

Sarasota Manatee Airport Authority

Annual Financial Report
Fiscal Year 2023



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**Sarasota Manatee Airport Authority
Sarasota, Florida**

**Financial Statements with Management's
Discussion and Analysis including
Supplementary and Compliance
Reports and Schedules**

For the Year Ended September 30, 2023

**Prepared by:
Finance Department**

Sarasota Manatee Airport Authority

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Independent Auditor's Report

To the Members of the Board
Sarasota Manatee Airport Authority

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the Enterprise Fund and the Pension Trust Fund of Sarasota Manatee Airport Authority (the "Authority") as of and for the year ended September 30, 2023 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the Enterprise Fund and the Pension Trust Fund of the Authority as of September 30, 2023 and the respective changes in its 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.

To the Members of the Board
Sarasota Manatee Airport Authority

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which 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 Supplementary Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The other supplementary schedules, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, schedule of expenditures of state financial assistance projects, and schedule of passenger facility charges collected and expended are presented for the purpose of additional analysis, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); Chapter 10.550 of the Rules of the Auditor General - Local Governmental Entity Audits; and *Passenger Facility Charge Audit Guide for Public Agencies*, issued by the Federal Aviation Administration, respectively, and are also not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules, as identified in the table of contents, including the schedule of expenditures of federal awards, the schedule of expenditures of state financial assistance projects, and the schedule of passenger facility charges collected and expended, are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 14, 2024 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Plante & Moreau, PLLC

February 14, 2024

The following Management’s Discussion and Analysis (“MD&A”) of the Sarasota Manatee Airport Authority’s (the “Authority”) activities and financial performance provides an introduction to the basic financial statements of the Authority for the year ended September 30, 2023. The information contained in this MD&A should be considered in conjunction with the information contained in the financial statements and the notes thereto, which are essential to a full understanding of the financial statement data.

The Authority and Airport Activity Highlights

The Authority is an independent special district pursuant to the constitution and laws of Florida, particularly Chapter 2003-309, Laws of Florida, as amended (the “Act”), revising and consolidating Chapter 31263, Special Laws of Florida, 1955, which, by the Act, authorized the Authority to own and operate the Sarasota Bradenton International Airport (the “Airport”). The Authority has jurisdiction, control, supervision, and management of the Airport.

The Authority’s board consists of six members who are appointed on a non-partisan basis to four-year staggered terms. The Act requires that three members of the Authority be residents of, and be appointed within, each of Sarasota and Manatee Counties. The Act further requires that the Chairperson elected by the members thereof alternates county representation annually.

The Airport is situated on approximately 1,100 acres located in Sarasota and Manatee Counties and the City of Sarasota. It is classified as a small hub airport by the Federal Aviation Administration (“FAA”).

The Airport has two crossing asphalt-surfaced runways, 4/22 (NE/SW) and 14/32 (SE/NW). Both runways were built in the early 1940s. Runway 4/22, at 5,004 feet long, is used almost exclusively by general aviation aircraft. Runway 14/32 was extended in 1969 to 7,003 feet, and again in 2001 to its present length of 9,500 feet. As the main carrier runway, it is used by commercial jets, as well as general aviation aircraft.

The current terminal building opened to travelers on October 29, 1989. It is located southwest of the intersection of runways 4/22 and 14/32 and has approximately 240,000 square feet of interior space. Significant terminal renovations and upgrades were completed in June 2015, including renovations to the baggage wing, ticket wing, and the concourse. A project to realign and expand the roadway and curbside area in front of the terminal building was completed in June 2017. Construction on a new Air Traffic Control Tower (“ATCT”) was completed and commissioned in June 2018. The ATCT is 139 feet tall and cost approximately \$25 million to complete. The new ATCT provided a better line of sight for controllers and allows development of the North Quad area. Construction began in 2019 on the North Quad, which installed the road and utility infrastructure for future development. The Airport’s 30-year-old loading bridges were replaced and upgraded to the latest technology and completed in September 2019. The ARFF building and Runway 14/32 were updated, and numerous terminal improvements were completed in 2020. With the significant increase in passengers during fiscal year 2021, the fuel farm and multiple parking lots were expanded, Taxiway B and a new maintenance hangar were under construction, and the stormwater system project was completed. During 2022, the Terminal Expansion Project, adding a ground boarding facility, updating Taxiway C and F, baggage handling, and several other projects were initiated.

The Authority is self-supporting, using aircraft landing fees, fees from terminal and other rentals, and revenues from concessions to fund operating expenses. Operating expenses of the Authority are not taxpayer funded. Construction programs are funded by federal and state grants, Passenger Facility Charges (“PFCs”), Customer Facility Charges (“CFCs”), and Authority revenues.

The Authority gave approval for the Airport to provide financial relief to commercial passenger carriers operating at the Airport for up to three months, from April 2020 to June 2020. The Authority initially offered payment deferrals for April 2020 to June 2020 to airlines current as of March 30, 2020. The payment deferral extended the fixed rent payment due date until 2021. The Authority later offered additional deferral of payments for the months of July 2020 through September 2020. On November 17, 2020, the board approved an amendment to the scheduled airline operating agreement to extend the agreement an additional year to September 30, 2024 and exclude CARES Act funds or any subsequent federal, state, or local funds from the year-end reconciliation calculations until September 30, 2023. The normal reconciliation process returns in the final year of the agreement.

Airport activities during 2023 as compared to 2022 are as follows:

	<u>2023</u>	<u>FY 2022</u>
Enplanements	2,127,092	1,880,201
Aircraft Operations	160,139	157,746
Landed Weight	2,301,444,418	2,083,538,119

Air travel is particularly sensitive to regulatory changes and operating costs changes (especially fuel costs), which can cause significant fluctuations in passenger counts. Other economic risks to the Authority include federal government spending or tourism declines along with the unknown effects of the COVID-19 pandemic. The capacity adjustments at SRQ have been in step with changes across the nation. These changes are the foundation blocks for industry profitability and future growth at SRQ. With the desire of the Authority to increase air service to the Airport, the Authority passed several resolutions waiving fees, such as landing fees and terminal rent fees, to attract new air service.

The following is a summary of the financial results for the years ended September 30, 2023 and 2022:

Fiscal year 2023 operating revenue increased by 14.7% from 2022 due to the increase in passenger volume impacting car rentals, concessions, and parking fees. A significant percentage of operating revenues at the Authority is directly related to passenger volumes.

In fiscal year 2023 and 2022, operating expenses before depreciation and amortizations increased 15.3% from 2022 and 2% from 2021 due to salaries, legal fees, and increase in costs associated with increase in passengers.

Non-operating revenues and expenses in fiscal year 2023 decreased 19.3% from 2022 as capital grant revenue increased 551% over 2022 and Passenger Facility and Customer Facility charges increased 11% over 2022. Non-operating revenues and expenses in fiscal year 2022 decreased 18.1% from 2021 as capital grant revenue decreased 55% over 2021 from the addition of the non-capital grant from CARES Act and ACRGP relief program and from the increase in Passenger Facility and Customer Facility charges.

