Lee County Port Authority

Component Unit Financial Report

Year Ended September 30, 2017

Lee County Port Authority

Lee County, Florida

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LEE COUNTY PORT AUTHORITY

Direct Dial: (239) 590-4515
Fax: (239) 590-4539

February 28, 2018

Dear Friends:

We are pleased to present the Lee County Port Authority's (LCPA) financial statements for the fiscal year ending September 30, 2017. This past fiscal year proved to be the third year in a row of record passenger growth.

For the fiscal year, total passengers at Southwest Florida International Airport (RSW) were 8,739,125, *an increase of 1.9 percent* compared with the same period last year, and another *record in the 34-year history of the airport.* Total operating revenues were $98.3 million, an increase over the prior year of $3.6 million. This was mainly due to the higher passenger volumes which resulted in increased spending in our parking lot, rental cars and terminal concessions. Operating expenses were $103.9 million, a slight increase of $889,000 or 1%. Increases were in salaries and contracted services, while savings were realized in utilities and insurance. Our cost per enplaned (CPE) passenger was $6.47, which remains competitive for airports of similar size.

Major projects completed and ongoing in the past year include the widening of the terminal access road, upgrades to the baggage handling system, continued design of the new air traffic control tower and design of the terminal expansion project.

LCPA was recognized during the year for several notable awards. J.D. Power named Southwest Florida International Airport one of the top medium-hub airports in North America for passenger satisfaction in 2017. The North American Airport Satisfaction Study measures what travelers say about terminal facilities, airport accessibility, security checkpoints, baggage claim, check-in/baggage check and terminal food, beverage and retail. This marked the third year in a row RSW was ranked as a top airport by J.D. Power. For the fifth consecutive year, Base Operations at Page Field was rated in the top 20 percent of fixed-base operators in an international survey conducted by Aviation International News (AIN).

From an air service perspective, new markets over the past year with expansion to existing markets, included Boston, Cincinnati, Newark, Columbus, Denver, Baltimore and Akron.

The Port Authority remains committed to the success of Page Field. Total fuel gallons sold during the year were approximately 1.6 million gallons, a 4% increase over the previous year. The rehabilitation of the runway and taxiway will be completed this year and design is currently underway for a new 25,000 square foot bulk hangar.

Our financial position remains strong and we are extremely pleased with the results of the past fiscal year, and look forward to serving the residents, visitors, and business community at both Southwest Florida International Airport and Page Field.

Sincerely,

LEE COUNTY PORT AUTHORITY

Jeff A. Mulder, A.A.E.
Executive Director

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 Financial Statements

We have audited the accompanying financial statements of the Lee County Port Authority (Authority), a blended component unit of Lee County, Florida, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of Lee County, Florida as of September 30, 2017, the changes in financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As described in Note XIII, the Authority adopted the provisions of Governmental Accounting Standards Board Statement (GASBS) No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of GASBS No. 75, the Authority reported a restatement for the change in accounting principle. The auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedule of the Authority's proportionate share of the total other postemployment benefit plan liability and schedules of the Authority's proportionate share of the net pension liability and of its contributions – pension plans on pages 1-8 and 38-40, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The letter of transmittal is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2018, on our consideration of the Authority'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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 the Authority's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Fort Myers, Florida
February 28, 2018

Lee County Port Authority
September 30, 2017

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, 2017 and 2016. 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 2017 and 2016.

Table 1
Summary of Net Position
September 30, 2017 and 2016
(000's)

	2017	2016
Current and other assets	$ 221,106	$ 215,484
Capital assets	704,319	690,733
Total assets	925,425	906,217
Deferred outflows of resources	18,918	17,816
Current liabilities	38,008	39,379
Non-current liabilities	338,193	336,074
Total liabilities	376,201	375,453
Deferred inflows of resources	13,523	584
Net investment in capital assets	448,118	425,253
Restricted	58,693	52,455
Unrestricted	47,808	70,288
Total net position	$ 554,619	$ 547,996

Summary of Net Position Analysis

In fiscal year 2017, activities for the Port increased total assets by $19,208,000, deferred outflows of resources by $1,102,000, total liabilities by $748,000, deferred inflows of resources by $12,939,000, and total net position by $6,623,000.

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 $22,865,000, or 5.4 percent, in comparison to prior year. Restricted net position increased $6,238,000, or 11.9 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 decreased $22,480,000, or -32.0 percent, in comparison to prior year. The unrestricted net position balance represents assets that are available for spending at the Port's discretion.

The net effect of implementing Governmental Accounting Standards Board (GASB) Statement 75 related to other postemployment benefits (OPEB) decreased beginning net position by $21,456,000. The Port reported an OPEB liability of $37,339,000 for the fiscal year ended September 30, 2017.

Table 2 reflects a summary of revenues, expenses, and changes in net position for 2017 and 2016.

Table 2
Summary of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2017 and 2016
(000's)

	2017	2016
Revenues, net:		
User fees	$ 49,901	$ 48,265
Rental cars	18,767	18,477
Parking	17,209	16,224
Other, net	12,420	11,721
Total revenues, net	98,297	94,687
Expenses:		
Salaries, wages and benefits	36,890	37,047
Contractual services, materials and supplies, utilities, repairs and maintenance, and insurance	41,638	41,100
Depreciation	23,244	22,550
Other	2,139	2,327
Total expenses	103,911	103,024
Operating loss	(5,614)	(8,337)
Non-operating revenues (expenses):		
Investment earnings	1,977	968
Interest expense	(14,322)	(14,915)
Passenger facility charges	17,104	16,857
Other revenues (expenses)	679	348
Total non-operating revenues (expenses)	5,438	3,258
Loss before capital contributions	(176)	(5,079)
Capital contributions	28,255	29,239
Increase in net position	28,079	24,160
Beginning net position- as restated	526,540 *	523,836
Ending net position	$ 554,619	$ 547,996

*Fiscal year 2017 beginning net position is restated due to the implementation of GASB 75.

