Lee County Port Authority

Component Unit Financial Report

Year Ended September 30, 2024

Lee County Port Authority

Lee County, Florida

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LEE COUNTY PORT AUTHORITY

April 25, 2025

Dear Friends,

We are pleased to present the Lee County Port Authority's (LCPA) financial statements for the fiscal year ending September 30, 2024. LCPA posted strong operating revenues and a lower than budget cost per enplaned passenger (CPE) to the signatory airlines. Passenger traffic significantly outperformed both the budget and prior year actual as the region recovered from Hurricane Ian. Southwest Florida International Airport (RSW) set a record for the most passengers in a fiscal year. Page Field (FMY) sold 2.4 million gallons of fuel and recorded $17.0 million of operating revenues.

Passenger Traffic and Operating Revenue and Expenses

For the fiscal year, total passengers at Southwest Florida International Airport (RSW) were 11,115,128, an increase of 18.4 percent compared with the same period as last year. Total operating revenues for LCPA were $134.3 million, an increase of $9.6 million compared to the prior year. Increases were in parking, restaurants & catering, Consolidated Receiving & Distribution Center fees (CRDC), and Page Field fuel sales. These were partially offset by decreases in landing fees and rental cars. Operating expenses were $140.6 million (including non-cash items such as depreciation and OPEB), a decrease of $2.2 million. The largest decreases were in other post-employment benefits (OPEB) expenses and modest decreases in contractual expenses. The largest increases were in salary & wages, employee benefits and insurance. Our cost per enplaned (CPE) passenger was $4.75 compared to a budgeted $8.10.

Non-operating Revenues and Expenses

A new non-operating revenue category referred to as a rental car customer facility charge (CFC) was adopted during the fiscal year. This new revenue source was the primary contributor to the year-over-year increase in non-operating revenues. The CFC was initiated to fund rental car-related projects at RSW. The CFC charge is $5.00 per transaction day. The charge is collected by the rental car companies and remitted to LCPA on a monthly basis. Another notable increase in non-operating revenue was the receipt of a $4.7 million settlement for business interruption insurance to reimburse the loss of income from Hurricane Ian. These increases were partially offset by a decrease in COVID relief grants as LCPA made its final draws of the federally allocated funding during the fiscal year. The Port Authority received approximately $80 million in COVID relief funds over the last five fiscal years.

Major Projects at RSW

Construction for Terminal Expansion Phase 2, a new 14 gate Concourse E, was approved by the Board in September 2024. Subsequent to year-end, construction began on the project and bond funds were borrowed to cover a portion of the costs of the project. The new Concourse E will significantly increase capacity at RSW, providing more opportunities for air service to the community. Terminal Expansion Phase 1 construction began in fall 2021 and has experienced delays due to design issues. The project has been under a re-design effort since 2023. Subsequent to year-end at a March 24, 2025 meeting, the Board gave approval to continue construction on the project, extending contracts and increasing the project budget. The timeline for completion of the Phase 1 of the terminal expansion has been extended by approximately four years. This project will consolidate the terminal checkpoints and greatly expand the concession options at RSW.

Other major ongoing and upcoming projects include the design of a new public safety building, design of a rental car service facility and parking expansion, and baggage handling system enhancements.

Awards and Notable News

Southwest Florida International Airport (RSW) was ranked 43rd of the top 50 airports for passengers for 2024. RSW also ranked third in the top tier of airports in the J.D. Power 2024 North American Airport Satisfaction Study. Base Operations at Page Field was rated in the top 5 percent of fixed-based operators in an international survey conducted by Aviation International News (AIN). Base Operations has been recognized by AIN for 12 consecutive years.

Air Service and New Airline Use and Lease Agreement

From an air service perspective, new markets in 2024 included Burlington, Vermont; Portsmouth, New Hampshire; Wilkes-Barre/Scranton, Pennsylvania; Wilmington, North Carolina, and Worcester, Massachusetts. Service to Montreal, Canada resumed after more than a two-year absence.

During the fiscal year, all eight (8) signatory carriers signed new long-term use and lease agreements that contain provisions that provide 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. The new agreement is effective October 1, 2024, and will continue for a term of ten (10) years, until September 30, 2034.

Page Field

Page Field sold 2.4 million gallons of fuel, a 9.3% increase from the prior year. Operating revenues were $16.9 million, an increase of $1.24 million from the prior year. Operating expenses, excluding depreciation, were $16.8 million, a $0.2 million decrease. Non-operating revenues (expenses) decreased by $2.1 million, reflecting Hurricane Ian FEMA grant funding received in the prior year, a loss on the disposal of the southeast ramp expansion, and lower investment earnings due to less funds on deposit. The South Quad Hangars and ramp project is in progress. 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.

The Lee County Port Authority is well-positioned financially, allowing for expansion at both airports to increase capacity and improve the overall customer experience. With well over $1 billion in construction now under way, 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:
Steven Hennigan
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Steven C. Hennigan, C.M., A.C.E.
Executive Director/CEO

SCH:DWA/tam

CliftonLarsonAllen LLP
CLAconnect.com

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, 2024, 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, 2024, 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 opinion.

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.

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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 opinion. 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.

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

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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 opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2025, 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

CliftonLarsonAllen LLP

Fort Myers, Florida
April 25, 2025

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, 2024 and 2023. 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 2024 and 2023.

Table 1
Summary of Net Position
September 30, 2024 and 2023
(amounts expressed in thousands)

	2024	2023
Current and other assets	$ 542,911	$ 530,109
Capital assets	995,286	908,883
Total assets	1,538,197	1,438,992
Deferred outflows of resources	28,876	22,462
Current liabilities	92,107	82,092
Non-current liabilities	521,347	530,824
Total liabilities	613,454	612,916
Deferred inflows of resources	118,384	125,149
Net investment in capital assets	645,964	586,481
Restricted	70,616	53,860
Unrestricted	118,655	83,048
Total net position	$ 835,235	$ 723,389

Summary of Net Position Analysis

In fiscal year 2024, activities for the Port increased total assets by $99,205,000, increased deferred outflows of resources by $6,414,000, increased total liabilities by $538,000, decreased deferred inflows of resources by $6,765,000 and increased total net position by $111,846,000.

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 increased $59,483,000, or 10.1 percent, in comparison to prior year.

The restricted net position increased by $16,756,000, or 31.1 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.

The unrestricted net position balance increased $35,607,000, or 42.9 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 2024 and 2023.