Summary of Operations and Changes in Net Position

	<u>FY 2023</u>	<u>FY 2022</u>
Operating revenues	\$ 40,243,969	35,077,587
Operating expenses	<u>(41,630,867)</u>	<u>(35,917,884)</u>
Loss before non-operating revenues and expenses	(1,386,898)	(840,297)
Non-operating revenues and expenses, net	<u>19,679,960</u>	<u>24,392,574</u>
Income before capital contributions	18,293,062	23,552,277
Capital contributions	<u>43,238,425</u>	<u>6,641,301</u>
Increase in Net Position	61,531,487	30,193,578
Net Position - beginning of year	<u>248,868,301</u>	<u>218,674,723</u>
Net Position - end of year	\$ <u>310,399,788</u>	<u>248,868,301</u>

Summary of Net Position

Over time, net position may serve as a useful indicator of the Authority's financial position. The Authority's assets and deferred outflow of resources exceeded liabilities and deferred inflow of resources by approximately \$310.4 million at September 30, 2023, a net \$61.5 million increase over September 30, 2022. The Authority's assets and deferred outflow of resources exceeded liabilities and deferred inflow by approximately \$248.9 million at September 30, 2022

	<u>FY 2023</u>	<u>FY 2022</u>
Assets:		
Current assets	\$ 72,762,527	\$ 63,212,941
Noncurrent assets	<u>278,682,027</u>	<u>213,500,504</u>
Total Assets	<u>\$ 351,444,554</u>	<u>\$ 276,713,445</u>
Deferred outflow of resources	<u>\$ 6,022,764</u>	<u>\$ 2,376,111</u>
Liabilities:		
Other liabilities	\$ 22,079,201	\$ 7,077,315
Net pension and OPEB liability	<u>\$ 7,963,198</u>	<u>3,634,535</u>
Total Liabilities	<u>\$ 30,042,399</u>	<u>\$ 10,711,850</u>
Deferred inflow of resources	<u>\$ 17,025,131</u>	<u>\$ 19,509,405</u>
Net Position:		
Net investment in capital assets	\$ 241,647,574	\$ 181,938,339
Restricted	<u>\$ 21,807,881</u>	<u>14,735,957</u>
Unrestricted	<u>\$ 46,944,333</u>	<u>52,194,005</u>
Total net position	<u>\$ 310,399,788</u>	<u>\$ 248,868,301</u>

The largest portion of the Authority's net position each year represents its investment in capital assets (e.g. land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire and construct

those capital assets. The Authority had no related debt for the years ended 2023 and 2022. The Authority uses these capital assets to provide services to its passengers and visitors to the Airport; consequently, these assets are not available for future spending.

An additional portion of the Authority’s net position represents CFCs and PFCs that are restricted. CFCs are restricted by federal regulations and the Final Agency Decision Letter from the FAA Airport District Office. CFCs are regulated at the state level. The remaining unrestricted net position may be used to meet any of the Authority’s ongoing obligations.

Airport Use Agreements

On October 1, 2018, the Authority entered into new five-year Airport Use Agreements with the four principal commercial air carriers that served the airport at that time. For 2021, the signatory airlines were Allegiant Air, American Airlines, Delta Air Lines, JetBlue Airways, Southwest Airlines, and United Airlines. Southwest Airlines started service in February 2021, and Allegiant Air changed from a Non-Signatory to Signatory in July 2021.

On November 17, 2020, an amendment to the Airline Use Agreement extended the agreement an additional year to September 30, 2024 and excluded all CARES Act funds or any subsequent federal, state, or local funds from the year-end reconciliation. In return, the Authority waived the previously deferred six-month fixed rents and waived an additional 12 months of fixed rents. To assist and encourage airlines to continue to increase their service, another amendment was made on January 25, 2021 to provide the Signatory airlines with an added fee relief by issuing them a credit of 10% of the joint use charges from October 1, 2020 through March 31, 2021. The Signatory airlines were granted the non-exclusive use of the Airport for the purpose of operating an air transportation system for the carriage of persons, property, cargo, and mail, according to the rules and regulations of the Authority.

Budgeted Rates and Charges

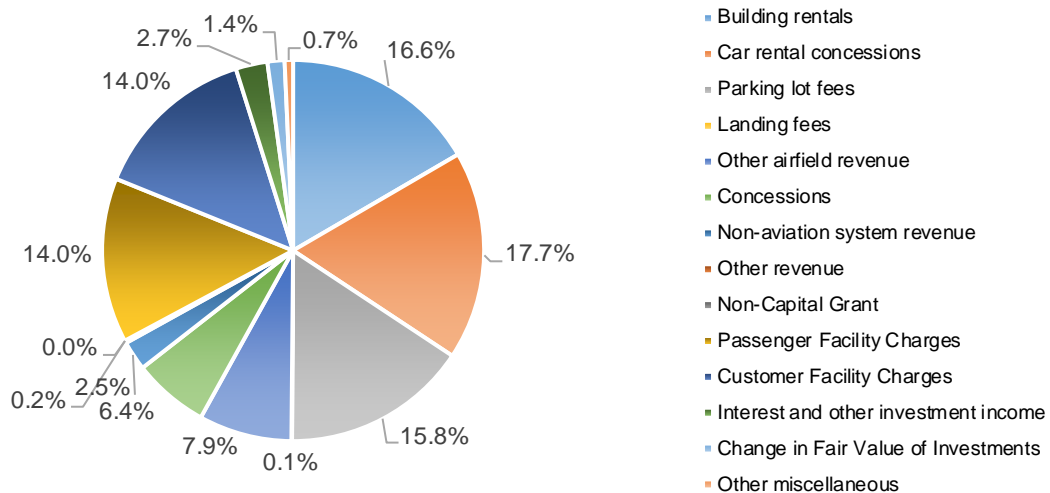
Each of the Signatory airlines leases space in the terminal for its exclusive use with the right to make certain leasehold improvement. Each of the Signatory airlines pays monthly: (1) rentals for terminal building space, (2) landing fees, and (3) preferential apron space rental. Rentals and landing fees may be adjusted by the Authority, usually on an annual basis, to maintain a balanced budget. Rates and charges for recent years are as follows:

	<u>FY 2023</u>	<u>FY 2022</u>
Landing fee (per 1,000 lbs. landed weight)		
Signatory	\$ 0.41	\$ 0.45
Non-Signatory	\$ 0.51	\$ 0.57
Average terminal rate (per square foot)		
Signatory	66.89	73.44
Non-Signatory	83.62	91.80
Apron fee rental (per linear foot)	256.17	243.40
Air cargo facility (per square foot)	15.00	15.00

Airport revenues during 2023 as compared to 2022 are as follows:

	2023 Amount	Percent of Total	(Decrease) Increase from 2022	Percent (Decrease) Increase
Operating Revenues:				
Terminal Building rentals	\$ 9,939,480	16.6%	\$ 2,574,874	35%
Car rental concessions	10,623,783	17.7%	\$ 617,465	6%
Parking revenue (net)	9,451,645	15.8%	\$ 1,758,007	23%
Landing fees	32,136	0.1%	\$ 32,135	100%
Other airfield revenue	4,723,332	7.9%	\$ 1,070,489	29%
Other terminal concessions	3,850,067	6.4%	\$ 137,942	4%
Non-aviation system revenue	1,492,136	2.5%	\$ (670,315)	-31%
Other revenue	131,390	0.2%	\$ (354,216)	-73%
Total Operating Revenues	40,243,969	67.2%	5,166,381	15%
Non-Operating Revenues:				
Non-Capital Grant		0.0%	\$ (9,656,154)	-100%
Passenger Facility Charges	8,379,929	14.0%	\$ 807,499	11%
Customer Facility Charges	8,398,126	14.0%	\$ 892,969	11%
Interest and other investment income	1,609,572	2.7%	\$ 988,488	159%
Change in Fair Value of Investments	865,700	1.4%	\$ 1,817,055	-191%
Other miscellaneous	426,633	0.7%	\$ 437,529	-4016%
Total Non-Operating Revenues	19,679,960	32.8%	(4,712,614)	-19%
Total Revenues	\$ 59,923,929	100.0%	\$ 453,767	1%

The following chart shows the major sources and the percentage of revenues for the year ended September 30, 2023:

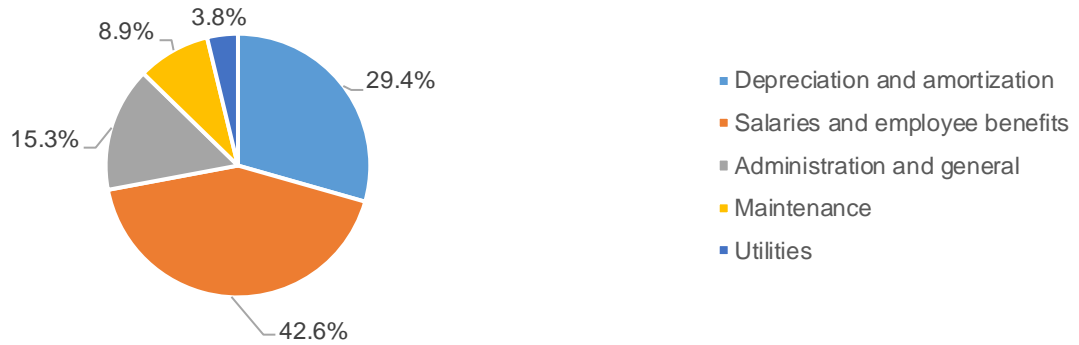


Expenses

A summary of expenses for the year ended September 30, 2023 and the amount and percentage of change in relation to 2022 and 2021 amounts are as follows:

	2023 Amount	Percent of Total	Increase (Decrease) 2022	Percent Increase (Decrease)	(Decrease) Increase from 2021	Percent (Decrease) Increase
Operating Expenses:						
Depreciation and amortization	\$ 12,249,144	29.4%	\$ 1,807,005	17%	\$ 1,857,117	18%
Salaries and employee benefits	17,744,811	42.6%	2,890,138	19%	5,288,403	42%
Administration and general	6,357,871	15.3%	763,668	14%	690,030	12%
Maintenance	3,713,657	8.9%	60,200	2%	1,216,087	49%
Utilities	1,565,384	3.8%	191,972	14%	504,420	48%
Total Operating Expenses	<u>\$ 41,630,867</u>	<u>100.0%</u>	<u>\$ 5,712,983</u>	<u>16%</u>	<u>\$ 9,556,057</u>	<u>30%</u>

The following chart shows the major cost centers and the percentage of expenses for the year ended September 30, 2023:



Summary of Cash Flow Activities

The following shows a summary of major sources and uses of cash and cash equivalents for the past two years. Cash equivalents are considered cash-on-hand, bank deposits, and highly liquid investments with an original maturity of three months or less:

The Authority’s available cash and cash equivalents decreased approximately \$25.6 million at the end of fiscal year 2022 to approximately \$24.4 million at the end of fiscal year 2023, as approximately \$42.7 million has been invested in Treasury investments.

	<u>FY 2023</u>	<u>FY 2022</u>
Cash Flows from (used for) Operating Activities	\$ 12,217,904	\$ 9,523,255
Cash Flows from Non-Capital Financing Activities	-	6,601,342
Cash Flows from (used for) Capital and Related Financing Activities	(16,514,700)	(589,583)
Cash Flows from (used for) Investing Activities	<u>3,133,718</u>	<u>(42,163,051)</u>
Net increase (decrease) in Cash and Cash Equivalents	(1,163,078)	(26,628,037)
Cash and Cash Equivalents:		
Beginning of Year	<u>25,567,862</u>	<u>52,195,899</u>
End of Year	<u>\$ 24,404,784</u>	<u>\$ 25,567,862</u>

Airport Statistics

The following operating and passenger data are provided for additional historical perspective, context, and detail to assist in using the information in the Financial Statement and Notes to the Financial Statement to understand and assess the Authority’s economic condition:

Fiscal Year Historical Passenger Enplanements

<u>Fiscal Year</u>	<u>Total</u>	<u>Yearly Percent (Decrease) Increase</u>	<u>Airport as Percent of U.S. Total</u>
2018	642,486	8.2%	0.09%
2019	887,284	38.1%	0.09%
2020	735,257	-17.1%	0.09%
2021	1,282,902	74.5%	0.09%
2022	1,880,377	46.6%	0.09%
2023	2,127,092	13.1%	0.09%

Calendar Year Historical Passenger Enplanements

<u>Calendar Year</u>	<u>Total</u>	<u>Yearly Percent (Decrease) Increase</u>	<u>Airport as Percent of U.S. Total</u>
2016	594,167	-3.0%	0.08%
2017	593,830	-0.1%	0.08%
2018	688,090	15.9%	0.08%
2019	979,810	42.4%	0.08%
2020	616,798	-37.0%	0.08%
2021	1,583,236	156.7%	0.08%
2022	1,927,529	21.7%	0.08%

Airline Aircraft Departures			
<u>Fiscal Year</u>	<u>Total Departures</u>	<u>Average Daily Departures</u>	<u>Enplaned Passengers per Departure</u>
2018	6,343	17	101
2019	8,051	22	110
2020	8,154	22	90
2021	14,049	38	91
2022	15,929	44	118
2023	16,196	44	131

For fiscal year 2021, SRQ broke passenger records, including the highest total passengers in a single month with 326,947 passengers in July. In total, 2,555,495 passengers traveled through SRQ during fiscal year 2021, which was an increase of 73.63% over 2021.

For fiscal year 2022, the airport continued to see a rebound in passengers as airlines shifted their aircraft and routes to beach and mountain destinations. This shift was in response to leisure travel demand for locations that offered individuals the ability to social distance. SRQ’s geographical location provided a warm weather beach destination with a multitude of outdoor amenities including golf, fishing, biking, hiking and other sports and nature activities. For fiscal year 2022, SRQ broke passenger records, including the highest total passengers in a single month with 326,947 passengers in July. In total, 3,746,571 passengers traveled through SRQ during fiscal year 2022, which was a 46.6% increase over 2021.

For fiscal year 2023, new routes and destinations were added by Avelo Airlines, Breeze Airways, and Southwest Airlines. SRQ continued to break passenger records, including the highest total passengers in a single month with 451,036 passengers in April 2023. In total, 4,249,760 passengers traveled through SRQ during fiscal year 2023, which was an increase of 13.4% over 2022.

Airline Passenger Enplanements
Fiscal Years Ended September 30, 2018 - 2023

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	2023
Delta	335,329	370,336	200,538	287,055	388,569	421,298
JetBlue	77,181	79,227	52,277	64,092	106,891	96,857
United	71,772	106,044	88,301	153,018	192,953	218,338
American	109,577	153,509	134,815	240,190	248,496	304,297
Allegiant	-	121,098	191,469	230,536	364,854	419,608
Frontier	-	28,856	41,164	38,192	18,639	21,094
Southwest	-	-	-	256,686	524,732	547,608
Other Airlines ¹	48,627	28,214	26,693	13,133	35,243	97,992
Totals	<u>642,486</u>	<u>887,284</u>	<u>735,257</u>	<u>1,282,902</u>	<u>1,880,377</u>	<u>2,127,092</u>

Airline Market Shares
Enplaned Passengers
Fiscal Years Ended September 30, 2018 - 2023

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	2023
Delta	52.1%	41.7%	27.3%	22.4%	20.7%	19.8%
JetBlue	12.0%	8.9%	7.1%	5.0%	5.7%	4.6%
United	11.2%	12.0%	12.0%	11.9%	10.3%	10.3%
American	17.1%	17.3%	18.3%	18.7%	13.2%	14.3%
Allegiant	-	13.6%	26.0%	18.0%	19.4%	19.7%
Frontier	-	3.3%	5.6%	3.0%	1.0%	1.0%
Southwest	-	-	-	20.0%	27.8%	25.7%
Other Airlines ¹	7.6%	3.2%	3.7%	1.0%	1.9%	4.6%
Totals	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

¹ Includes Air Canada, Avelo, Breeze and Sun Country

Airline Landed Weights
Fiscal Years Ended September 30, 2018 - 2023
(in thousand pounds)

	2018	2019	2020	2021	2022	2023
Delta	351,141	376,811	266,421	437,084	411,413	456,119
JetBlue	87,133	89,022	66,698	86,497	116,505	104,004
United	73,341	129,680	133,516	195,124	231,114	249,537
American	120,512	182,082	185,774	318,335	277,383	349,816
Allegiant	-	118,990	241,661	299,187	367,740	397,179
Frontier	-	28,485	53,344	43,654	2,098	16,541
Southwest	-	-	-	346,654	618,985	612,530
Other Airlines ¹	66,393	43,708	34,232	17,461	58,301	115,719
Totals	<u>698,520</u>	<u>968,778</u>	<u>981,646</u>	<u>1,743,996</u>	<u>2,083,539</u>	<u>2,301,445</u>

Airline Market Shares
Landed Weights
Fiscal Years Ended September 30, 2018 - 2023
Share of total landed weight

	2018	2019	2020	2021	2022	2023
Delta	50.3%	38.9%	27.1%	25.1%	19.7%	19.8%
JetBlue	12.5%	9.2%	6.8%	5.0%	5.6%	4.5%
United	10.5%	13.4%	13.6%	11.2%	11.1%	10.8%
American	17.3%	18.8%	18.9%	18.3%	13.3%	15.2%
Allegiant	-	12.3%	24.6%	17.1%	17.6%	17.4%
Frontier	-	2.9%	5.4%	2.5%	0.1%	0.7%
Southwest	-	-	-	19.8%	29.8%	26.6%
Other Airlines ¹	9.5%	4.5%	3.6%	1.1%	2.8%	5.0%
Totals	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

¹ Includes Air Canada, Elite, Republic, Sun Country, and WestJet

Aircraft Operations

The volume of aircraft operations at the Airport, as reported by the FAA air traffic control tower, is presented below. Aircraft operations consist of aircraft landings and departures and are reported by the FAA in four categories: air carrier, air taxi and commuter airline, general aviation, and military. Aircraft operations for fiscal year 2023 totaled \$160,139.