Summary of Revenues and Expenses Analysis

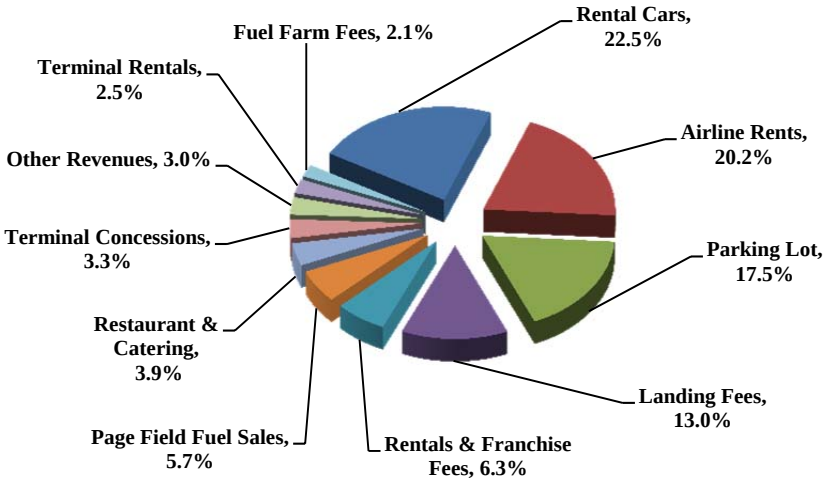
In fiscal year 2017 net operating revenue increased $3,610,000, or 3.8 percent, in comparison to prior year as a result of an increase in user fees of $1,636,000, rental car revenue of $290,000, parking revenue of $985,000, and other revenues of $699,000. User fees increased due to higher airline rents, landing fees, and fuel sales. Passenger traffic increased 2.8 percent over the prior year.

Total operating expenses increased $887,000, or .86 percent, in comparison to prior year. Contractual services, materials, and supplies, utilities, repairs and maintenance, and insurance increased $538,000 due to an increase in fuel inventory for resale, data processing, and janitorial services.

Capital contributions totaled $28,255,000, a decrease of $984,000, or -3.4 percent, in comparison to prior year. Major grants received this year include $13,087,000 for the rehabilitation of the runway at Page Field, $4,801,000 for the conceptual design of the RSW parallel runway and $3,190,000 for airside remediation.

The following charts summarize the Net Revenues and Expenses for fiscal year 2017.

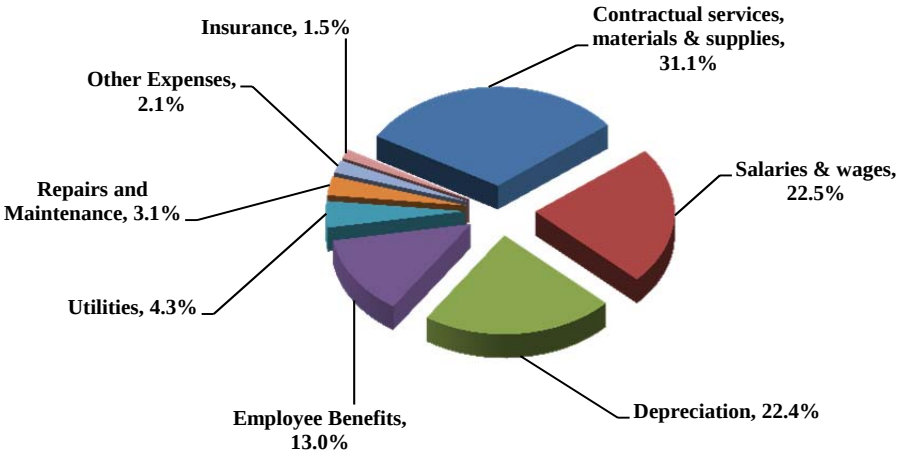
Operating Revenues for Fiscal Year 2017



Operating Revenues	2017	2016	2017 Percent of Total	Increase / (Decrease) from 2016	% Increase / (Decrease) from 2016
Rental Cars	$22,063,000	$21,784,000	22.5%	$279,000	1.3%
Airline Rents	19,901,000	19,745,000	20.2%	156,000	0.8%
Parking Lot	17,209,000	16,224,000	17.5%	985,000	6.1%
Landing Fees	12,810,000	12,391,000	13.0%	419,000	3.4%
Rentals & Franchise Fees	6,177,000	5,748,000	6.3%	429,000	7.5%
Page Field Fuel Sales	5,630,000	4,903,000	5.7%	727,000	14.8%
Restaurants & Catering	3,823,000	3,647,000	3.9%	176,000	4.8%
Terminal Concessions	3,199,000	3,029,000	3.3%	170,000	5.6%
Other Revenues	2,986,000	2,919,000	3.0%	67,000	2.3%
Terminal Rentals	2,417,000	2,300,000	2.5%	117,000	5.1%
Fuel Farm Fees	2,082,000	1,997,000	2.1%	85,000	4.3%
Total Net Operating Revenues	$98,297,000	$94,687,000	100%	$3,610,000	3.8%

Note: Signatory Rents was renamed Airline Rents. Also, Building Rents-RAC was re-classed from Airline Rents to Rental Cars to more accurately classify the revenue.

Operating Expenses for Fiscal Year 2017



Operating Expenses	2017	2016	2017 Percent of Total	Increase / (Decrease) from 2016	% Increase / (Decrease) from 2016
Contractual services, materials, & supplies	$32,349,000	$31,297,000	31.1%	$1,052,000	3.4%
Salaries & wages	23,424,000	22,180,000	22.5%	1,244,000	5.6%
Depreciation	23,244,000	22,550,000	22.4%	694,000	3.1%
Employee benefits	13,466,000	14,867,000	13.0%	(1,401,000)	-9.4%
Utilities	4,502,000	4,562,000	4.3%	(60,000)	-1.3%
Repairs & maintenance	3,228,000	3,518,000	3.1%	(290,000)	-8.2%
Other Expenses	2,139,000	2,327,000	2.1%	(188,000)	-8.1%
Insurance	1,559,000	1,723,000	1.5%	(164,000)	-9.5%
Total Operating Expenses	$103,911,000	$103,024,000	100%	$887,000	0.9%

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 1998, the Port issued PFC Revenue Bonds for $52,225,000 to fund eligible capital improvements and land acquisition. In November 2003, the Port was granted authority to raise the PFC level from $3.00 to $4.50. In June 2013, the FAA approved Application #8 for $20,555,000. The total collection authority is $322,048,000 with an estimated expiration date of January 1, 2020.

Capital Assets

Capital assets, net of accumulated depreciation, increased by $13,586,000 in 2017. Major capital spending in 2017 included $16,450,000 for the rehabilitation of the runways at Page Field, $8,755,000 for continued design of the parallel runway, and $1,836,000 for construction of the terminal access roadway.

Table 3 reflects a summary of capital assets for 2017 and 2016.

Table 3
Capital Assets
September 30, 2017 and 2016
(000's)

	2017	2016
Land	$132,659	$132,659
Easements & Right of Ways	103	45
Construction in progress	66,268	47,895
Buildings	351,414	348,979
Improvements	22,726	22,726
Equipment	82,218	73,423
Software	3,460	3,460
Artwork	293	293
Infrastructure	342,828	336,039
Subtotal	1,001,969	965,519
Less accumulated depreciation	(297,650)	(274,786)
Total	$704,319	$690,733

Additional information regarding the Port's capital assets is found in note V to the financial statements.