Table 2
Summary of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2024 and 2023
(amounts expressed in thousands)

	2024	2023
Revenues, net:		
User fees	$ 64,164	$ 62,145
Rental cars	25,013	24,668
Parking	30,321	24,454
Other, net	14,773	13,359
Total revenues, net	134,271	124,626
Expenses:		
Salaries, wages and benefits	52,303	56,997
Contractual services, materials and supplies, utilities, repairs and maintenance, and insurance	57,432	56,759
Depreciation	27,585	26,687
Other	3,271	2,348
Total expenses	140,591	142,791
Operating income (loss)	(6,320)	(18,165)
Non-operating revenues (expenses):		
Investment earnings	21,085	21,365
Interest expense	(11,577)	(12,176)
Grants	19,807	29,941
Passenger facility charges	20,965	18,177
Customer facility charges	18,817	-
Other expenses	(823)	(511)
Total non-operating revenues (expenses)	68,274	56,796
Income before capital contributions	61,954	38,631
Capital contributions	52,936	18,027
Special item - loss on discontinued project	(3,044)	(74,725)
Increase (decrease) in net position	111,846	(18,067)
Beginning net position	723,389	741,456
Ending net position	$ 835,235	$ 723,389

Summary of Revenues and Expenses Analysis

In fiscal year 2024, operating revenues increased to $134,271,000. Passenger traffic at Southwest Florida International Airport increased by 18.3 percent compared to the prior fiscal year as the region rebounded from the effects of Hurricane Ian that hit the area in September 2022. The Airport ultimately recorded 11,115,000 total passengers, which was the highest passenger count for a fiscal year in the history of the Airport. With passenger traffic to the area recovering, operating revenues increased by $9,645,000 or 7.7 percent increase. Notable operating revenue category increases include parking lot revenue $5,867,000, restaurants and catering $3,355,000 and terminal concessions $2,378,000. These were partially offset by decreases in landing fees and rental cars.

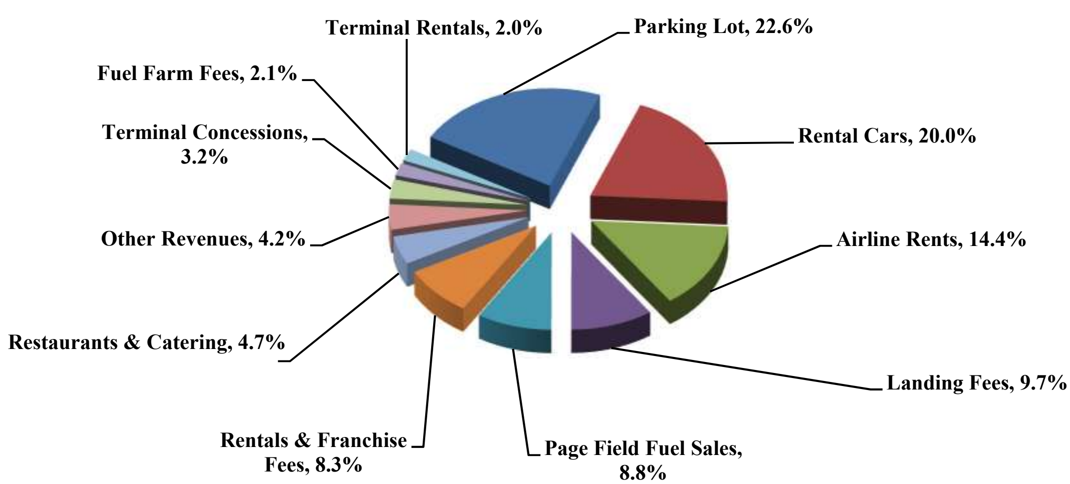
Total operating expenses decreased by $2,200,000 or 1.5 percent. The largest reduction was recorded in salaries, wages and benefits as the pension and OPEB benefit expense decreased $6,309,000. Refer to the retirement plan footnote for more information on the actuarially deteremined, non-cash entries for the definited benefit pension plan. Contractual services, materials and supplies also experienced a modest decrease of $158,000 as prior year included third party contractual expenses related to Hurricane Ian emergency response and recovery. These reductions were partially offset by increases in other expenses, insurance, utilities, and repairs and maintenance.

Total non-operating revenues (expenses) increased by $11,478,000. The primary contributing factor to this change was the adoption of a Customer Facility Charge (CFC) of $5.00 per transaction day that was initated in December 2023 at Southwest Florida International Airport. Rental car companies charge customers the CFC. The Airport then collects these fees from the rental car companies on a monthly basis for the purpose of funding improvements and expansion of the Airport’s rental car facilities. Passenger facility charges increased by $2,788,000 or 15.3 percent, which is in line with the passenger traffic growth. These increases were partially offset by a decrease in grants as COVID relief funds were exhausted and less funds were drawn in fiscal year 2024. Other notable activity within the non-operating section was recorded within the other expense category. Within this line item was an accrual of arbitrage rebate related to interest earned on tax-exempt bond funds. Additionally, a loss on disposal of assets was recorded due to the removal of a portion of pavement of aircraft ramp at Page Field that was not fully depreciated. This was done as part of an ongoing expansion project at Page Field. These expenses were mostly offset by the receipt of a business interruption insurance settlement compensating for economic losses related to Hurricane Ian. The Authority received $4,554,000 during the year for the settlement.

Capital contributions totaled $52,936,000, an increase of $34,909,000 in comparison to prior year. The increase 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 $37,791,000 for the RSW Terminal expansion, $6,542,000 for the RSW road rehabilitation project, and $5,815,000 for South Quad Hangars and Ramp project at Page Field.

The following charts summarize the Net Revenues and Expenses for fiscal year 2024.

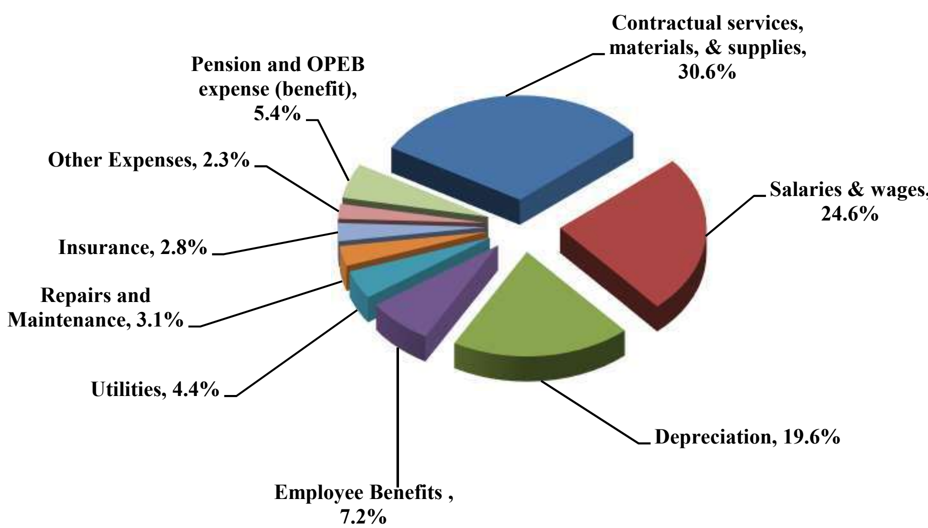
Operating Revenues for Fiscal Year 2024



Operating Revenues	2024	2023	2024 % of Total	Increase / (Decrease)	% Change
Parking Lot	$30,321,000	$24,454,000	22.6%	$5,867,000	24.0%
Rental Cars (w/ RAC rents)	26,889,000	27,148,000	20.0%	(259,000)	(1.0)%
Airline Rents	19,400,000	23,167,000	14.4%	(3,767,000)	(16.3)%