Aircraft Operations
 Fiscal Years Ended September 30, 2018- 2023

<u>Fiscal Year</u>	<u>Air Carrier</u>	<u>Air Taxi and Commuter</u>	<u>General Aviation</u>	<u>Military</u>	<u>Total</u>
2018	12,128	9,177	91,300	2,197	114,802
2019	15,867	10,183	101,036	2,422	129,508
2020	15,995	9,868	95,768	2,698	124,329
2021	27,831	12,420	102,695	2,799	145,745
2022	31,317	14,142	109,783	2,504	157,746
2023	31,905	15,278	110,961	1,995	160,139

Financial Statements

The Authority’s financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated by the Government Accounting Standards Board (“GASB”). The bulk of the operations of the Authority is recorded in a single enterprise fund, with revenues recognized when earned, not when received. Expenses are recognized when incurred, not when they are paid. Capital assets are capitalized and, except for land, depreciated over their useful lives.

The accompanying financial statements include statements for the enterprise fund and the Authority’s employee pension plan. The enterprise fund statements are composed of the Statement of Net Position; the Statement of Revenues, Expenses and Changes in Net Position; and the Statement of Cash Flows. Net Position is displayed in three components: net investment in capital assets, restricted, and unrestricted. The component of net position comprising net investment in capital assets is net of accumulated depreciation.

The Statement of Cash Flows present information showing how the Authority’s cash and cash equivalents changed during the fiscal year. The Statement of Cash Flows classifies cash receipts and cash payments as resulting from operating activities, capital and related financing activities, non-capital financing activities, and investing activities.

The pension fund statements include Statement of Plan Net Position and Statement of Changes in Plan Net Position.

Capital Acquisitions and Construction Activities

During fiscal year 2023, the Authority expensed approximately \$72 million on capital activities, of which \$7.2 million on equipment, \$23.9 million on improvement to buildings, and \$41 million is construction in progress.

During fiscal year 2023, several projects came to completion and were closed from construction to their respective capital accounts. These projects totaled approximately \$10 million and were as follows:

Building & Structure	\$3,675,113
Runways & Taxiways	3,001,672
Land Improvements	1,023,068
Lighting & Signs	550,405
Equipment Upgrades	1,636,808

Capital projects are funded using a variety of financing techniques, including federal grants with matching state grants, CFCs, PFCs, and airport funds. Additional information on the Authority’s capital asset commitments can be found in Note 9 – Commitments and Contingencies of the Notes to the Financial Statements.

Passenger Facilities Charges (PFC)

On June 29, 1992, the Authority received approval from the FAA of its first application to impose a \$3.00 PFC at the Airport effective September 1, 1992. The authorization to impose the PFC is contingent on continued compliance with the terms of Federal Aviation Regulations. A second application to use the proceeds of the first application was filed with the FAA, and approval was granted in its Record of Decision dated January 31, 1995. Applications three and four were combined “impose and use” PFC applications and were approved by the FAA in Records of Decision dated December 15, 1995, and October 3, 2000, respectively. On February 22, 2002, an amendment to the fourth applications was administratively approved by the FAA that increased the charge level from \$3.00 to \$4.50 per enplaned passenger and increased the approved collection amount.

On June 17, 2009, amendments to application numbers one, two, and three were administratively approved by the FAA. The effect of these amendments was to decrease the allowed collection amounts in each application to the amounts already imposed and used for each project within those applications, effectively closing each one. At that time, PFC collections held in trust fund accounts totaled approximately \$5 million. These funds were then immediately available to be used for Applications Four. On July 23, 2009, an amendment to Application Four was approved by the FAA that increased the allowed impose and use amount by \$22,194,844. The Authority again amended Application Four to reduce the allowed impose and use amount by \$887,886 and extend the estimated charge expiration date to February 2023. The charge expiration date was extended, despite the reduced impose and use amount, due to a reduction in actual and forecast enplanements from Prior projections used to estimate the date in the FAA’s approval of the prior amendment to PFC #4.

On May 7, 2019, the Authority received approval for Application Five for \$8,817,424 to recover its costs in constructing the new Air Traffic Control Tower and construction and installation of 13 new loading bridges with a projected charge expiration date of February 2023. On September 8, 2021, the Authority received approval for Application Six for \$9,035,362 to recover costs for 19 additional projects.

Passenger Facilities Charges (PFC) (continued)

As a result of the increase in passenger traffic and PFC collections being higher than originally projected, the Authority requested revised expiration dates for Applications Four, Five, and Six on September 29, 2021. Both Applications Four and Five were closed in fiscal year 2022.

Application 6 was closed in 2023 and Application 7 was approved for \$41,232,162 to recover costs for 9 additional projects and will expire April, 2029

Since inception of the PFC program, the Authority has collected approximately \$92.7 million, including interest earning, and expended approximately \$92.3 million of these locally generated funds.

Economic Factors, Budgets, and Rates

On November 19, 2020, Southwest Airlines announced they would begin service at SRQ to four destinations starting on February 14, 2021. This new service quickly expanded to a total of 19 destinations. By the end of fiscal year 2021, Southwest Airlines was the largest carrier of passengers at SRQ. Throughout fiscal year 2023, the airport continued to see new air service announcements and growth from all the airlines serving the airport.

For fiscal year 2023, airport management continued to closely monitor the level of airline and passenger activity at SRQ to determine impacts on operating requirements and the fiscal year budget. The Authority establishes its airline rates and charges as part of the annual budget development and adoption process. The fiscal year 2023 budgeted rates and charges resulted in a decrease of 1% to signatory landing fees and a decrease of 9% in average terminal building rental rates.

Request for Information

This financial report is designed to provide a general overview of the Authority's finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to the Executive Vice President, Chief Financial Officer, Sarasota Manatee Airport Authority, 6000 Airport Circle, Sarasota, FL 34243 or by email to pamela.kantor@flysrq.com.

Sarasota Manatee Airport Authority
Statement of Net Position
September 30, 2023

Assets	2023
Current Assets	
Cash and cash equivalents	\$ 4,151,914
Investments	42,609,725
Accounts receivable	1,433,717
Grants receivable	22,510,787
Lease receivable - current	1,258,726
Inventory of materials and supplies	270,908
Prepaid expenses and other current assets	526,750
Total current assets	<u>72,762,527</u>
Noncurrent - Restricted Assets	
Cash and cash equivalents	20,252,870
Accounts receivable	1,555,011
Total noncurrent restricted assets	<u>21,807,881</u>
Lease Receivable - non-current	15,226,572
Capital Assets	
Nondepreciable	125,739,824
Depreciable assets, net	115,907,750
Total capital assets	<u>241,647,574</u>
Total noncurrent assets	<u>278,682,027</u>
Total assets	<u>351,444,554</u>
Deferred Outflow of Resources	
Deferred actuarial losses - pension	6,022,764
Total deferred outflow of resources	<u>6,022,764</u>

The accompanying notes are an integral part of these financial statements.