Debt Administration

As of September 30, 2017, the Port had $275,440,000 in outstanding debt, a decrease of $9,750,000.

Table 4
Outstanding Debt
September 30, 2017 and 2016
(000's)

	2017	2016
Series 2015 Airport Revenue Refunding Bonds	$33,425	$33,425
Series 2011A Airport Revenue Refunding Bonds	173,640	173,855
Series 2010A Airport Revenue Refunding Bonds	68,375	77,910
Total	$275,440	$285,190

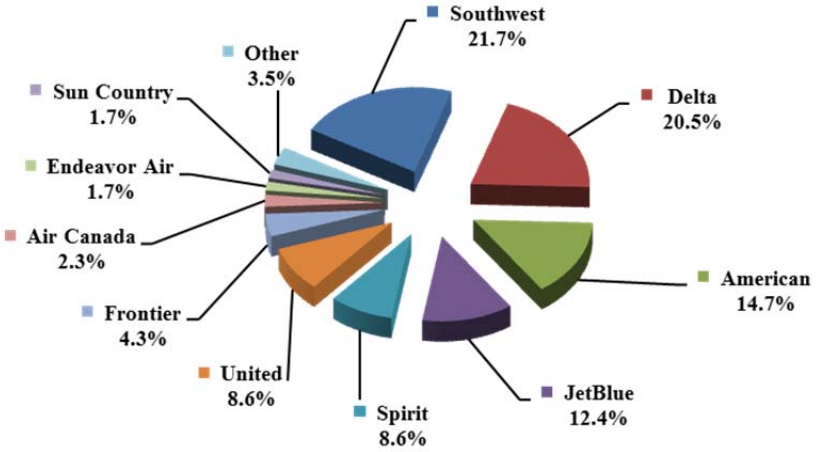
See additional information on the Port's debt in note VI to the financial statements.

Airport Activities

The total passenger count for fiscal year 2017 was 8,739,000, an increase of 1.9 percent over the prior year. Below is a summary of new and increased airline service to Southwest Florida International Airport over the past year.

- Delta: Increased year-round service to Boston and Cincinnati (2/17)
- JetBlue: Added third daily flight to Newark (10/16)
- Frontier: Added seasonal service to Columbus (2/17) and Denver (9/17)
- Spirit: Added daily service to Baltimore/Washington and Akron/Canton (11/16)
- Silver: Started seasonal service to Nassau, Bahamas (2/17)

The following chart exhibits the Total Passenger Market Share for the Top Ten Airlines operating at Southwest Florida International Airport during fiscal year 2017.



Airline	FY 2017 Market Share	FY 2016 Market Share	Increase/ (Decrease)	% Change
Southwest	21.7%	20.6%	1.1%	5.5%
Delta	20.5%	21.0%	-0.5%	-2.3%
American	14.7%	13.0%	1.7%	13.2%
JetBlue	12.4%	12.6%	-0.2%	-1.7%
Spirit	8.6%	7.7%	0.9%	12.1%
United	8.6%	8.2%	0.4%	5.0%
Frontier	4.3%	5.6%	-1.3%	-22.5%
Air Canada	2.3%	2.1%	0.2%	8.6%
Endeavor Air	1.7%	1.5%	0.2%	14.8%
Sun Country	1.7%	1.7%	0.0%	-0.6%
Other	3.5%	6.0%	-2.5%	-42.1%

Airline Rates and Charges

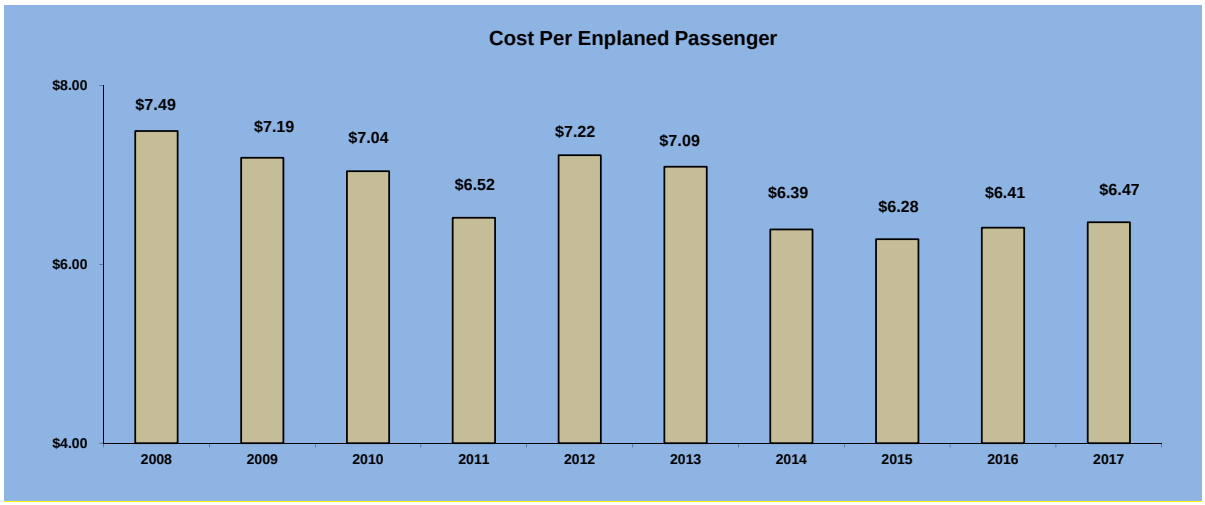
The Port negotiated a new airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred as Signatory Airlines) with the key terms of the agreement approved by the Board in May, 2008. The Agreement commenced on October 1, 2008, with a five-year term, expiring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

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

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

Landing Fees are calculated using a "residual" Airfield Cost Center approach and will be based upon the total landed weight for all airline groups (Signatory, non-Signatory, Cargo, Charter, and International). Terminal rents are calculated using a commercial compensatory method (i.e., rentable square foot divisor). Charges for the leasing of all terminal space will be assessed on a square-footage basis. In fiscal year 2017, the Signatory Airlines paid the Port $24,826,000. This amount is net of refunds of $1,470,000 and revenue sharing of $3,482,000.

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 2018 budget was prepared:

- The total number of passengers is projected to be 8,583,554, a slight increase over the 2017 budget.
- The total operating budget is $121.6 million, an increase of 1.8 percent or $2.1 million over the 2017 budget.
- Increases in revenues were primarily attributed to an increase in passenger activity.
- Increases in personnel were a result of an average merit increase of 3 percent for all employees and an increase in the Port's contribution to the Florida Retirement System.
- Operating expenses include increases in janitorial services, parking lot management and information technology.
- The budgeted rates for 2017 include $2.67 for the landing fee and a terminal rental rate of $103.79.

