,420,000	1,400,000	1,655,000
Difference between expected and actual experience	98,000	146,000	861,000	(529,000)	(1,549,000)	(729,000)	(214,000)
Changes in assumptions	(12,236,000)	(2,899,000)	12,556,000	(1,452,000)	(3,544,000)	(22,093,000)	(1,487,000)
Change in benefit terms	-	-	-	7,253,000	-	-	-
Benefit Payments	(1,204,000)	(1,193,000)	(1,113,000)	(725,000)	(1,053,000)	(768,000)	(967,000)
Net change in total OPEB liability	(9,907,000)	(1,364,000)	14,969,000	7,178,000	(2,107,000)	(19,904,000)	511,000
Total OPEB liability beginning	51,268,000	41,361,000	39,997,000	54,966,000	62,144,000	60,037,000	40,133,000
Total OPEB liability ending	\$ 41,361,000	\$ 39,997,000	\$ 54,966,000	\$ 62,144,000	\$ 60,037,000	\$ 40,133,000	\$ 40,644,000
Port Authority's Proportion of the total OPEB liability	13.6942%	11.3933%	11.5040%	12.3054%	15.0108%	12.5220%	13.6341%
Port Authority's Covered-employee Payroll	\$ 23,211,000	\$ 24,009,000	\$ 24,365,000	\$ 25,002,000	\$ 25,976,000	\$ 28,641,000	\$ 33,190,000
Port Authority's Proportion Share of the total OPEB liability as a percentage of covered payroll	178.20%	166.59%	225.59%	248.56%	231.12%	140.12%	122.46%

No assets have been accumulated in a trust fund for the plan.

**Notes to Schedule**

For the measurement date September 30, 2023, the amount reported as changes in assumptions resulted from the following:

- The discount rate changed from 4.02% at September 30, 2022 to 4.09% at September 30, 2023.
- Expected medical claims costs and premiums updated to reflect actual claims experience and known premiums.
- Expected life insurance premiums were updated since the last valuation to reflect the updated retiree charge.
- The health care cost trend rates updated to reflect recent experience and expectations.
- Change in the percentage of subsidy eligible retirees assumed to enroll in pre-65 medical coverage from 55% to 40%, and a change for post-65 medical coverage from 44% to 55%.
- A change in future medical plan election for new Medicare eligible retirees from 50% Aetna Select or POS2, 50% Medicare Advantage to 30% Aetna Select or POS2, 70% Medicare Advantage.
- Change in the future retiree life insurance participation rate from 20% to 17.5% for pre-65 retirees.

For the measurement date September 30, 2022, the amount reported as changes in assumptions resulted from the following:

- The discount rate changed from 2.26% at September 30, 2021 to 4.02% at September 30, 2022.

For the measurement date September 30, 2021, the amount reported as changes in assumptions resulted from the following:

- The discount rate changed from 2.21% at September 30, 2020 to 2.26% at September 30, 2021.
- Change in the mortality improvement scale from Scale MP-2020 to Scale MP-2021.
- A change in future medical plan election for new Medicare eligible retirees from 60% Aetna Select or POS2, 40% Medicare Advantage to 50% Aetna Select or POS2, 50% Medicare Advantage.
- Expected claims costs and premiums updated to reflect actual claims experience and known premiums.
- The health care cost trend rates updated to reflect recent experience and expectations.

For the measurement date September 30, 2020, the amount reported as changes in assumptions resulted from the following:

- Effective January 1, 2020, employees of the Port Authority hired after December 31, 2007 became eligible for premium subsidies. The change increased the liability by \$7,253,000 and was recognized in expense for the fiscal year ending September 30, 2020.
- The discount rate changed from 2.66% at September 30, 2019 to 2.21% at September 30, 2020.
- Change in the mortality assumption from the PUBG.H-2010 Tables and PUBS.H-2010 Tables for employees and retirees, both projected generationally with Scale MP-2018 to the PUBG.H-2010 Tables and PUBS.H-2010 Tables for employees and retirees, both projected generationally with Scale MP-2020.
- The removal of the excise tax trend adjustment.
- Change in retirement rates, termination rates and disability rates to reflect the 2019 FRS experience study.

For the measurement date September 30, 2019, the amount reported as changes in assumptions resulted from the following:

- The discount rate changed from 4.18% at September 30, 2018 to 2.66% at September 30, 2019.
- Change in the mortality assumption from the PUBG.H-2010 Tables and PUBS.H-2010 Tables for employees and retirees, both projected generationally with Scale MP-2017 to the PUBG.H-2010 Tables and PUBS.H-2010 Tables for employees and retirees, both projected generationally with Scale MP-2018.

For the measurement date September 30, 2018, the amount reported as changes in assumptions resulted from the following:

- The discount rate changed from 3.64% at September 30, 2017 to 4.18% at September 30, 2018.
- Change in the mortality assumption from the aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2017 to the PUBG.H-2010 Tables and PUBS.H-2010 Tables for employees and retirees, both projected generationally with Scale MP-2017.