Landing Fees	13,040,000	13,920,000	9.7%	(880,000)	(6.3)%
Page Field Fuel Sales	11,781,000	11,309,000	8.8%	472,000	4.2%
Rentals & Franchise Fees	11,110,000	9,367,000	8.3%	1,743,000	18.6%
Restaurants & Catering	6,312,000	2,957,000	4.7%	3,355,000	113.5%
Other Revenues	5,589,000	4,749,000	4.2%	840,000	17.7%
Terminal Concessions	4,255,000	1,877,000	3.2%	2,378,000	126.7%
Fuel Farm Fees	2,901,000	3,146,000	2.1%	(245,000)	(7.8)%
Terminal Rentals	2,673,000	2,532,000	2.0%	141,000	5.6%
Total Net Operating Revenues	$134,271,000	$124,626,000	100.0%	$9,645,000	7.7%

Operating Expenses for Fiscal Year 2024



Operating Expenses	2024	2023	2024 % of Total	Increase / (Decrease)	% Change
Contractual services, materials, & supplies	$42,996,000	$43,154,000	30.6%	($158,000)	(0.4)%
Salaries & wages	34,572,000	33,346,000	24.6%	1,226,000	3.7%
Depreciation and amortization	27,585,000	26,687,000	19.6%	898,000	3.4%
Employee benefits	10,168,000	9,779,000	7.2%	389,000	4.0%
Utilities	6,185,000	6,050,000	4.4%	135,000	2.2%
Repairs & maintenance	4,377,000	4,347,000	3.1%	30,000	0.7%
Insurance	3,874,000	3,208,000	2.8%	666,000	20.8%
Other Expenses	3,271,000	2,348,000	2.3%	923,000	39.3%
Pension & OPEB Expenses (Benefits)	7,563,000	13,872,000	5.4%	(6,309,000)	(45.5)%
Total Operating Expenses	$140,591,000	$142,791,000	100.00%	($2,200,000)	(1.5)%

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. On March 11, 2024 application 11 was approved for $430,339,000 increasing the total collection and use authority to $1,338,633,000 and concurrently revising the estimated charge expiration date to December 1, 2060.

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 fiscal year 2024 included the following:

Southwest Florida International Airport:	
Terminal Expansion	$ 53,514,000
Terminal Expansion - Concourse E	$ 27,387,000
Rehabiliate/Realign Roads	$ 8,960,000
Page Field General Aviation Airport:	
South Quad Ramp and Hangar	$ 22,356,000

Table 3 reflects a summary of capital assets for 2024 and 2023.

Table 3
Capital Assets
September 30, 2024 and 2023
(000's)

	2024	2023
Land, easements and rights of ways	$132,436	$132,436
Construction in progress	343,955	267,630
Buildings	376,704	363,586
Improvements	34,718	33,222
Equipment	125,346	122,865
Software	4,341	3,741
Artwork	293	293
Intangible right-to-use equipment	99	99
Intangible right-to-use SBITA	4,303	2,740
Infrastructure	416,039	403,078
Subtotal	1,438,234	1,329,690
Less accumulated depreciation	(442,948)	(420,807)
Total	$995,286	$908,883

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

Debt Administration

As of September 30, 2024, the Port had $374,060,000 in outstanding debt, a decrease of $14,750,000.

Table 4
Outstanding Debt
September 30, 2024 and 2023
(000's)

	2024	2023
Series 2021B Airport Revenue Refunding Bonds	$213,750	$215,825
Series 2021A Airport Revenue Refunding Bonds	126,885	139,560
Series 2015 Airport Revenue Refunding Bonds	33,425	33,425
Total	$374,060	$388,810

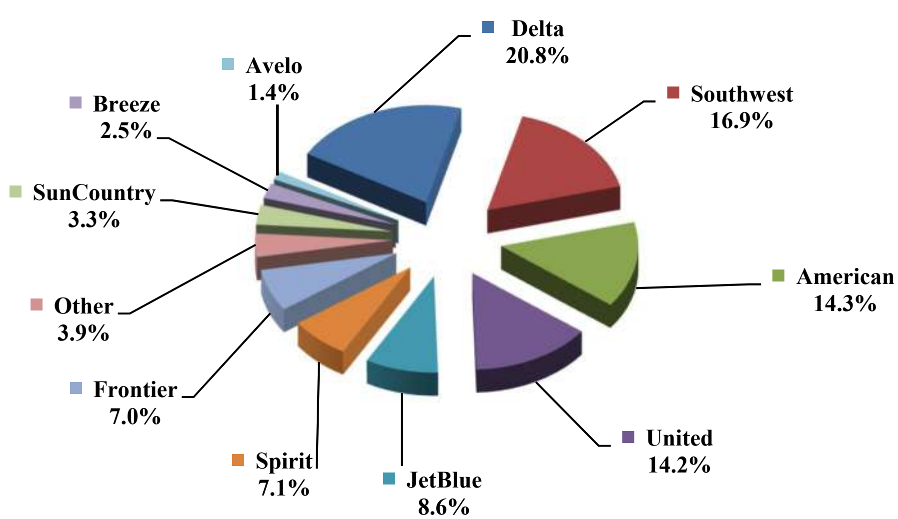
See additional information on the Port Authority's debt in note VI to the financial statements.

Airport Activities

The total passenger count for fiscal year 2024 was 11,115,000, an increase of 18.3 percent over the prior year. Below is a summary of new and increased airline service to Southwest Florida International Airport over the past year.

- **Breeze Airways,** Akron-Canton (CAK), Colombus (CMH), Loiusville (SDF), New Orleans (MSY), Norfolk (ORF), Pittsburg (PIT), Portland Maine (PWM), Raleigh-Durham (RDU), Richmond (RIC), Syracuse (SYR)
- **JetBlue Airways,** Worcester (ORH)
- **Porter Airlines,** Toronto (YYZ)
- **Spirit Airlines,** Charleston (CHS), Nasville (BNA), Norfolk (ORF), Richmond (RIC)

The following chart exhibits the Total Passenger Market Share for the Top Ten Airlines operating at Southwest Florida International Airport during Fiscal Year 2024.



Airline	FY 2024 Market Share	FY 2023 Market Share	Increase/ (Decrease)	% Change
Delta	20.8%	21.8%	-1.0%	-4.6%
Southwest	16.9%	18.1%	-1.2%	-6.6%
American	14.3%	14.9%	-0.6%	-4.0%
United	14.2%	14.3%	-0.1%	-0.7%
JetBlue	8.6%	10.6%	-2.0%	-18.9%
Spirit	7.1%	6.1%	1.0%	16.4%
Frontier	7.0%	5.6%	1.4%	25.0%
Other	3.9%	3.3%	0.6%	18.2%
Sun Country	3.3%	3.0%	0.3%	10.0%
Breeze	2.5%	0.5%	2.0%	400.0%
Avelo	1.4%	1.8%	-0.4%	-22.2%

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. A two year extension of the original 2008 agreement was signed by the signatory carriers expiring on September 30, 2023.