Financial Contact

Please refer to the Lee County Comprehensive Annual Financial Report (CAFR) 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, 2017
(amounts expressed in thousands)

ASSETS		
Current assets:		
Cash, cash equivalents and investments	$	121,619
Restricted assets		17,458
Receivables:		
Accounts (net)		4,535
Grants		2,721
Due from other governments		9
Inventories		177
Other		903
Total current assets		147,422
Noncurrent assets:		
Restricted assets		73,684
Capital assets (net)		704,319
Total noncurrent assets		778,003
Total assets		925,425
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of debt		6,687
Unamortized pension costs and subsequent contributions		12,092
Unamortized other postemployment benefits costs		139
Total deferred outflows of resources		18,918
LIABILITIES		
Current liabilities:		
Contracts and accounts payable		11,188
Accrued liabilities		476
Refunds and rebates		4,953
Due to Board of County Commissioners		7
Due to other governments		359
Customer deposits		904
Unearned revenues		854
Capital lease payable		364
Compensated absences		1,276
Net pension liability		169
Current liabilities payable from restricted assets		
Accrued liabilities		7,228
Revenue bonds payable		10,230
Total current liabilities		38,008

Lee County Port Authority
Lee County, Florida
STATEMENT OF NET POSITION (Continued)
As of September 30, 2017
(amounts expressed in thousands)

Noncurrent liabilities:	
Compensated absences	362
Capital lease payable	751
Revenue bonds payable	270,426
Net pension liability	29,315
Other postemployment benefits	37,339
Total noncurrent liabilities	338,193
Total liabilities	376,201
DEFERRED INFLOWS OF RESOURCES	
Unamortized pension costs	1,811
Unamortized other postemployment benefits costs	11,712
Total deferred inflows of resources	13,523
NET POSITION	
Net investment in capital assets	448,118
Restricted for:	
Capital projects	47,954
Debt service	10,239
Renewal and replacement	500
Unrestricted	47,808
Total net position	$ 554,619

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, 2017
(amounts expressed in thousands)

OPERATING REVENUES		
User fees	$	49,901
Rentals		6,177
Concessions		9,419
Parking revenues		17,209
Rental car revenues		18,767
Miscellaneous		306
Total operating revenues		101,779
Less: rebates		(3,482)
Net operating revenues		98,297
OPERATING EXPENSES		
Salaries and wages		23,424
Employee benefits		13,466
Contractual services, materials and supplies		32,349
Utilities		4,502
Repairs and maintenance		3,228
Insurance		1,559
Other		2,139
Depreciation		23,244
Total operating expenses		103,911
Operating loss		(5,614)
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings		1,977
Interest expense		(14,322)
Grants		344
Gain on disposal of capital assets		335
Passenger facility charges		17,104
Other revenues		2
Other expenses		(2)
Total non-operating revenues (expenses)		5,438
Loss before capital contributions		(176)
Capital contributions		28,255
Change in net position		28,079
Total net position - beginning as restated		526,540
Total net position - ending	$	554,619

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, 2017
(amounts expressed in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$	96,437
Cash received from customer deposits		196
Cash returned from customer deposits		(35)
Payments to suppliers		(45,408)
Payments to employees		(28,093)
Payments for interfund services used		(5,618)
Net cash provided by operating activities		17,479
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received		351
Net cash provided by noncapital financing activities		351
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital grants		32,867
Proceeds from passenger facilities charges		17,283
Capital asset purchases		(35,807)
Principal paid on bonds, loans, and leases		(10,112)
Interest paid on bonds, loans, and leases		(14,725)
Proceeds from sale of capital assets		430
Net cash used in capital and related financing activities		(10,064)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on investments		1,977
Net cash provided by investing activities		1,977
Net increase in cash and cash equivalents		9,743
Cash and equivalents at beginning of year		200,953
Cash and equivalents at end of year	$	210,696
Classified as:		
Current assets		
Cash and equity in pooled cash and investments	$	121,619
Restricted assets		17,458
Non-current assets		
Restricted assets		71,619
Totals	$	210,696

Lee County Port Authority
Lee County, Florida
STATEMENT OF CASH FLOWS (Continued)
For the Year Ended September 30, 2017
(amounts expressed in thousands)

Reconciliation of operating (loss) to net cash provided by operating activities:		
Operating loss	$	(5,614)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation		23,244
Other revenues		2
Increase in accounts receivable		(997)
Increase in inventories		(13)
Decrease in other assets		333
Decrease in contracts and accounts payable		(1,928)
Increase in accrued liabilities		65
Increase in refunds and rebates		163
Increase in due to other governments		72
Increase in customer deposits		161
Decrease in unearned revenues		(1,029)
Increase in compensated absences		132
Increase in net pension liability and related deferred outflows/inflows of resources		2,298
Increase in other postemployment benefits and related deferred outflows/inflows of resources		590
Total adjustments		23,093
Net cash provided by operating activities	$	17,479
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Purchase of capital assets on account	$	4,279
Loss on disposal of property, plant, and equipment		(94)

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, 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

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 Statements 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

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.

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 equity in pooled cash 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: 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 categorizes its fair value measurements within the fair value hierarchy established in Governmental Accounting Standards Board Statement No. 72, "*Fair Value Measurements and Application*".

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 Port Authority'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, 2017, Florida PRIME contained certain floating and adjustable rate securities. These investments represented 31.1 percent of Florida PRIME's portfolio at September 30, 2017.

In accordance with Governmental Accounting Standards Board Statement No. 79, *Certain External Investment Pools and Pool Participants*, as a participant in a qualifying external investment pool, the Port Authority discloses the presence of any limitations or restrictions on withdrawals (such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates) in the notes to the financial statements.

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, the Investment Advisory Council, and the Participant Local Government 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, 2017, 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.

Accounts Receivable

The accounts receivable of the Port Authority are recorded net of an allowance for doubtful accounts. Management uses an estimate of five percent of the average accounts receivable balance plus any amounts to be submitted to the Board of County Commissioners 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 fair market value. The "first - in, first - out" method of accounting is used to determine cost.

Capital Assets

Capital assets include artwork, property, buildings, furniture, equipment, vehicles, software, easements and rights of way, and infrastructure assets. Infrastructure assets are defined as public domain capital assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, runways, and similar assets that are immovable and of value only to the government unit. The threshold for capitalizing capital assets is $1,000. 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. 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 & equipment	3-35
Computer equipment	3-10
Furniture	4-20
Vehicles & rolling stock	3-12
Software	3-5
Infrastructure	20-50

Capital Lease Obligations

In the Port Authority financial statements, capital lease obligations and the related cost of assets acquired are reflected in the Statement of Net Position.