Sarasota Manatee Airport Authority
Statement of Net Position (continued)
September 30, 2023

Liabilities	<u>2023</u>
Current Liabilities	
Payable from unrestricted assets	
Accounts payable	\$ 4,615,548
Accrued expenses and other liabilities	<u>17,463,653</u>
Total current liabilities	<u>22,079,201</u>
Non-Current Liabilities	
Net pension liabilities	<u>7,963,198</u>
Total non-current liabilities	<u>7,963,198</u>
Total liabilities	<u>30,042,399</u>
Deferred Inflow of Resources	
Deferred actuarial gains - pensions	1,387,228
Deferred income-leases	<u>15,637,903</u>
Total deferred inflow of resources	<u>17,025,131</u>
Net Position	
Net investment in capital assets	\$ 241,647,574
Restricted	21,807,881
Unrestricted	<u>46,944,333</u>
Total net position	<u>\$ 310,399,788</u>

The accompanying notes are an integral part of these financial statements.

Sarasota Manatee Airport Authority
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2023

	<u>2023</u>
Operating Revenues	
Building rentals	\$ 9,939,480
Car rental concessions	10,623,783
Parking Revenue	9,451,645
Other airfield revenue	4,723,332
Other Terminal Concessions	3,850,067
Non-aviation system revenue	1,492,136
Landing fees	32,136
Other revenue	131,390
Total operating revenues	<u>40,243,969</u>
Operating Expenses	
Depreciation and amortization	12,249,144
Salaries and employee benefits	17,744,811
Administration and general	6,357,871
Maintenance	3,713,657
Utilities	1,565,384
Total operating expenses	<u>41,630,867</u>
Operating Income (Loss)	<u>(1,386,898)</u>
Non-Operating Revenues (Expenses)	
Non-capital grant	-
Passenger Facility Charges	8,379,929
Customer Facility Charge	8,398,126
Interest Income - Cash and investments	1,609,573
Interest Income - Lease Activity	382,132
Interest and other investment income	865,700
Gain on disposal of capital assets	44,500
Total non-operating revenues	<u>19,679,960</u>
Income before Capital Contributions	<u>18,293,062</u>
Capital Contributions	
Federal and state grants	43,238,425
Total capital contributions	<u>43,238,425</u>
Change in Net Position	<u>61,531,487</u>
Total net position, beginning of year	<u>248,868,301</u>
Total net position, end of year	<u><u>\$ 310,399,788</u></u>

The accompanying notes are an integral part of these financial statements.

Sarasota Manatee Airport Authority
Statement of Cash Flows
For the Year Ended September 30, 2023

	<u>2023</u>
Cash Flows from Operating Activities:	
Cash received from customers	\$ 40,145,385
Cash paid to employees	(17,483,747)
Cash paid to suppliers for goods and services	(10,443,734)
Net cash provided by (used in) operating activities	<u>12,217,904</u>
Cash Flows from Capital and Related Financing Activities:	
Purchases of capital assets	(58,074,280)
Proceeds from sale of capital assets	44,500
Capital contributions and grants	24,978,600
Passanger Facility Charges	8,175,997
Customer Facility Charges	8,360,483
Net cash provided by (used in) capital and related financing activities	<u>(16,514,700)</u>
Cash Flows from Investing Activities:	
Net Cash From Investing Activities	\$ 293,295
Interest on investments	2,840,423
Net cash provided by investing activities	<u>3,133,718</u>
Net Decrease in Cash and Cash Equivalents	(1,163,078)
Cash and Cash Equivalents, beginning of year	25,567,862
Cash and Cash Equivalents, end of year	<u>\$ 24,404,784</u>
Cash and Cash Equivalents:	
Unrestricted	4,151,914
Restricted	20,252,870
	<u>\$ 24,404,784</u>
Reconciliation of Operating Loss to Net Cash used in Operating Activities:	
Operating loss	(1,386,898)
Adjustment to reconcile operating loss to net cash provided by (used in) operations:	
Depreciation	11,819,402
Amortization	429,742
Decrease in pension	(206,985)
Decrease in accounts and notes receivable	(30,387)
Increase in inventory, prepaid expenses, and other assets	269,042
Increase in Lease Receivable	3,658,881
Decrease in accounts payable and accrued expenses	(2,334,893)
Net cash provided by (used in) operating activities	<u>\$ 12,217,904</u>
Non-cash investing activities	
Unrealized gain on investments	<u>865,700</u>
Non-cash capital activities	
Purchase of capital assets through accounts payable	<u>(17,336,779)</u>

The accompanying notes are an integral part of these financial statements.

Sarasota Manatee Airport Authority
Statement of Plan Net Position
Pension Trust Fund - Employee Retirement Fund
For the Year Ended September 30, 2023

	<u>2023</u>
Assets	
Investments, at fair value	
Equity investments	\$ 8,024,189
Bonds/Fixed income	14,663,723
Other	<u>1,876,737</u>
Total assets	<u>24,564,649</u>
Net Position	
Restricted for Pensions	<u>\$ 24,564,649</u>

Sarasota Manatee Airport Authority
Statement of Changes in Plan Net Position
Pension Trust Fund - Employee Retirement Fund
For the Year Ended September 30, 2023

	<u>2023</u>
Additions	
Contributions	
Employer	1,199,459
Investment income	
Net appreciation in fair value of investments	<u>1,393,913</u>
Total additions	<u>2,593,372</u>
Deductions	
Benefits paid	1,638,705
Administrative expenses	<u>84,955</u>
Total deductions	<u>1,723,660</u>
Change in net position	869,712
Net Position	
Restricted for Pensions	
Beginning of year	<u>23,694,937</u>
End of year	<u>24,564,649</u>

The accompanying notes are an integral part of these financial statements.

1. Significant Accounting Policies

Nature of Entity

The Sarasota Manatee Airport Authority (the “Authority”) is an independent special district pursuant to the constitution and laws of Florida, particularly Chapter 2003-309, Laws of Florida, as amended (the “Act”), revising and consolidating Chapter 31263, Special Laws of Florida, 1955, which, by the Act, authorized the Authority to own and operated the Sarasota Bradenton International Airport (the “Airport”). The Authority has jurisdiction, control, supervision, and management of the Airport.

The Authority’s board consists of six members who are appointed on a non-partisan basis to four-year staggered terms. The Act requires that three members of the Authority be residents of, and be appointed within, each of Sarasota and Manatee Counties. It is mandated that the Chairperson elected by the members thereof alternates county representation on an annual basis.

The Airport is situated on approximately 1,100 acres located in Sarasota and Manatee Counties and the City of Sarasota. It is classified as a small hub airport by the Federal Aviation Administration (“FAA”).

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets at the date of the financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Presentation

The Authority’s financial statements are presented in the form of a single enterprise fund, which encompasses all financial activity relative to owning, operating, and improving the Airport facilities plus a pension trust fund for the employee defined benefit pension plan.

Governmental proprietary operations (enterprise funds) and pension trust funds are accounted for using a flow of economic resources measurement focus on an accrual basis of accounting. Revenues are recognized in the period in which they are earned, and expenses are recognized in the period incurred.

Revenues from airlines, concessions, rental cars, and parking are reported as operating revenues. Transactions that are capital, financing, or investing related are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses.

Net position for enterprise funds on the accompanying Statement of Net Position is required to be segregated into the following three categories:

Significant Accounting Policies (continued)

- Net investment in capital assets: Capital assets, net of accumulated depreciation and outstanding debt balances attributable to the acquisition, construction, or improvement of those assets.
- Restricted: Net position whose use by the Authority is subject to externally imposed stipulations that can be fulfilled by actions of the Authority pursuant to those stipulations or that expire by the passage of time. Such position included the Authority's Customer Facility Charges ("CFCs") and Passenger Facility Charges ("PFCs").
- Unrestricted: Net Position that is not subject to externally imposed stipulations and is not invested in capital assets. Unrestricted net position may be designated for specific purposes by action of management or the Commissioners or may otherwise be limited by contractual agreements with outside parties.

Reporting Entity

The accompanying financial statement present the Authority and one fiduciary component unit, an entity for which the Authority is considered to be financially accountable. The fiduciary component unit described below is a discretely presented component unit, which is reported in a separate column in the combined financial statements to emphasize that it is legally separate from the Authority.