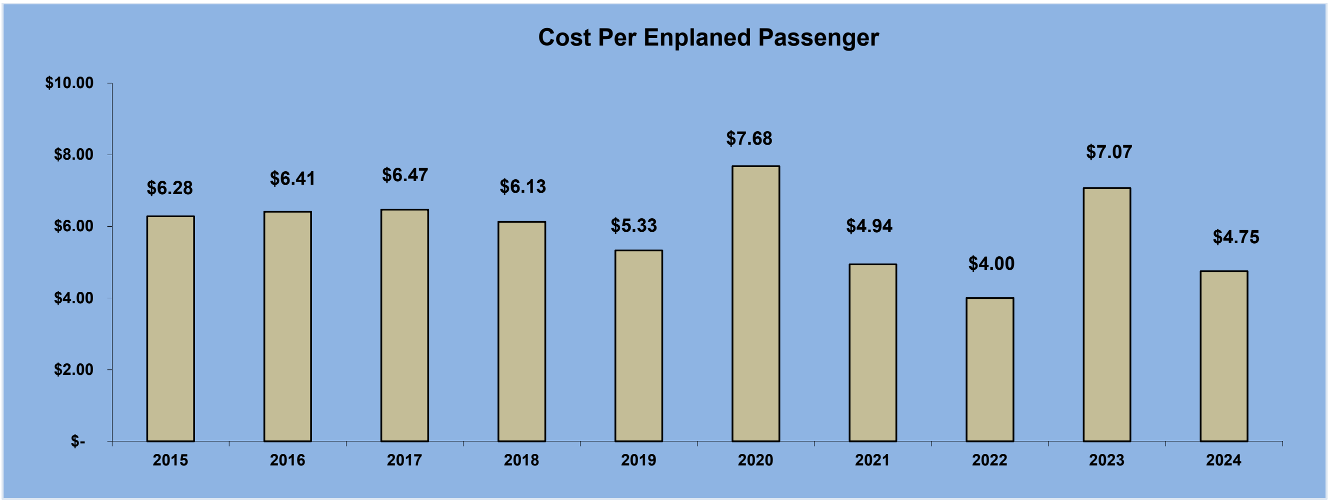
A new long-term agreement was signed by all eight existing signatory carriers. The new agreement extends the terms of the existing agreement from October 1, 2023 to September 30, 2024. Thereafter, the terms of the new agreement will become effective beginning October 1, 2024 and will continue for a term of ten (10) years, until September 30, 2034.

The current agreement that was in effect during fiscal year 2024, 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 has 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 are 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 2024, the Signatory Airlines paid the Port $21,237,000. This amount is net of refunds in airline rents of $5,142,000 and revenue sharing of $10,722,000.

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 2025 budget was prepared:

- The total number of passengers is projected to be 11,456,079, a 13.4 percent decrease over the 2024 budget.
- The total operating budget is $212.7 million, an increase of 22.6 percent or $39.2 million over the 2024 budget.
- Increases in revenues were in airline rents, parking, investment income and rental cars. The increase in airline rents reflects cost recovery related to debt service for the new concourse E project that began in fall 2024.
- Increases in personnel were a result of a 6 percent salary adjustment, new positions, and an increase in the Port Authority's contribution to the Florida Retirement System.
- Operating expenses include increases in utilities, management fees and operating capital.
- The budgeted rates for 2025 include $4.07 for the landing fee and a terminal rental rate of $177.10.

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, 2024
(amounts expressed in thousands)

ASSETS	
Current assets:	
Cash, cash equivalents and investments	$ 209,988
Restricted assets	52,057
Receivables:	
Accounts (net)	10,732
Grants	25,719
Leases	4,829
Accrued interest	72
Inventories	151
Prepaids	2,936
Total current assets	306,484
Noncurrent assets:	
Restricted assets	
Cash, cash equivalents and investments	144,924
Receivables	
Accounts	3,819
Receivables	
Leases	87,684
Capital assets (net)	995,286
Total noncurrent assets	1,231,713
Total assets	1,538,197
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding of debt	3,055
Unamortized pension costs and subsequent contributions	12,338
Unamortized other postemployment benefits costs	13,483
Total deferred outflows of resources	28,876
LIABILITIES	
Current liabilities:	
Contracts and accounts payable	17,396
Accrued liabilities	1,376
Refunds and rebates	15,864
Due to other governments	868
Leases payable	18
SBITA payable	943
Customer deposits	1,438
Accrued interest payable	60
Unearned revenues	499
Compensated absences	1,537
Net pension liability	51
Current liabilities payable from restricted assets:	
Contracts and accounts payable	22,033
Accrued interest payable	8,894
Deposits	5,640
Revenue bonds payable	15,490
Total current liabilities	92,107

Lee County Port Authority
Lee County, Florida
STATEMENT OF NET POSITION (Continued)
As of September 30, 2024
(amounts expressed in thousands)

Noncurrent liabilities:	
Compensated absences	888
Leases payable	12
SBITA payable	1,512
Revenue bonds payable	415,942
Net pension liability	43,899
Total other postemployment benefits liability	52,081
Other	7,013
Total noncurrent liabilities	521,347
Total liabilities	613,454
DEFERRED INFLOWS OF RESOURCES	
Unamortized pension costs	4,780
Unamortized other postemployment benefits costs	23,041
Unamortized leases	90,563
Total deferred inflows of resources	118,384
NET POSITION	
Net investment in capital assets	645,964
Restricted	
Capital projects	53,968
Debt service	16,148
Renewal and replacement	500
Unrestricted	118,655
Total net position	$ 835,235

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, 2024

(amounts expressed in thousands)

OPERATING REVENUES	
User fees	$ 64,164
Rentals	11,110
Concessions	13,696
Parking revenues	30,321
Rental car revenues	25,013
Miscellaneous	689
Total operating revenues	144,993
Less: Rebates	(10,722)
Net operating revenues	134,271
OPERATING EXPENSES	
Salaries and wages	34,572
Employee benefits	10,168
Pension and OPEB expense	7,563
Contractual services, materials and supplies	42,996
Utilities	6,185
Repairs and maintenance	4,377
Insurance	3,874
Other	3,271
Depreciation and amortization	27,585
Total operating expenses	140,591
Operating loss	(6,320)
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	21,085
Interest expense	(11,577)
Grants	19,807
Loss on disposal of capital assets	(3,514)
Passenger facility charges	20,965
Customer facility charges	18,817
Other revenues	7,612
Other expenses	(4,921)
Total non-operating revenues (expenses)	68,274
Income before contributions	61,954
Capital grants and contributions	52,936
Special item - loss on discontinued project	(3,044)
Change in net position	111,846
Total net position - beginning	723,389
Total net position - ending	$ 835,235