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. Revenue bonds payable and notes payable are shown net of unamortized premiums and discounts.

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The deferred outflows of resources reported in the Port's

statement of net position represents other postemployment benefit related balances for the difference between expected and actual experience and changes in actuarial assumptions; pension related balances for changes in actuarial assumptions, the difference between expected and actual economic experience, the net difference between projected and actual earnings, changes in the proportion and differences between the Port's contributions and proportionate share of contributions, and the Port's contributions subsequent to the measurement date. These amounts will be recognized as increases in expense in future years. The Port Authority also reports a deferred outflow of resources for the loss on refunding that result from the difference in the carrying value of refunded debt and its reacquisition price. This amount is expensed through amortization using the effective-interest method over the shorter of the life of the old bond or the life of the new bond.

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 34 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 and retirement costs, are classified as compensated absences and are accrued when incurred. This is pursuant to GASB Statement Number 16, *Accounting for Compensated Absences*.

Deferred Inflows of Resources

Deferred inflows of resources represents acquisition of resources that applies to future reporting period(s) and will not be recognized as an inflow of resource (revenue) until then. The Port reports deferred inflows in the statement of net position for the difference between expected and actual economic experience, the net difference between projected and actual earnings on Florida Retirement System Pension investments, and changes in the proportion and differences between the Port's contributions and proportionate share of contributions relating to the Florida Retirement System Pension Plan and the Retiree Health Insurance Subsidy Program. These amounts will be recognized as reductions in pension expense in future years.

Pensions

In the statement of net position, liabilities are recognized for the Port'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 contributions 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 Airport, gross parking lot revenues, and terminal concession payments to the Airport.

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 expenditures are incurred and the appropriations are approved by the Federal State agencies.

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 and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual results could differ from those estimates.

NOTE II. RECEIVABLES

At September 30, 2017 accounts receivable consisted of the following (dollars in thousands):

	Gross Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
Unrestricted	$4,785	($250)	$4,535
Restricted	2,065	-	2,065
Total	$6,850	($250)	$6,600

NOTE III. RESTRICTED ASSETS

At September 30, 2017 restricted assets consisted of the following (dollars in thousands):

Cash, cash equivalents, and investments	$71,619
Cash and cash equivalents with fiscal agent	17,458
Receivables (net):	
Accounts	2,065
Total	$91,142

NOTE IV. CASH, CASH EQUIVALENTS, AND INVESTMENTS

As of September 30, 2017 the Port Authority had the following deposits, investments, and maturities (dollars in thousands):

Investment	Maturities	Fair Value	Call Date	Call Frequency	Rating
Cash on hand	N/A	$ 87			N/A
Cash with fiscal agent	N/A	17,458			N/A
Demand deposits	N/A	37,720			N/A
SBA-Local Government Surplus Funds Trust Fund Investment Pool-Florida PRIME	51 days	155,431			AAAm
Total		$ 210,696			

*$80,069 of the SBA-Local Government Surplus Funds Trust Fund Investment Pool-Florida PRIME is included within the Board's investment pool account and represents funding for the Port Authority September 30, 2017 ACH payments.

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

Current:	
Cash, cash equivalents and investments	$121,619
Restricted:	
Cash, cash equivalents and investments with fiscal agent	17,458
Non-current:	
Restricted:	
Cash, cash equivalents and investments	71,619
Total	$210,696

Fair Value

The Port Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. 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, 2017, 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, 2017, 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, 2017, 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.

Credit Risk

The Port Authority adheres to the Board's Investment Policy ("the Policy"), which limits credit risk by restricting authorized investments to

the following: Direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government; United States Government sponsored Corporation/ Instrumentalities; United States Government Agencies; The Florida Local Government Surplus Funds Trust Fund; 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; 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 to repurchase agreements fully collateralized by such United States Government obligations; repurchase agreements with any primary brokers/dealers collateralized by direct obligations of United States, or United States government sponsored corporation/ instrumentalities or United States government agencies; bonds, notes or obligations of any state of the United States, any municipality, political subdivision, agency or authority of Florida that is exempt from federal income taxation and that is rated by any nationally recognized rating agency for municipal bonds in any of the two highest classifications; 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; Florida Local Government Investment Trust ("FLGIT"); and 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 Policy requires that collateral for overnight and term repurchase agreements must maintain a minimum price of 101 percent on United States Treasuries and 102 percent on Agencies and Instrumentalities not to exceed five (5) years, and must be "marked to market" on a weekly basis. The Policy also 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. All credit ratings indicated in the previous table are Standard & Poor's (S&P) ratings.

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, 2017, 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 limitations on portfolio composition for the County in whole in order to control concentration of credit risk. The Policy allows 100 percent of the portfolio to be invested in United States Treasuries/Agencies, 50 percent to be invested in Local Government Surplus Funds Trust Funds, 20 percent to be invested in term repurchase agreements, 65 percent to be invested in money market mutual funds (no individual fund family can exceed 30 percent of the overall portfolio), 30 percent to be invested in Certificates of Deposits and savings accounts, and 5 percent to be invested in FLGIT. No more than 25 percent of the total portfolio can be invested with one investment company.

The County's total investment portfolio at September 30, 2017 was $1,078,890,000. The Port Authority did not have a portion invested in Federal instrumentalities at September 30, 2017.

NOTE V. CAPITAL ASSETS

Increases and decreases in capital asset activity include transfers. Capital asset activity for the fiscal year ended September 30, 2017 is as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not being depreciated:				
Land	$ 132,659	$ -	$ -	$ 132,659
Easement & right of ways	45	58	-	103
Construction in progress	47,895	35,792	(17,419)	66,268
Artwork	293	-	-	293
Total capital assets not being depreciated	180,892	35,850	(17,419)	199,323
Capital assets being depreciated:				
Buildings	348,979	2,524	(89)	351,414
Improvements other than buildings	22,726	-	-	22,726
Machinery and equipment	73,423	9,180	(385)	82,218
Software	3,460	-	-	3,460
Infrastructure	336,039	6,789	-	342,828
Total capital assets being depreciated	784,627	18,493	(474)	802,646
Less accumulated depreciation for:				
Buildings	84,423	7,084	-	91,507
Improvements other than buildings	14,073	1,442	-	15,515
Machinery and equipment	32,636	6,402	(380)	38,658
Software	3,120	92	-	3,212
Infrastructure	140,534	8,224	-	148,758
Total accumulated depreciation	274,786	23,244	(380)	297,650
Total capital assets being depreciated, net	509,841	(4,751)	(94)	504,996
Capital assets, net	$ 690,733	$ 31,099	$ (17,513)	$ 704,319

NOTE V. CAPITAL ASSETS (continued)

Interest costs related to construction are capitalized. In addition, earnings from the investment of tax-exempt bond proceeds earmarked for construction are offset against interest subject to capitalization. Net interest expense capitalized for the year ended September 30, 2017 was $349,000.