Fiduciary Component Unit: The Authority governs the Sarasota Manatee Airport Authority Pension Plan – a single-employer defined benefit pension plan that is controlled by the provisions adopted pursuant to the Authority Agreement for employees hired before October 1, 2007. Management of the plan is vested in the Authority and the Authority's board, which consists of six members who are appointed by the Governor of Florida on a non-partisan basis for four-year terms.

New Accounting Guidance

GASB 94: Public-Private and Public-Private Partnerships and Availability Payment Arrangements

In March 2020, the GASB issued Statement No. 94 (Public-Private and Public-Public Partnerships and Availability Payment Arrangements) to bring a uniform guidance on how to report public-private and public-public partnership arrangements will recognize receivables for installment payments, deferred inflows of resources, and when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets, and when applicable, deferred outflows of resources and liabilities for assets being transferred.

This statement also provides guidance for accounting and financial reporting for availability payment arrangement in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2023. After review of the contracts, it was determined that this statement did not have a material impact on the Authority's financial statement for fiscal year 2023.

Significant Accounting Policies (continued)

GASB 96: Subscription-Based Information Technology Arrangements (SBITAs)

In May 2020, the GASB issued Statement No. 96 (Subscription-Based Information Technology Arrangements (SBITAs)), which defines SBITAs and provides accounting and financial reporting for SIBTAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SIBTAs. The Authority is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2023.

GASB 100: Accounting Changes and Error Corrections

In June 2022, the Governmental Accounting Standards Board issued Statement No. 100, Accounting Changes and Error Corrections, which enhances the accounting and financial reporting requirements for accounting changes and error corrections. The provisions of this statement are effective for the Authority's financial statement for the year ending September 30, 2024.

GASB 101: Compensated Absences

In June 2022, the Governmental Accounting Standards Board issued Statement No. 101, Compensated Absences, which update the recognition and measurement guidance for compensated absences under a unified model. This statement requires that liabilities for compensated absences be recognized for leave that has not been used and leave that has been used but not yet paid in cash or settled through noncash means and establishes guidance for measuring a liability for leave that has not been used. It also updates disclosure requirements for compensated absences. The provisions of this statement are effective for the Authority's financial statements for the year ending September 30, 2025.

GASB 102: Certain Risk Disclosures

In December 2023, the Governmental Accounting Standards Board issued Statement 102, Certain Risk Disclosures, which provides users of governmental financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. This statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. It also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact to have occurred, has begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The provisions of this statement are effective for the Authority's financial statement for the year ending September 30, 2025. The Authority has not yet determined the impact of this standard on the financial statement.

Cash and Cash Equivalents

The Authority considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Significant Accounting Policies (continued)

Investments

The Authority's investments are managed by the Executive Vice President, CFO in conjunction with the Sarasota County Clerk's Office. Investments in commercial paper are recorded at cost, which approximates fair value. Investments in U.S. Treasury and government agency securities are recorded at fair value, as determined by quoted market prices. Changes in the fair value of investments are reported as non-operating revenue or expense in the Statement of Revenues, Expenses and Changes in Net Position.

Accounts and Grants Receivable

Accounts and grants receivable are reported at realizable value. Grants receivables represent reimbursements due from federal and state sources for allowable costs incurred on federal and state award programs. All receivables are expected to be collected. As such, no allowance for doubtful accounts has been reflected.

Lease Receivable

The Authority is the lessor on noncancellable leases of land and building assets by the Authority. The Authority recognizes a lease receivable and a deferred inflow of resources at the commencement of the lease term, with certain exceptions for regulated leases, leases with exclusively variable payments, and short-term leases.

At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term on a straight-line basis.

Key estimates and judgements include how the Authority determines the discount rate it uses to discount the expected lease receipts to present value, the lease term, and lease receipts:

The Authority uses the Applicable Federal Rate corresponding to the lease term and applicable on the commencement date of the lease as the discount rate for leases. The Applicable Federal Rate is published monthly by the United States Internal Revenue Service.

The lease term used in the measurement of the lease receivable is the noncancellable period of the lease and may include option periods available to the lessee if the Authority believes that it is reasonably certain that such options will be exercised.

The lease receipts included in the measurement of the lease receivable are the fixed payments contractually due from the lessee.

Significant Accounting Policies (continued)

The Authority monitors changes in circumstances that would require a remeasurement of a lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

Inventories of Materials, Supplies, and Fuel

Inventories of materials and supplies are valued at First In First Out (“FIFO”), and fuel is valued at weighted average cost.

Restricted Assets

Certain assets are restricted in accordance with FAA restrictions or as required by law. When both restricted and unrestricted resources are available for use, it is the Authority’s policy to use restricted resources first and then unrestricted resources as needed.

Capital Assets

Assets with a cost of \$5,000 or more are capitalized and recorded at cost or at acquisition value for receipt for contributions. They are depreciated under the straight-line method over the following estimated useful lives:

Runways, taxiways, and ramps	20-30 years
Building and structures	10-40 years
Site prep, utilities, and drainage	10-40 years
Land improvements	10-20 years
Fencing	7-15 years
Lights and signs	5-10 years
Equipment, furniture, and fixtures	3-10 years
Computers and other intangibles	3-5 years

Project costs are capitalized and include in construction in progress as the costs are incurred, and maintenance and repair costs are expensed as incurred. The accumulated project costs are transferred to depreciable capital assets upon completion. The gain or loss recognized on assets retired or otherwise disposed of is reflected in the Statement of Revenues, Expenses and Changes in Net Position as non-operating revenue (expense), and the associated cost and related accumulated depreciation are removed from the accounts.

Construction in progress consists mainly of terminal expansion, parking lot expansion, baggage handling system; stormwater system improvements; master drainage plan; security enhancements; north quad access road; fuel farm expansion; master update; Rent-A-Car renovations; Taxiway B, C, and F construction; and a wayfinding sign project.

The costs of various easement rights, including the expenses incurred in soundproofing residences, are reported as aviation easements. Easements have indefinite lives and, therefore, are not amortized.

Significant Accounting Policies (continued)

Deferred Outflow/Inflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an expense until then. In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until that time.

Pensions

For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Sarasota Manatee Airport Authority Pension Plan (the “Plan”) and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan.

For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at their fair value or net asset value.

Capital Contributions

Capital contributions consist primarily of grants and contributions from federal and state governmental agencies. Contributions and grants are funds donated by various governmental agencies and Airport tenants for specific improvement to the Airport facilities. In the normal course of business, the Authority applies for and receives money from the FAA under Airport Improvement Program grant agreements. Cost incurred under these agreements are subject to review and approval by the FAA. Contributions and grants for improvements are reported in the Statement of Revenues, Expenses and Changes in Net Position after non-operating revenues and expenses as capital contributions.

Passenger Facility Charges

On June 29, 1992, the Authority received approval from the FAA to impose a \$3.00 Passenger Facility Charge (“PFC”) at the Airport effective September 1, 1992. The authorization to impose the PFC is contingent on continued compliance with the terms of the Federal Aviation Regulations. A use application was filed with the FAA, and a decision of approval was granted on December 15, 1995. In addition, another impose and use PFC application was filed and approved by the FAA in its Records of Decision dated October 3, 2000. On February 22, 2002, an amendment to that application was administratively approved by the FAA that increased the charge level from \$3.00 to \$4.50 per enplaned passenger and increased the approved collection amount. PFC’s are restricted to expenditures for specified capital assets or debt service thereon and are reported as non-operating revenue on the accompanying Statement of Revenues, Expenses and Changes in Net Position.

Significant Accounting Policies (continued)

On June 17, 2009, amendments to application numbers one, two, and three were administratively approved by the FAA. The effect of these amendments was to decrease the allowed collection amounts in each application to the amounts already imposed and used for each project within those applications, effectively closing each one. On July 23, 2009, an amendment to Application Four was approved by the FAA that increased the allowed impose and use amount by \$22,194,844. The Authority estimated this action has extended the charge expiration date to February 2022. The Authority again amended Application Four to reduce the allowed impose and use amount by \$877,886 and extend the estimated charge expiration date to February 2023. The impose and use reduction was due to savings realized from a debt refinancing and defeasance; the charge expiration date was extended due to a reduction in actual and forecast enplanement from prior projections used to estimate the date in the FAA's approval of the 2009 amendment to Application Four. The Authority filed another PFC application (Application Five) to recover its cost in constructing the new Air Traffic Control Tower, and construction and installation of 13 new loading bridges. On May 7, 2019, the Authority received approval for Application Five for \$8,817,424 to recover its costs in constructing the new Air Traffic Control Tower, and construction and installation of 13 new loading bridges with a projected charge expiration date of February 2023. Application Five will take effect upon the expiration of Application Four. The Authority filed another PFC application (Application Six) to recover its costs related to 19 projects. On September 8, 2021, the Authority received approval for Application Six for \$9,035,363. Application Six took effect upon the expiration of Application Five and Application Seven will take effect at the culmination of Application Six.