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, 2024
(amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	145,171
Cash received from customer deposits		548
Cash returned from customer deposits		(158)
Payments to suppliers		(58,962)
Payments to employees		(44,066)
Payments for interfund services used		(7,950)
Net cash provided by operating activities		34,583
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Non-capital grants received		19,188
Net cash provided by noncapital financing activities		19,188
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Cash deposits for future debt issuance		5,640
Proceeds from capital debt		9,000
Proceeds from capital grants		45,725
Proceeds from passenger facilities charges		21,010
Proceeds from customer facilities charges		17,828
Capital asset purchases		(128,909)
Principal paid on bonds, loans, leases and subscriptions		(24,769)
Interest paid on bonds, loans, leases and subscriptions		(18,408)
Proceeds from sale of capital assets		275
Net cash used in capital and related financing activities		(72,608)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		21,090
Net cash provided by investing activities		21,090
Net decrease in cash and cash equivalents		2,253
Cash and equivalents at beginning of year		404,716
Cash and equivalents at end of year	$	406,969
Classified as:		
Current assets		
Cash, cash equivalents, and investments	$	209,988
Restricted assets		52,057
Non-current assets		
Restricted assets		144,924
Totals	$	406,969

Lee County Port Authority
Lee County, Florida
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended September 30, 2024
(amounts expressed in thousands)

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating loss	$	(6,320)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization		27,585
Other revenues		8,033
Increase in accounts receivable		(7,471)
Decrease in lease receivable		4,906
Decrease in inventories		134
Increase in other assets		(102)
Increase in contracts and accounts payable		1,261
Increase in accrued liabilities		224
Increase in refunds and rebates		11,505
Increase in due to other governments		96
Increase in customer deposits		389
Decrease in unearned revenues		(86)
Increase in compensated absences		122
Decrease in deferred inflows of resources related to leases		(5,493)
Decrease in net pension liability		(3,749)
Decrease in deferred outflows of resources related to pensions		189
Increase in deferred inflows of resources related to pensions		3,753
Increase in total other postemployment benefits liability		11,437
Increase in deferred outflows of resources related to other postemployment benefits		(7,137)
Decrease in deferred inflows of resources related to other postemployment benefits		(4,693)
Total adjustments		40,903
Net cash provided by operating activities	$	34,583

NONCASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Purchase of capital assets on account	$	23,700
Loss on capital assets		(1,394)
Capital assets acquired through lease and subscription arrangements		1,754

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

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, customer facility charges, 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.

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), the Florida Public Assets for Liquidity Management (FLPALM) investment pool, and Florida Trust (FLTRUST) 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.

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:

Assets	Years
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 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*.

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, unamortized lease revenue, 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.

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, 2024, the Port Authority had the following deposits, investments, and maturities (amounts in thousands):

Investment	Maturities	Fair Value	Call Date	Call Frequency	Rating
Cash on hand	N/A	$368	N/A	N/A	N/A
Cash with fiscal agent	N/A	24,384	N/A	N/A	N/A
Demand deposits	N/A	42,415	N/A	N/A	N/A
Local Government Investment Pool					
FLPALM	35 days	22,591	N/A	N/A	AAAm
Florida PRIME	39 days	317,211	N/A	N/A	AAAm
Total		$ 406,969			

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	$ 209,988
Restricted cash, cash equivalents and investments	52,057
Non-current:	
Restricted cash, cash equivalents and investments	144,924
Total	$ 406,969

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, 2024, 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, 2024 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 techniques include the use of option pricing models, discounted cash flow models, and similar techniques. At September 30, 2024, 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, 2024 (dollars in thousands):

Investments measured at the net asset value (NAV)	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Redemption Restrictions
Florida Public Assets for Liquidity Management (FLPALM)	$ 22,591	-	Daily	2:00 p.m. EST (same day)	None
Total investments measured at the NAV	$ 22,591	$ -			

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, 2024, Florida PRIME contained certain floating and adjustable rate securities. These investments represented 27.9 percent of Florida PRIME's portfolio at September 30, 2024.

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, 2024, 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.

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, 2024, all of the Port Authority's bank deposits were in qualified public depositories.

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, 2024 accounts receivable consisted of the following (dollars in thousands):

	Gross Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Unrestricted	$11,232	($500)	$10,732
Restricted	3,819	-	3,819
Total	$15,051	($500)	$14,551

Leases Receivable

The Port Authority currently leases land, buildings and infrastructure to various third parties. As of September 30, 2024, the Port Authority’s lease receivables were valued at $92,513,000 and the deferred inflow of resources associated with these leases which will be recognized as revenue over the term of the leases was $90,563,000. 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, 2024 were as follows:

Land – During the fiscal year, the Port Authority recognized $2,317,000 in lease revenue related to various land leases at an interest rate of 0.86 percent, with term dates ranging from 2028 to 2092. Variable payments not previously included in the measurement of the lease receivable were $811,000 for the year.	$76,646,000
Buildings – During the fiscal year, the Port Authority recognized $2,459,000 in lease revenue related to various building leases at interest rates ranging from 0.86 to 2.47 percent, with term dates ranging from 2025 to 2036. Variable payments not previously included in the measurement of the lease receivable were $34,067,000 for the year.	15,779,000
Infrastructure – During the fiscal year, the Port Authority recognized $130,000 in lease revenue related to various infrastructure leases at an interest rate of 0.86 percent, with term dates ranging through 2025.	88,000
Total Lease Receivables	$92,513,000

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

Fiscal Year	Principal	Interest
2025	$ 4,829	$ 844
2026	4,763	797
2027	4,826	750
2028	4,807	703
2029	4,775	656
2030-2034	9,292	2,859
2035-2039	6,815	2,401
2040-2044	6,779	2,112
2045-2049	6,940	1,812
2050-2054	6,491	1,525
2055-2059	6,034	1,253
2060-2064	6,123	998
2065-2069	5,733	732
2070-2074	4,066	525
2075-2079	2,742	383
2080-2084	2,863	262
2085-2089	2,988	137
2090-2092	1,647	19
	$ 92,513	$ 18,768

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 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, 2024:

Land – During the fiscal year, the Port Authority recognized $2,889,000 in revenue related to regulated land leases, with term dates ranging from 2025 to 2049. Variable payments related to these signatory leases was $2,617,000 for the year.	$44,365,000
Building (Hangar) – During the fiscal year, the Port Authority recognized $192,000 in revenue related to regulated building leases, with term dates ranging from 2025 to 2032. Variable payments related to these signatory leases was $21,187,000 for the year.	2,448,000
Total Regulated Leases	$46,813,000

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

Fiscal Year(s)	Business-type Activities
2025	$ 3,116
2026	3,177
2027	3,228
2028	3,227
2029	3,177
2030 - 2034	13,749
2035 - 2039	11,677
2040 - 2044	5,013
2045 - 2049	449
Total	$ 46,813

NOTE IV. RESTRICTED ASSETS

At September 30, 2024, restricted assets consisted of the following (dollars in thousands):

Current:	
Cash, cash equivalents and investments	$ 27,673
Cash and cash equivalents with fiscal agent	24,384
Non-current:	
Cash, cash equivalents and investments	144,924
Accounts receivables, net	3,819
Total	$ 200,800