For the measurement date September 30, 2017, the amount reported as changes in assumptions resulted from the following:

- The discount rate changed from 4.00% at September 30, 2016 under GASB 45 to 3.06% at September 30, 2016 under GASB 75 and to 3.64% at September 30, 2017.
- Change in the mortality assumption from the aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2016 to the aggregate 2006 base rates from the RP-2014 mortality study projected generationally from 2006 using Scale MP-2017.
- Change in the percentage of future Medicare eligible retirees assumed to enroll in the Aetna plan from 50% to 60%, and a change in the percentage assumed to enroll in the Medicare Advantage plan from 50% to 40%.
- Change in the percentage of subsidy eligible retirees assumed to enroll in pre-65 medical coverage from 70% to 65%, to enroll initially in post-65 coverage from 56% to 49%, and to continue coverage upon attaining Medicare eligibility from 80% to 75%.
- Change in the percentage of non-subsidy eligible retirees assumed to enroll in pre-65 medical coverage from 40% to 25%, to enroll initially in post-65 coverage from 30% to 18%, and to continue coverage upon attaining Medicare eligibility from 75% to 70%.
- Health care claims rates and trend rates were updated to reflect the latest available information.

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is completed, the Port Authority will present information for only those years for which information is available.

Lee County Port Authority  
Required Supplementary Information  
September 30, 2023

**Florida Retirement System Pension Plan**  
(unaudited)

**Schedule of the Port Authority's Proportionate Share of the Net Pension Liability**  
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Port Authority's Proportion of the Net Pension Liability	0.0762%	0.0767%	0.0822%	0.0793%	0.0805%	0.0790%	0.0776%	0.0791%	0.0795%	0.0913%
Port Authority's Proportionate Share of the Net Pension Liability	\$ 4,561,000	\$ 9,905,000	\$ 20,749,000	\$ 23,467,000	\$ 24,235,000	\$ 27,217,000	\$ 33,634,000	\$ 5,975,000	\$ 29,565,000	\$ 36,372,000
Port Authority's Covered Payroll**	\$ 17,856,000	\$ 20,871,000	\$ 21,611,000	\$ 22,841,000	\$ 23,884,000	\$ 24,192,000	\$ 24,613,000	\$ 26,586,000	\$ 27,247,000	\$ 32,671,000
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	25.54%	47.46%	96.01%	102.74%	101.47%	112.50%	136.65%	22.47%	108.51%	111.33%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	96.09%	92.00%	84.88%	83.89%	84.26%	82.61%	78.85%	96.40%	82.89%	82.38%

\*The amounts presented for each fiscal year were determined as of June 30.

\*\* For June 30, 2015, and later, covered payroll shown includes the payroll for Investment Plan members and payroll on which only UAL rates are charged.

**Schedule of Port Authority Contributions**  
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contribution	\$ 1,872,000	\$ 2,049,000	\$ 2,077,000	\$ 2,265,000	\$ 2,439,000	\$ 2,641,000	\$ 2,818,000	\$ 3,190,000	\$ 3,872,000	\$ 5,076,000
Contributions in Relation to the Contractually Required Contribution	(1,872,000)	(2,049,000)	(2,077,000)	(2,265,000)	(2,439,000)	(2,641,000)	(2,818,000)	(3,190,000)	(3,872,000)	(5,076,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 17,917,000	\$ 21,765,000	\$ 21,954,000	\$ 23,139,000	\$ 23,934,000	\$ 24,322,000	\$ 24,789,000	\$ 25,891,000	\$ 28,240,000	\$ 33,150,000
Contributions as a percentage of covered payroll	10.45%	9.41%	9.46%	9.79%	10.19%	10.86%	11.37%	12.32%	13.71%	15.31%

Lee County Port Authority  
Required Supplementary Information  
September 30, 2023

**Retiree Health Insurance Subsidy Program**  
(unaudited)

**Schedule of the Port Authority's Proportionate Share of the Net Pension Liability**  
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Port Authority's Proportion of the Net Pension Liability	0.0568%	0.0495%	0.0522%	0.0563%	0.0606%	0.0581%	0.0590%	0.0602%	0.0621%	0.0713%
Port Authority's Proportionate Share of the Net Pension Liability	\$ 5,313,000	\$ 5,044,000	\$ 6,082,000	\$ 6,017,000	\$ 6,414,000	\$ 6,496,000	\$ 7,205,000	\$ 7,383,000	\$ 6,578,000	\$ 11,327,000
Port Authority's Covered Payroll	\$ 20,339,000	\$ 20,871,000	\$ 21,611,000	\$ 22,841,000	\$ 23,884,000	\$ 24,192,000	\$ 24,613,000	\$ 26,586,000	\$ 27,247,000	\$ 32,671,000
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	26.12%	24.17%	28.14%	26.34%	26.85%	26.85%	29.27%	27.77%	24.14%	34.67%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	0.99%	0.50%	0.97%	1.64%	2.15%	2.63%	3.00%	3.56%	4.81%	4.12%

\*The amounts presented for each fiscal year were determined as of June 30.

**Schedule of Port Authority Contributions**  
Last 10 Fiscal Years

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually Required Contribution	\$ 258,000	\$ 296,000	\$ 364,000	\$ 384,000	\$ 397,000	\$ 404,000	\$ 411,000	\$ 430,000	\$ 469,000	\$ 575,000
Contributions in Relation to the Contractually Required Contribution	(258,000)	(296,000)	(364,000)	(384,000)	(397,000)	(404,000)	(411,000)	(430,000)	(469,000)	(575,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 20,496,000	\$ 21,765,000	\$ 21,954,000	\$ 23,139,000	\$ 23,934,000	\$ 24,322,000	\$ 24,789,000	\$ 25,891,000	\$ 28,240,000	\$ 33,150,000
Contributions as a percentage of covered payroll	1.26%	1.36%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.73%