Customer Facility Charge

An amendment to the Rental Car Company ("RAC") Concession Agreements was approved by the Authority's board at its regular meeting on January 23, 2017. The primary purpose of the amendment was to impose a RAC Customer Facility Charge ("CFC") to reimburse the Authority for its costs to install shade structures and three air-conditioned kiosks in the RAC ready/return lot. The CFC was to be \$3.00 per rental day (or portion thereof), may be adjusted from time to time by the Authority, and was to start and stop within 30 days of dates determined by the Authority. The effective date of the start of CFC collections was set at March 1, 2017. The Authority committed to provide annual sources and uses of the CFC and to provide a final accounting at the end of the project.

The shade structure and kiosk addition project were completed in March 2019 at a cost of \$4.6 million. On May 24, 2021, the Authority negotiated a three-year extension to both the concession and land lease agreements to extend the expiration dates to September 30, 2024. The CFC was increased from \$3.00 to \$4.50 on June 1, 2019, and increased again on June 1, 2021, from \$4.50 to \$5.50 per rental day to continue further projects aimed at providing RAC customers a higher level of customer service and for the construction of a Consolidated Rental Car Facility to provide a joint storage and service facility. The cost of the facility is projected at \$100 million and expected to be completed Spring 2027.

Revenue Recognition

Airfield Landing Fee Charges – Landing fees are principally generated from scheduled airlines and non-scheduled commercial aviation and are based on the landed weight of the aircraft. The estimated landing fee structure is determined annually pursuant to an agreement between the Authority and the signatory airlines based on the operating budget of the Authority and adjusted at year end for the actual landed weight of all aircraft. Landing fees are recognized as revenue when the related facilities are utilized.

Significant Accounting Policies (continued)

Terminal Rents, Out Parcel Rentals, Concessions, and Ground Transportation – Rental and Concession fees are generated from airlines, parking lots, food and beverage, retail, rental cars, advertising, and other commercial tenants. Leases are for terms from 1 to 50 years and generally require rentals based on the volume of business, with specific minimum annual rental payments required. Rental revenue is recognized over the life of the respective leases, and concession revenue is recognized based on reported concessionaire revenue.

Parking Lot – Authority revenue is recognized as gross parking sales net of operating expense, including a management fee paid to the parking management firm with which the Authority has contracted.

Other – All other types of revenues are recognized when earned.

2. Concentration of Credit Risk

The Authority maintains its cash and cash equivalents with a large financial institution. All accounts are guaranteed by the Federal Deposit Insurance Corporation up to \$250,000 per bank. Cash deposits that exceed the federally insured amount are covered under Florida Statutes Chapter 280 (see Note 3).

3. Cash, Cash Equivalents, and Investments

Deposits

All of the Authority's public deposits are held in qualified public depositories pursuant to Florida Statutes, Chapter 280. Qualified public depositories are required to pledge collateral to the State Treasurer with a market value equal to 50% of the average daily balance of all public deposits in excess of any federal deposit insurance. In addition, to the extent that total public deposits exceed the total amount of the regulatory capital accounts of a bank or the regulatory net worth of a savings association, the required collateral shall have a market value equal to 125% of the deposits. In event of default by a qualified public depository, all claims for public deposits would be satisfied by the State Treasurer from the proceeds of federal deposit insurance; pledged collateral of the public depository in default; and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Therefore, the cash and time deposits are fully insured or collateralized.

The carrying value of the Authority's deposits on September 30, 2023 is approximately \$4.15 million.

Investments

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value determinations are made based upon a hierarchy that prioritizes the inputs to valuation techniques.

Cash, Cash Equivalents, and Investments (continued)

The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements).

- Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a contractual term, the Level 2 input must be observable for substantially the full term of the asset or liability
- Level 3 – Inputs to the valuation methodology are unobservable inputs in situations where there is little or no market activity for the asset or liability, and the reporting entity makes estimates and assumptions related to the pricing of the asset or liability, including assumptions regarding risk.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies use for assets and liabilities measured at fair value:

- Bonds – Includes corporate obligations and U.S. Government/Agency bonds that are valued on quoted prices, classified as Level 2.
- Fixed Income Investments – This investment is valued using the net asset value (“NA V”) provided by the administrator of the fund as a practical expedient. The NA V is based on the value of the underlying assets owned by the fund, minus its liabilities, and then divided by the number of shares outstanding. The NA V is excluded from the valuation hierarchy.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. While the Authority believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

As of September 30, 2023, the Authority had \$42.6 million in investments. The maturities were as follows:

Cash, Cash Equivalents, and Investments (continued)

Investment Type	FY 2023 Fair Value	Less Than 1 Year	1-3 Years	More Than 3 Years	Effective Duration	Fair Value Measurement Using Significant Other Observable Inputs (Level 2)
Unrestricted						
US Treasury Notes	\$ 32,463,413	\$ -	\$ 32,463,413	\$ -	1.50	\$ 32,463,413
US Government Money Market	\$ 146,312	-	\$ 146,312	-	1.00	\$ 146,312
Certificate of Deposit	10,000,000	-	10,000,000	-	1.00	10,000,000
Total Unrestricted	<u>\$ 42,609,725</u>	<u>\$ -</u>	<u>\$ 42,609,725</u>	<u>\$ -</u>		<u>\$ 42,609,725</u>

Investments of the Authority conform to the provisions of Section 5 (21) of Chapter 2003-309 Laws of Florida (the “Sarasota Manatee Airport Authority Act”) and an investment policy adopted pursuant to Florida Statutes Section 218-415.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Authority’s investment policy limits its risk by maintaining an investment portfolio with limited volatility. Accordingly, no security shall have an estimated average return of principal exceeding five years.

The weighted-average duration of principal return for the portfolio shall generally be less than two years. However, securities in restricted accounts will have a maximum maturity consistent with the nature of the restricted accounts.

Credit Risk – The Authority is authorized under Florida Statutes, Section 218-415 (16) and Section 5 (21) of Chapter 2003-309, Laws of Florida, to invest in certain investments.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that in the event of failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority’s investments are either held in the name of the Authority or held in trust under the Authority’s name by an independent third-part custodian.

Concentration of Credit Risk – The Authority’s investment policy established limitation of portfolio composition in order to control concentration of credit risk. The policy allows 100% of the portfolio to be invested in U.S. Treasury bills or notes, 75% to be invested in near cash accounts, such as the State investment pool or money market accounts, 65% to be invested in other U.S. government agencies 75% to be invested in certificates of deposit, 30% to be invested in commercial paper, and 25% to be invested in bankers acceptances. No more than 30% of the entire portfolio may be purchased through one security dealer or bank. The Authority places no limit on the amount it may invest in any one issuer.

Deposits and Investments – Pension Trust Fund

Deposits – At September 30, 2023, the plan held no deposits.

Cash, Cash Equivalents, and Investments (continued)

Investments – The investment manager has been delegated with investment discretion for plan assets by the Authority. Investment balances in the plan are not allocated to individual participants, nor are investments subject to custodial credit risk or foreign currency risk. There are no unfunded commitments as of September 30, 2023. Investments may be redeemed daily, with a notice period of one day. At September 30, 2023, the plan held investments as indicated below:

	Fair Value	Effective	Measured
	2023	Duration	at NAV
	2023		2023
Investments Measured at Net Asset Value (NAV)			
Large U.S. Equity	\$ 4,818,277	N/A	\$ 4,818,277
Small/Mid U.S. Equity	849,811	N/A	849,811
International Equity	2,356,100	N/A	2,356,100
Fixed Income Investments	14,663,724	6.13	14,663,724
Other	1,876,737	N/A	1,876,737
	<u>24,564,649</u>		<u>24,564,649</u>
Total Investments	<u>\$ 24,564,649</u>		<u>\$ 24,564,649</u>

The valuation method for investments measured at the NAV per share is presented in the following tables:

(a) Large U.S. Equity

Equity Income Separate Acct-Z – The investment seeks to provide current income and long-term growth of income and capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in dividend-paying equity securities at the time of purchase. It usually invests in equity securities of companies with large and medium market capitalizations. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued.