NOTE V. CAPITAL ASSETS

Increases and decreases in capital asset activity include transfers. Capital asset activity for the fiscal year ended September 30, 2024 is as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated/amortized :				
Land, easements, and rights of way	$ 132,436	$ -	$ -	$ 132,436
Artwork	293	-	-	293
Construction in progress	267,630	114,887	(38,562)	343,955
Total capital assets not being depreciated/amortized	400,359	114,887	(38,562)	476,684
Capital assets being depreciated/amortized:				
Buildings	363,586	13,118	-	376,704
Improvements other than buildings	33,222	1,517	(20)	34,719
Machinery and equipment	122,865	5,595	(3,115)	125,345
Software	3,741	600	-	4,341
Infrastructure	403,078	16,520	(3,559)	416,039
Intangible right-to-use machinery and equipment	99	-	-	99
Intangible right-to-use SBITA	2,740	1,862	(299)	4,303
Total capital assets being depreciated/amortized	929,331	39,212	(6,993)	961,550
Less accumulated depreciation/amortization for:				
Buildings	134,307	7,522	-	141,829
Improvements other than buildings	22,685	1,446	(19)	24,112
Machinery and equipment	59,174	6,847	(2,997)	63,024
Software	3,741	110	-	3,851
Infrastructure	200,286	10,791	(2,258)	208,819
Intangible right-to-use machinery and equipment	35	36	-	71
Intangible right-to-use SBITA	579	833	(170)	1,242
Total accumulated depreciation/amortization	420,807	27,585	(5,444)	442,948
Total capital assets being depreciated/amortized, net	508,524	11,627	(1,549)	518,602
Capital assets, net	$ 908,883	$ 126,514	$ (40,111)	$ 995,286

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 $32,906,000 and $70,252,000, respectively. The total principal and interest remaining to be paid is $578,745,000.

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	126,885,000
Airport Revenue Bonds, Series 2021B	2051	4% to 5.00%	3.06%	217,670,000	213,750,000
					$ 374,060,000

The annual debt service requirements for revenue bonds at September 30, 2024, were as follows (dollars in thousands):

	Port Authority	
Fiscal Year(s)	Principal	Interest
2025	$ 15,490	$ 17,400
2026	17,965	16,564
2027	18,865	15,643
2028	19,805	14,676
2029	20,010	13,681
2030-2034	114,285	52,455
2035-2039	34,010	33,443
2040-2044	42,335	24,927
2045-2049	53,425	13,584
2050-2052	37,870	2,312
Total	$ 374,060	$ 204,685

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 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, 2024, the rate was 5.48 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

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, 2024, there was no outstanding balance and the unused line of credit was $50,000,000. Interest paid for the current year was $54,000.

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, 2024 were as follows:

Equipment– During the fiscal year, the Port Authority paid $36,000 related to various equipment leases with interest rates between 4.40 percent and 4.76 percent, with term dates ranging from 2025 to 2026.	$30,000

The future principal and interest lease payments as of September 30, 2024 were as follows (dollars in thousands):

	Business-type Activities	
Fiscal Year(s)	Principal	Interest
2025	$ 18	$ 1
2026	12	-
Total	$ 30	$ 1

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, 2024 were as follows:

During the fiscal year, the Port Authority paid $983,000 in principal related to various SBITAs with an interest rate of 4.76 percent, with term dates ranging from 2025 to 2028.	$2,455,000

The future principal and interest SBITA payments as of September 30, 2024 were as follows (dollars in thousands):

	Business-type Activities	
Fiscal Year(s)	Principal	Interest
2025	$ 943	$ 118
2026	799	71
2027	561	33
2028	152	7
Total	$ 2,455	$ 229

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, 2024, was $7,013,000.

Changes in Long-Term Debt

Changes in bonded and other indebtedness of the County for the year ended September 30, 2024, were as follows (dollars in thousands):

Business-Type Activities:	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Port Authority					
Bonds payable:					
Revenue bonds	$ 388,810	$ -	$ (14,750)	$ 374,060	$ 15,490
Less/plus deferred amounts:					
Unamort discount/premium	64,272	-	(6,900)	57,372	-
Total bonds payable	453,082	-	(21,650)	431,432	15,490
Direct borrowing - variable debt	-	9,000	(9,000)	-	-
Arbitrage rebate payable	2,217	4,796	-	7,013	-
Leases payable	66	-	(36)	30	18
SBITAs payable	1,834	1,753	(1,132)	2,455	943
Compensated absences	2,303	4,155	(4,033)	2,425	1,537
Total Port Authority long-term liabilities	$ 459,502	$ 19,704	$ (35,851)	$ 443,355	$ 17,988

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).

	Southwest Florida International Airport	Page Field General Aviation Airport
Condensed Statements of Net Position		
Assets		
Current assets	$ 191,972	$ 10,719
Restricted assets	94,776	-
Noncurrent assets	39,278	48,406
Capital assets (net)	910,611	81,305
Total assets	1,236,637	140,430
Deferred outflows of resources	26,609	2,267
Liabilities		
Current liabilities	34,039	5,288
Current liabilities payable from restricted assets	52,057	-
Noncurrent liabilities	512,781	8,566
Total liabilities	598,877	13,854
Deferred inflows of resources	67,486	50,898
Net position		
Net investment in capital assets	565,702	76,892
Restricted	16,648	-
Unrestricted	14,533	1,053
Total net position	$ 596,883	$ 77,945

NOTE VII: SEGMENT INFORMATION (continued)

	Southwest Florida International Airport	Page Field General Aviation Airport
Condensed Statements of Revenues, Expenses, and Changes in Net Position		
Operating revenues		
User fees	$ 51,459	$ 12,705
Rentals	6,998	4,112
Concessions	68,934	96
Miscellaneous	624	65
Less: Rebates	(10,722)	-
Total operating revenues	117,293	16,978
Operating expenses		
Depreciation and amortization	24,030	3,555
Other operating expenses	94,213	16,944
Total operating expenses	118,243	20,499
Operating loss	(950)	(3,521)
Non-operating revenues (expenses)		
Investment earnings	$ 12,721	$ 1,044
Interest expense	(11,574)	(3)
Other non-operating	17,413	(946)
Total non-operating revenues (expenses)	18,560	95
Income(loss) before capital contributions and transfers	17,610	(3,426)
Capital contributions	47,121	5,815
Special item - loss on discontinued project	(1,695)	-
Transfers	3,957	10,000
Change in net position	66,993	12,389
Beginning net position	529,890	65,556
Ending net position	$ 596,883	$ 77,945
Condensed Statements of Cash Flows		
Net cash provided (used) by:		
Operating activities	$ 32,339	$ 1,691
Noncapital financing activities	22,556	10,582
Capital and related financing activities	(96,345)	(15,209)
Investing activities	12,725	1,045
Net decrease	(28,725)	(1,891)
Beginning cash and cash equivalents	272,699	10,944
Ending cash and cash equivalents	$ 243,974	$ 9,053

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 and customer facility charges are omitted from the segmented statements.