Minimum Future Rentals

The Port Authority leases certain facilities to vendors at the Southwest Florida International Airport. Such agreements are short-term in nature and are accounted for as operating leases. Certain leases contain both fixed minimum rentals and contingent rentals based on the vendor's agreement. Contingent rental revenues arise from a percentage of the lessees' gross revenue.

At September 30, 2017, minimum future rentals of operating leases were as follows (dollars in thousands):

Fiscal Year(s)	Amount
2018	$47,416
2019	10,853
2020	10,142
2021	8,726
2022	8,623
Later years	40,336
Total minimum future revenue	$126,096

For the year ended September 30, 2017, $9,572,000 of contingent rentals were included in rentals, concessions, and rental car revenues on the accompanying Statement of Revenues, Expenses, and Changes in Net Position.

Substantially all of the Port Authority's property is used in leasing activities with either airlines or other vendors.

NOTE VI. LONG-TERM DEBT

Revenue Bonds

Revenue bonds payable at September 30, 2017 consisted of the following:

- Series 2010A Airport Revenue Refunding Bonds, for $119,350,000 at interest rates ranging from 3 percent to 5.5 percent (effective interest rate of 5.25 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The bonds are payable through 2022. The outstanding balance at September 30, 2017 was $68,375,000.

- Series 2011A (AMT) Airport Revenue Refunding Bonds, for $174,450,000 at interest rates ranging from 3 percent to 5.63 percent (effective interest rate of 5.53 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The bonds are payable through 2032. The outstanding balance at September 30, 2017 was $173,640,000.

- Series 2015 Airport Revenue Refunding Bonds $33,425,000 at interest rate of 5 percent (effective interest rate of 4.65 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The bonds are payable through 2033. The outstanding balance at September 30, 2017 was $33,425,000.

The total revenue bonds payable at September 30, 2017 was $275,440,000. The annual debt service requirements for revenue bonds at September 30, 2017, were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2018	$10,230	$14,208	$24,438
2019	10,725	13,667	24,392
2020	11,310	13,065	24,375
2021	11,930	12,471	24,401
2022	12,500	11,875	24,375
2023-2027	75,275	48,225	123,500
2028-2032	98,395	25,106	123,501
2033-2034	45,075	2,300	47,375
Total	$275,440	$140,917	$416,357

The following is a summary of bond activity of the Port Authority for the year ended September 30, 2017 (dollars in thousands):

Beginning balance	$285,190
Reductions	(9,750)
Bonds payable at end of fiscal year	275,440
Plus unamortized premium	5,216
Bonds payable at end of fiscal year, net	$280,656

Bond Resolutions

The Airport Revenue Bonds, Series 2010A, the Airport Revenue Refunding Bonds, Series 2011A (AMT), and the Airport Revenue Refunding Bonds, Series 2015 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 2010A
- Airport Revenue Refunding Bonds, Series 2011A (AMT)
- Airport Revenue Refunding Bonds, Series 2015

Operating Leases

The Port Authority is currently committed to various operating leases with terms in excess of one year. The future minimum rental payments as of September 30, 2017 were as follows (dollars in thousands):

Fiscal Year(s)	Amount
2018	107
2019	23
2020	5
2021	5
2022	2
Total	$142

The total rental expense for all operating leases, including those with terms of less than one year, for the years ended September 30, 2017 was $113,000.

Capital Leases

Capitalized leases payable at September 30, 2017 amounted to $1,115,000. This obligation, which is collateralized by equipment and vehicles, have total annual installments of $384,000 including interest ranging from 1.99 percent to 3.65 percent and mature through 2020. Equipment currently leased under capital leases had a historical cost of $1,649,000 and accumulated depreciation of $549,000.

Future minimum capital lease obligations as of September 30, 2017 were as follows (dollars in thousands):

2018	$ 384
2019	384
2020	384
Total	$ 1,152
Less Interest	(37)
Present Value	$ 1,115

Compensated Absences

The following is a summary of compensated absences activity for the Port Authority for the year ended September 30, 2017 (dollars in thousands):

	2017
Beginning balance	$1,505
Additions	2,884
Reductions	(2,751)
Compensated absences payable at end of fiscal year	$1,638

Of the $1,638,000 balance at September 30, 2017, $1,276,000 is due within one year.

NOTE VII: SEGMENT INFORMATION

The County has outstanding revenue bonds that are financed by Southwest Florida International Airport revenues, and an outstanding line of credit that is financed by Page Field General Aviation 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	$ 81,627	$ 10,634
Restricted assets	43,740	-
Capital assets	633,056	65,882
Total assets	758,423	76,516
Deferred outflows of resources	17,978	940
Liabilities		
Current liabilities	15,506	4,481
Current liabilities payable from restricted assets	17,458	-
Noncurrent liabilities	331,238	6,204
Total liabilities	364,202	10,685
Deferred inflows of resources	12,149	1,374
Net position		
Net investment in capital assets	381,827	62,060
Restricted	11,291	-
Unrestricted	6,932	3,337
Total net position	$ 400,050	$ 65,397

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	$ 43,936	$ 5,965
Rentals	3,517	2,660
Concessions	45,291	104
Miscellaneous	299	7
Less: Rebates	(3,482)	-
Total operating revenues	89,561	8,736
Operating expenses		
Depreciation	20,818	2,426
Other operating expenses	64,004	9,386
Total operating expenses	84,822	11,812
Operating income (loss)	4,739	(3,076)
Condensed Statements of Revenues, Expenses, and Changes in Net Position		
Non-operating revenues (expenses)		
Investment earnings	$ 1,143	$ 70
Interest expense	(14,462)	82
Other non-operating	623	(1)
Total non-operating revenues (expenses)	(12,696)	151
Loss before capital contributions	(7,957)	(2,925)
Capital contributions	10,015	14,787
Transfers	2,189	4,000
Change in net position	4,247	15,862
Beginning net position - as restated	395,803	49,535
Ending net position	$ 400,050	$ 65,397
Condensed Statements of Cash Flows		
Net cash provided (used) by:		
Operating activities	$ 24,743	$ 3,706
Noncapital financing activities	6,667	4,000
Capital and related financing activities	(33,849)	(3,963)
Investing activities	1,143	69
Net increase (decrease)	(1,296)	3,812
Beginning cash and cash equivalents	120,772	4,370
Ending cash and cash equivalents	$ 119,476	$ 8,182

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

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. A comprehensive annual 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, 2017 totaled $4,946,000.

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 60 or at any age after 30 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 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 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
Elected County Officers	3.00
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.

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, 2016, were applied to employee salaries as follows: regular employees 5.80 percent, county elected officials 40.75 percent, senior management 20.05 percent, and DROP participants 11.33 percent. The Port Authority's contributions to the FRS Plan were $2,265,000 for the year ended September 30, 2017.

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

At September 30, 2017, the Port Authority reported a liability of $23,467,000 for its proportionate share of the FRS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Port Authority's proportion of the net pension liability was based on the Port's contributions received by FRS during the measurement period for employer payroll paid dates from July 1, 2016, through June 30, 2017, relative to the total employer contributions received from all of FRS's participating employers. At June

30, 2017, the Port Authority's proportion was 0.0793%, which was a decrease of 0.0029% from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the Port Authority recognized pension expense of $3,908,000 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	$ 2,154,000	$ 130,000
Changes in Actuarial Assumptions	7,887,000	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	582,000
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	411,000	435,000
Port Authority Contributions Subsequent to the Measurement Date	512,000	-
Total	$ 10,964,000	$ 1,147,000

Deferred outflows of resources related to pensions included $512,000 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, 2018. 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:	
2018	$1,179,000
2019	3,197,000
2020	2,293,000
2021	509,000
2022	1,557,000
Thereafter	570,000

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%, per year
Salary increases	3.25%, Average
Investment rate of return	7.10%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

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%	3.0%	3.0%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Real Estate (property)	10.0%	6.6%	5.9%	12.8%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	9.7%
Totals	100%			
Assumed Inflation - Mean			2.6%	1.9%

Discount Rate

The discount rate used to measure the total pension liability was 7.10 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, each of the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods

of projected benefit payments to determine the total pension liability.

Pension Liability Sensitivity

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

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
FRS Plan Discount Rate	6.10%	7.10%	8.10%
Port Authority Proportionate Share of the FRS Plan Net Pension Liability	$ 42,474,000	$ 23,467,000	$ 7,687,000

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 Comprehensive Annual Financial Report. The report may be 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 June 30, 2017, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 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, 2017, the contribution rate was 1.66 percent of payroll pursuant to section 112.363, Florida Statues. The County 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 $384,000 for the year ended September 30, 2017.

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

At September 30, 2017, the Port Authority reported a liability of $6,017,000 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. 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, 2016, through June 30, 2017, relative to the total employer contributions received from all participating employers. At June 30, 2017, the Port Authority's proportion was 0.0563 percent, which was an increase of 0.0041 percent from its proportion measured as of June 30, 2016.

For the year ended September 30, 2017, the Port Authority recognized pension expense of $1,038,000 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	$ -	$ 13,000
Changes in Actuarial Assumptions	846,000	520,000
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3,000	-
Changes in Proportion and Differences Between Port Authority Contributions and Proportionate Share of Contributions	208,000	131,000
Port Authority Contributions Subsequent to the Measurement Date	71,000	-
Total	$ 1,128,000	$ 664,000

Deferred outflows of resources related to pensions included $71,000 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, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as an increase (decrease) in pension expense as follows:

Year Ended September 30:	
2018	$112,000
2019	111,000
2020	111,000
2021	96,000
2022	53,000
Thereafter	(90,000)

Actuarial Assumptions

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.60%, per year
Salary increases	3.25%, Average
Municipal Bond Rate	3.58%

Mortality rates were based on the Generational RP-2000 with Projection Scale BB. The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008, through June 30, 2013.

Discount Rate

The discount rate used to measure the total pension liability was 3.58 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 County's proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

Description	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
HIS Plan Discount Rate	2.58%	3.58%	4.58%
Port Authority's Proportionate Share of the HIS Plan Net Pension Liability	$ 6,867,000	$ 6,017,000	$ 5,310,000

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 Comprehensive Annual Financial Report. That report may be obtained through the Florida Department of Management Services website: http://www.dms.myflorida.com.

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 Comprehensive Annual 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, 2017, 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 $161,000 for the year ended September 30, 2017.

Other Postemployment Benefits

The Port Authority provides post-retirement health care benefits, through participation in the Group Health Program for Lee County (GHPLC)

plan, to all employees who retire from the Port Authority. Pursuant to provisions of Section 112.08, *Florida Statutes*, former employees and eligible dependents who retire from the local government unit may continue to participate in the group or self-insurance plan for comprehensive health and hospitalization at a premium cost not to exceed the premium cost for active employees. Contribution requirements are established and may be amended by the County.

Plan Description

The Group Health Program for Lee County (GHPLC) provides medical, dental, vision and life insurance benefits (OPEB) to County retirees and their spouses. All the Constitutional Officers, except the Lee County Sheriff, participate in GHPLC. At October 1, 2017, the date of the latest actuarial valuation, plan participation consisted of 3,735 current active plan members, 908 retirees and 351 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 United Healthcare.

Funding Policy

The County 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. In addition, for retirees with a hire date prior to January 1, 2008, the County offers 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. 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 2017. The Plan is funded on a pay-as-you-go basis.

	General Employee Retirees	
	Aetna	MAP
Medical/ Prescriptions:		
Retiree only		
Pre 65 years old	$390	N/A
Medicare Eligible	294	180
Retiree plus spouse		
Pre 65 years old	788	N/A
Medicare Eligible	595	360
Retiree plus dependent		
Pre 65 years old	773	N/A
Medicare Eligible	580	360
Retiree plus family		
Pre 65 years old	795	N/A
Medicare Eligible (3) (spouse + one dep)	602	540
Life:		
Individual Coverage	5	
Spouse	N/A	

Total OPEB Liability

At September 30, 2017, the Port Authority reported a liability of $37,339,000 for its proportionate share of the County's GHPLC plan's other postemployment benefits liability. The liability was measured as of September 30, 2017 and determined by an actuarial valuation as of that date. The Port Authority's proportion was based on the Port Authority's percentage of employees relative to the County as a whole. At September 30, 2017, the Port Authority's proportion was 12.3623 percent, which was a decrease of .0612 percent from its proportion measured at September 30, 2016.

Actuarial Methods and Assumptions

The total OPEB liability in the September 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Inflation Rate	2.5%
Salary Increases	N/A
Discount Rate	3.64%
Healthcare cost trend rate	7.93% Pre 65
	9.51% at least 65
	9.59% 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.

Mortality rates were based on the RP-2000 Generational Healthy Mortality Table with scale MP-2017.