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).

The Port Authority's pension expenses for both the FRS Pension Plan and HIS Plan for the year ended September 30, 2024 totaled $5,834,000.

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 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:

Class, Initial Enrollment, and Retirement Age / Years of Service	% Value
Regular Class members initially enrolled before July 1, 2011	
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
Regular Class members initially enrolled on or after July 1, 2011	
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
Senior Management Service Class	2.00
Special Risk Regular	
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 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, 2023, were applied to employee salaries as follows: regular employees 11.51 percent, senior management 32.46 percent, special risk 30.61 percent, and DROP participants 19.13 percent. The Port Authority's contributions to the FRS Plan were $5,815,000 for the year ended September 30, 2024.

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

At September 30, 2024, the Port Authority reported a liability of $34,072,000 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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, 2023, through June 30, 2024, relative to the total employer contributions received from all of FRS's participating employers. At June 30, 2024, the Port Authority's proportion was 0.0881 percent, which was a decrease of 0.0032 percent from its proportion measured as of June 30, 2023.

For the year ended September 30, 2024, the Port Authority recognized pension expense of $5,710,000 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 3,442,000	$ -
Changes in Actuarial Assumptions	4,670,000	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,265,000
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	1,831,000	915,000
Port Authority Contributions Subsequent to the Measurement Date	1,337,000	-
Total	$ 11,280,000	$ 3,180,000

Deferred outflows of resources related to pensions included $1,337,000 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, 2025. 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:	
2025	$(136,000)
2026	5,980,000
2027	717,000
2028	(43,000)
2029	245,000

Actuarial Assumptions

The total pension liability in the July 1, 2024 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40%, per year
Salary increases	3.50%, 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-2021. The actuarial assumptions used in the July 1, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2023.

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%	3.3%	3.3%	1.1%
Fixed Income	29.0%	5.7%	5.7%	3.9%
Global Equity	45.0%	8.6%	7.0%	18.2%
Real Estate (property)	12.0%	8.1%	6.8%	16.6%
Private Equity	11.0%	12.4%	8.8%	28.4%
Strategic Investments	2.0%	6.6%	6.2%	8.7%
Totals	100.0%			
Assumed Inflation - Mean			2.4%	1.5%

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 in Discount Rate	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	$ 59,931,000	$ 34,072,000	$ 12,409,000

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, 2024, 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 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, 2024, the contribution rate was 2.00 percent of payroll pursuant to section 112.363, Florida Statues. 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 $682,000 for the year ended September 30, 2024.

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

At September 30, 2024, the Port Authority reported a liability of $9,878,000 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2024. 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, 2023, through June 30, 2024, relative to the total employer contributions received from all participating employers. At June 30, 2024, the Port Authority's proportion was 0.0658 percent, which was an decrease of 0.0055 percent from its proportion measured as of June 30, 2023.

For the year ended September 30, 2024, the Port Authority recognized pension expense of $124,000 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 95,000	$ 19,000
Changes in Actuarial Assumptions	175,000	1,169,000
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	4,000
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	638,000	408,000
Port Authority Contributions Subsequent to the Measurement Date	150,000	-
Total	$ 1,058,000	$ 1,600,000

Deferred outflows of resources related to pensions included $150,000 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:	
2025	$(58,000)
2026	(113,000)
2027	(199,000)
2028	(131,000)
2029	(140,000)
Thereafter	(51,000)

Actuarial Assumptions

The total pension liability in the July 1, 2024, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.40 %, per year
Salary increases	3.50 %, avg with inflation
Investment rate of return	3.93%

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2021. The actuarial assumptions used in the July 1, 2024, valuation were based on the results of an actuarial experience study for the period July 1, 2018, through June 30, 2024.

Discount Rate

The discount rate used to measure the total pension liability changed from 3.65 to 3.93 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:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	2.93%	3.93%	4.93%
Port Authority's Proportionate Share of the HIS Plan Net Pension Liability	$ 11,245,000	$ 9,878,000	$ 8,743,000

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.

Description	FRS Plan	HIS Plan	Total
Net Pension Liability	$ 34,072,000	$ 9,878,000	$ 43,950,000
Deferred outflows of resources related to pensions	11,280,000	1,058,000	12,338,000
Deferred inflows of resources related to pensions	3,180,000	1,600,000	4,780,000
Pension expense	5,710,000	124,000	5,834,000

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 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, 2024, 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 $328,000 for the year ended September 30, 2024.

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 2024. The Plan is funded on a pay-as-you-go basis.

	General Employee Retirees after subsidy		General Employee Retirees without subsidy	
	Aetna	MAP	Aetna	MAP
Medical/ Prescriptions:				
Retiree Only				
Pre 65 Years Old	$590	N/A	$1,180	N/A
Medicare Eligible	494	130	987	325
Retiree plus Spouse				
Pre 65 Years Old	988	N/A	1,975	N/A
Medicare Eligible	795	260	1,589	649
Retiree Plus dependent				
Pre 65 Years Old	973	N/A	1,945	N/A
Medicare Eligible	780	260	1,559	649
Retiree plus family				
Pre 65 Years Old	995	N/A	1,990	N/A
Medicare Eligible (3) (spouse + one dep)	802	389	1,604	974
Life:				
Individual Coverage	13		13	
Spouse	N/A		N/A	

Actuarial Methods and Assumptions

At September 30, 2024, the Port Authority's OPEB liability of $52,081,000 was measured as of September 30, 2024, and was determined by an actuarial valuation as of October 1, 2023. 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	3.81%
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, 2024, in the Bond Buyer GO 20-Bond Municipal Bond Index. The discount rate changed from 4.09 percent at September 30, 2023.

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.

Changes in assumptions also included a change in retirement rates based on the 2023 experience study for the FRS plan and health care cost trend rates were updated to reflect recent experience and expectations.

The actuarial assumptions used in the October 1, 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, 2024, the Port Authority reported a liability of $52,081,000 for its share of the County's GHPLC plan's other postemployment benefits liability. The liability was measured as of September 30, 2024 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, 2024, the Port Authority's proportion was 13.4655 percent, which was a decrease of 0.1686 percent from its proportion measured at September 30, 2023.

Changes in the Total OPEB Liability

Balance at September 30, 2023	$40,644,000
Changes for the year:	
Service Cost	1,473,000
Interest	1,704,000
Difference between Expected and Actual Experience	(472,000)
Changes in Assumptions	9,628,000
Benefit Payments	(896,000)
Net Changes	11,437,000
Balance at September 30, 2024	$52,081,000

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 (2.81%)	Current Rate (3.81%)	1% Increase (4.81%)
OPEB Liability	$60,464,000	$52,081,000	$45,305,000

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	$ 44,148,000	$52,081,000	$ 62,271,000

For the year ended September 30, 2024, the Port Authority recognized an expense of $503,000 for its proportionate share of other postemployment benefits expense.

At September 30, 2024, 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	$ 357,000	$ 2,193,000
Changes in Assumptions	13,126,000	20,848,000
Total	$ 13,483,000	$ 23,041,000

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:	
2025	$(2,674,000)
2026	(1,503,000)
2027	(1,091,000)
2028	(1,914,000)
2029	(2,343,000)
Thereafter	(33,000)

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 2024 was $3,874,000. There have been no significant reductions in insurance coverage that have exceeded the amount of coverage in any of the past three years.

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, 2024, the Port Authority was charged $7,301,000 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, 2024 the Port Authority had in process various construction contracts totaling $528,505,000. Costs incurred on these contracts as of September 30, 2024 totaled $441,873,000 including retainage payable of $10,089,000.

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 has an active construction project underway at Southwest Florida International Airport to consolidate three checkpoints into one, increase the size of the terminal building and increase concession space and offerings (Terminal Expansion Phase 1). The project was approved by the Board on September 1, 2021, for $331,586,000 with a construction timeline of 36 months. During construction, it was discovered that there were structural design errors in the initial design of a component of the project causing a delay. A review and redesign was completed which concluded that portions of the partial construction and materials would need to be re-constructed and that the initial project budget was significantly undervalued due to the design errors. Subsequently on March 24, 2025, the Board approved a contract modification to complete the project for an additional $346,792,000. Following a management evaluation, it was determined there is no impairment as of September 30, 2024

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, 2024 was $7,013,000.

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. On April 11, 2024, the FAA approved Application #11 for $430,339,000 increasing the total collection and use authority to $1,338,633,000 and concurrently revising the estimated charge expiration date to December 1, 2060.

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.

At the January 18, 2024 Board of Port Commissioners meeting, the Board signed and approved a new long-term agreement with seven out of the eight existing signatory carriers. The eighth and final signatory carrier agreement was approved by the Board on the March 7, 2024 meeting, which extended the terms of the existing agreement to September 30, 2024. Thereafter, the terms of the new agreement became 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 2024, the Signatory Airlines paid the Port $21,237,000. This amount is net of refunds in airline rents of $5,142,000 and revenue sharing of $10,722,000.

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.

Subsequent Events

On October 9, 2024, the Lee County Port Authority closed on the Lee County Port Authority Airport Revenue Bonds, Series 2024 (AMT) in the amount of $522,160,000. Proceeds will be used for the design and construction of Phase 2 of the Airport System's Terminal Expansion project.

On November 7, 2024, the Lee County Port Authority amended and restated the Series 2020 Subordinate Airport Revenue Note with Bank of America. The second amendment changes the interest rate basis from Bloomberg Short Term Bank Yield ("BSBY") to the Daily Secured Overnight Financing Rate ("SOFR").

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. Additional assets related to the project were transferred to the FAA during 2024 resulting in a loss on discontinued project in the amount of $3,044,000 in 2024.

Required Supplementary Information

Other Postemployment Benefits Plan
(unaudited)

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

	Measurement Date							
Total OPEB liability	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**
Service cost	$ 1,829,000	$ 1,059,000	$ 975,000	$ 1,148,000	$ 2,619,000	$ 2,286,000	$ 1,524,000	$ 1,473,000
Interest	1,606,000	1,523,000	1,690,000	1,483,000	1,420,000	1,400,000	1,655,000	1,704,000
Difference between expected and actual experience	98,000	146,000	861,000	(529,000)	(1,549,000)	(729,000)	(214,000)	(472,000)
Changes in assumptions	(12,236,000)	(2,899,000)	12,556,000	(1,452,000)	(3,544,000)	(22,093,000)	(1,487,000)	9,628,000
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)	(896,000)
Net change in total OPEB liabilty	(9,907,000)	(1,364,000)	14,969,000	7,178,000	(2,107,000)	(19,904,000)	511,000	11,437,000
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	40,644,000
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	$ 52,081,000
Port Authority's Proportion of the total OPEB liability	13.6942%	11.3933%	11.5040%	12.3054%	15.0108%	12.5220%	13.6341%	13.4655%
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	$ 34,414,000
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%	151.34%

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

Notes to Schedule

For the measurement date September 30, 2024, the amount reported as changes in assumptions resulted from the following:
- The discount rate changed from 4.09% at September 30, 2023 to 3.81% at September 30, 2024.
- The health care cost trend rates updated to reflect recent experience and expectations.
- The retirement rates changed based on the 2023 experience study for the FRS Plan.

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.

Notes to Schedule Cont.

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. 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, 2024

Florida Retirement System Pension Plan

(unaudited)

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Port Authority's Proportion of the Net Pension Liability	0.0767%	0.0822%	0.0793%	0.0805%	0.0790%	0.0776%	0.0791%	0.0795%	0.0913%	0.0881%
Port Authority's Proportionate Share of the Net Pension Liability	$ 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	$ 34,072,000
Port Authority's Covered Payroll**	$ 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	$ 33,814,000
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	47.46%	96.01%	102.74%	101.47%	112.50%	136.65%	22.47%	108.51%	111.33%	100.76%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	92.00%	84.88%	83.89%	84.26%	82.61%	78.85%	96.40%	82.89%	82.38%	83.70%

*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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	$ 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	$ 5,815,000
Contributions in Relation to the Contractually Required Contribution	(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)	(5,815,000)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 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	$ 34,125,000
Contributions as a percentage of covered payroll	9.41%	9.46%	9.79%	10.19%	10.86%	11.37%	12.32%	13.71%	15.31%	17.04%

Lee County Port Authority
Required Supplementary Information
September 30, 2024

Retiree Health Insurance Subsidy Program
(unaudited)

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

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Port Authority's Proportion of the Net Pension Liability	0.0495%	0.0522%	0.0563%	0.0606%	0.0581%	0.0590%	0.0602%	0.0621%	0.0713%	0.0658%
Port Authority's Proportionate Share of the Net Pension Liability	$ 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	$ 9,878,000
Port Authority's Covered Payroll	$ 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	$ 33,814,000
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered Payroll	24.17%	28.14%	26.34%	26.85%	26.85%	29.27%	27.77%	24.14%	34.67%	29.21%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	0.50%	0.97%	1.64%	2.15%	2.63%	3.00%	3.56%	4.81%	4.12%	4.80%

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

Schedule of Port Authority Contributions
Last 10 Fiscal Years

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Contractually Required Contribution	$ 296,000	$ 364,000	$ 384,000	$ 397,000	$ 404,000	$ 411,000	$ 430,000	$ 469,000	$ 575,000	$ 682,000
Contributions in Relation to the Contractually Required Contribution	(296,000)	(364,000)	(384,000)	(397,000)	(404,000)	(411,000)	(430,000)	(469,000)	(575,000)	(682,000)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 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	$ 34,125,000
Contributions as a percentage of covered payroll	1.36%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.73%	2.00%

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Lee County Port Authority (the Port), a blended component unit of Lee County, Florida, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated April 25, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Port's internal control. Accordingly, we do not express an opinion on the effectiveness of Port's internal control.

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

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

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

Report on Compliance and Other Matters

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

Purpose of This Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
April 25, 2025