The actuarial assumptions used in the September 30, 2017 valuation were based on the results of an actuarial experience study for the period October 1, 2016 through September 30, 2017.

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.

Changes in the Total OPEB Liability

Balance at September 30, 2016	$48,322,000
Changes for the year:	
Services Cost	1,939,000
Interest	1,512,000
Difference Between Expected and Actual Experience	156,000
Changes in Assumptions	(13,156,000)
Contributions from Employer	(1,196,000)
Change in Proportionate Share	(238,000)
Net Changes	10,983,000
Balance at September 30, 2017	$37,339,000

The following presents the Port Authority's proportionate share of total OPEB liability of the 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 (2.64%)	Current Rate (3.64%)	1% Increase (4.64%)
OPEB Liability	$43,920,000	$37,339,000	$32,065,000

The following presents the Port Authority's proportionate share of total OPEB liability as well as what the Port'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	$ 31,477,000	$ 37,339,000	$ 44,901,000

For the year ended September 30, 2017, the Port Authority recognized an expense of $590,000 for its proportionate share of other postemployment benefits expense.

At September 30, 2017, 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	$ 139,000	$ -
Changes in Assumptions	-	11,712,000
Total	$ 139,000	$ 11,712,000

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:	
2018	$(1,427,000)
2019	(1,427,000)
2020	(1,427,000)
2021	(1,427,000)
2022	(1,427,000)
Total Thereafter	(4,438,000)

NOTE IX. RISK MANAGEMENT

The Port Authority property and casualty insurance lines are written through their broker, Arthur J. Gallagher. All lines of insurance costs for 2017 was $1,559,000. 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, 2017 the Port Authority was charged $5,744,000 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 X. COMMITMENTS AND CONTINGENCIES

At September 30, 2017 the Port Authority had in process various construction contracts totaling $73,929,000. Costs incurred on these contracts as of September 30, 2017 totaled $66,344,000 including retainage payable of $1,722,000.

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

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

NOTE XI. PASSENGER FACILITY CHARGE

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 1998, the Port issued PFC Revenue Bonds for $52,225,000 to fund eligible capital improvements and land acquisition. In November 2003, the Port was granted authority to raise the PFC level from $3.00 to $4.50. In September 2010, the FAA approved a PFC Application for $51,877,000. Projects in the application were all for the Southwest Florida International Airport and include design and construction of a new Fire and Rescue Station, various fire rescue equipment, design and construction of taxiways and apron, design and permitting of the parallel runway, passenger terminal improvements, enhancements to the mitigation park, and master planning and noise studies. In June 2013, the FAA approved Application #8 for $20,555,000. As a result, the total collection authority is $321,622,000 with an estimated expiration date of January 1, 2020.

NOTE XII. AIRLINE USE AGREEMENTS

Signatory Airlines

The Port Authority negotiated a new 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. The Agreement has been extended to September 30, 2018 with the same terms as the original agreement.

The new 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 2017, the Signatory Airlines paid the Port Authority $24,826,000. This amount is net of refunds of $1,470,000 and revenue sharing of $3,482,000.

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 XIII. 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.

Change in Accounting Principle

During the year ended September 30, 2017, the Port Authority implemented GASB Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". During implementation, the previously reported trust fund was analyzed and it was determined not to be an irrevocable trust fund. The implementation of the pronouncement and the dissolution of the trust fund required the restatement of the September 30, 2016 net position of the Port Authority:

	Port Authority (dollars in thousands)
Net Position, as previously reported	$ 547,996
Cumulative affect of dissolution of Trust fund	(6,443)
Cumulative affect of GASB 75 Other Postemployment Liability	(15,013)
Net Position, as restated	$ 526,540

Required Supplementary Information

Lee County Port Authority
Required Supplementary Information
September 30, 2017

Other Postemployment Benefits Plan
(unaudited)

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

		2017
Port Authority's Proportion of the total OPEB liability		12.3623%
Port Authority's Proportionate Share of the total OPEB liability	$	37,339,000
Port Authority's Covered-Employee Payroll	$	23,211,000
Port Authority's Proportionate Share of the total OPEB liability as a percentage of covered payroll		160.87%

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, 2017

Florida Retirement System Pension Plan

Schedule of the Port Authority's Proportionate Share of the Net Pension Liability
Last 4 Fiscal Years*

	2014	2015	2016	2017
Port Authority's Proportion of the Net Pension Liability	0.0762%	0.0767%	0.0822%	0.0793%
Port Authority's Proportionate Share of the Net Pension	$ 4,561,000	$ 9,905,000	$ 20,749,000	$ 23,467,000
Port Authority's Covered-Employee Payroll	$ 17,856,000	$ 17,981,000	$ 18,504,000	$ 19,369,000
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	25.54%	55.09%	112.13%	121.16%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	96.09%	92.00%	84.88%	83.89%

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

Schedule of Port Authority Contributions
Last 4 Fiscal Years

	2014	2015	2016	2017
Contractually Required Contribution	$ 1,872,000	$ 2,049,000	$ 2,077,000	$ 2,265,000
Contributions in Relation to the Contractually Required Contribution	(1,872,000)	(2,049,000)	(2,077,000)	(2,265,000)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 17,917,000	$ 18,694,000	$ 17,150,000	$ 19,674,000
Contributions as a percentage of covered employee payroll	10.45%	10.96%	12.11%	11.51%

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

Lee County Port Authority
Required Supplementary Information
September 30, 2017

Retiree Health Insurance Subsidy Program

Schedule of the Port Authority's Proportionate Share of the Net Pension Liability
Last 4 Fiscal Years*

	2014	2015	2016	2017
Port Authority's Proportion of the Net Pension Liability	0.0568%	0.0495%	0.0522%	0.0563%
Port Authority's Proportionate Share of the Net Pension	$ 5,313,000	$ 5,044,000	$ 6,082,000	$ 6,017,000
Port Authority's Covered-Employee Payroll	$ 20,339,000	$ 20,871,000	$ 21,611,000	$ 22,841,000
Port Authority's Proportionate Share of the Net Pension Liability as a Percentage of Its Covered-Employee Payroll	26.12%	24.17%	28.14%	26.34%
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	0.99%	0.50%	0.97%	1.64%

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

Schedule of Port Authority Contributions
Last 4 Fiscal Years

	2014	2015	2016	2017
Contractually Required Contribution	$ 258,000	$ 296,000	$ 364,000	$ 384,000
Contributions in Relation to the Contractually Required Contribution	(258,000)	(296,000)	(364,000)	(384,000)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered employee payroll	$ 20,496,000	$ 21,765,000	$ 21,954,000	$ 23,139,000
Contributions as a percentage of covered employee payroll	1.26%	1.36%	1.66%	1.66%

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