LargeCap S&P 500 Index Separate Account-Z – The investment option normally invests the majority of assets in common stocks of companies that compose the S&P 500 Index. Management attempts to mirror the investment performance of the index by allocating assets in approximately the same weightings as the S&P 500 Index. Over the long term, management seeks a very close correlation between the performance of the Separate Account before expenses and that of the S&P 500 Index.

LargeCap Growth I Separate Account-Z – The investment seeks long-term growth of capital. The fund normally invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with large market capitalizations at the time of purchase. It invest in growth equity securities, an investment strategy that emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average. The fund is non-diversified.

Cash, Cash Equivalents, and Investments (continued)

(b) Small/Mid U.S. Equity

MidCap Growth III Separate Account-Z – The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with medium market capitalizations at the time of purchase. It invests in growth equity securities, an investment strategy that emphasizes buying equity securities of companies whose potential for growth of capital and earnings is expected to be above average.

MidCap Value I Separate Account-Z – The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with medium market capitalizations at the time of purchase. It invests in value equity securities, and investment strategy that emphasizes buying equity securities that appear to be undervalued. The fund also invests in real estate investment trusts.

SmallCap Value II Separate Account-Z – The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of companies with small market capitalizations at the time of purchase. The fund may invest up to 30% of the fund's assets using an index sampling strategy designed to match the performance of the Russell 2000® Growth Index.

(c) International Equity

Origin Emerging Markets Separate Account-Z – The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities of emerging market companies at the time of purchase. The advisor considers a security to be tied economically to an emerging market (an “emerging market security”) if the issuer of the security has its principal place of business or principal office in an emerging market country, has its principal securities trading market in an emerging market, or derives a majority of its revenue from emerging markets.

Overseas Separate Account-Z – The investment seeks long-term growth of capital. Under normal circumstances, the fund invests at least 80% of its net assets, plus any borrowings for investment purposes, in equity securities that are tied economically to countries outside the U.S. at the time of purchase. The fund invests in value equity securities, an investment strategy that emphasizes buying equity securities that appear to be undervalued. It invests in equity securities of small, medium, and large market capitalizations companies.

Diversified International Separate Account-Z – The investment option normally invests the majority of assets in companies in at least three different countries. It invests in securities of companies with their principal place of business or principal office outside of the United States; companies for which the principal securities trade on a foreign exchange; and companies, regardless of where their securities are traded, that derive 50% or more of their total revenue from goods or services produced or sold outside of the United States. The Separate Account may invest in securities of companies with small to medium market capitalizations.

Cash, Cash Equivalents, and Investments (continued)

(d) Fixed Income

High Income Separate Account-Z – The investment seeks high current income. Under normal circumstances, the fund invests primarily in below investment grade bonds and bank loans that are rated, at the time of purchase, Bal or lower by Moody’s Investors Service, Inc. (“Moody’s”) and BB+ or lower by S&P Global Ratings (“S&P Global”). (If the bond or bank loan has been rated by only one of those agencies, that rating will determine whether it is below investment grade; if the bond or bank loan has not been rated by either of those agencies, those selecting such investments will determine whether it is of a quality comparable to those rated below investment grade.)

Bond Market Index Separate Account-Z – The investment seeks to provide current income. The fund normally invests at least 80% of its net assets, plus an borrowings for investment purposes, in debt securities held by the Barclays U.S. Aggregate Bond Index at the time of purchase. The index is composed of investment grade, fixed-rate debt issues, including government, corporate, asset-backed, and mortgage-backed securities, with maturities of one year or more. It employs a passive investment approach designed to attempt to track the performance of the index.

Core Fixed Income Separate Account-Z – The investment seeks to provide a high level of current income consistent with preservations of capital. The fund invests primarily in a diversified pool of investment-grade fixed-income securities, including corporate securities, U.S. Government securities, asset-backed securities and mortgage-backed securities. It maintains an average portfolio duration that is within from 75% to 125% of the duration of the Bloomberg Barclays U.S. Aggregate Bond Index.

(e) Other

U.S. Property Separate Account-Z – Effective at close of market March 20, 2020, a contractual limitation will delay the payment of most withdrawal or transfer requests from the Principal U.S. Property Separate Account (“Separate Account”) but for no more than three years from the effective date. In accordance with the terms of your employer’s group annuity contract, delayed payment requests will be honored proportionately. This means transactions may be processed in a series of payments until enough cash is available to pay obligations. The Separate Account invests the majority of assets in owned private equity commercial real estate. It focuses on properties anticipated to return both lease income and appreciation of the buildings’ marketable value. The property holdings usually contain real estate from the multi-family, office, warehouse/manufacturing, and retail sectors. This Separate Account is subject to investment and liquidity risk and other risks inherent in real estate, such as those associated with general and local economic conditions.

Credit Risk – The fixed-income investment accounts are rated as of September 30, 2023 for credit risk as follows:

Cash, Cash Equivalents, and Investments (continued)

Rating (S&P,Moody's)	Fixed Income		
	Core Fixed Income	Bond Market Index	High Income Separate
AAA	5,348,451	108,523	84,290
AA	170,121	2,205,728	-
A	1,909,717	357,488	-
BBB	2,835,011	367,824	2,751
BB	68,463	-	310,398
B	26,970	-	588,406
Below B	14,523	-	245,993
Not Rated	-	304	18,759
Total Fair Value	\$ 10,373,257	\$ 3,039,868	\$ 1,250,597

Concentration of Credit Risk – At September 30, 2023, each of the fixed-income investments, as previously disclosed, that represent 5% or more of net position available for benefits is as follows:

	<u>2023</u>
Principal Financial Group ("PFG")	\$ 24,564,649

Custodial Credit Risk – All pension plan investments are held by PFG.

4. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2023 is as follows:

	Balance at September 30, 2022	Additions	Transfers and Deletions	Balance at September 30, 2023
Capital assets, not being depreciated:				
Land	22,583,552	-	-	22,583,552
Aviation easements	19,662,419			19,662,419
Construction in progress	22,173,012	71,420,402	(10,099,562)	83,493,853
Total capital assets not being depreciated	64,418,983	71,420,402	(10,099,562)	125,739,824
Capital assets, being depreciated and amortized:	-			-
Intangibles	2,962,034			2,962,034
Site prep, utilities, and drainage	28,373,722			28,373,722
Buildings and structures	141,149,977	23,996	3,675,113	144,849,086
Runways, taxiways, and ramps	87,098,348		3,001,672	90,100,020
Land improvements	31,996,380		1,023,068	33,019,448
Fencing	2,498,744			2,498,744
Light and signs	5,926,135		550,405	6,476,540
Computers	4,655,698		1,531,132	6,186,830
Equipment, furniture, and fixtures	20,022,593	726,475	(70,543)	20,678,525
Total capital assets, being depreciated and amortized	324,683,631	750,471	9,710,847	335,144,950
Less accumulated depreciation and amortization for:	-			-
Intangibles	(1,808,233)	(429,742)		(2,237,974)
Site prep, utilities, and drainage	(14,003,141)	(500,887)		(14,504,028)
Buildings and structures	(73,644,878)	(4,995,580)		(78,640,459)
Runways, taxiways, and ramps	(75,694,111)	(2,604,387)		(78,298,499)
Land improvements	(19,567,228)	(1,187,650)		(20,754,878)
Fencing	(547,508)	(183,147)		(730,655)
Light and signs	(4,807,801)	(239,617)		(5,047,418)
Computers	(2,642,518)	(786,841)	58,833	(3,370,526)
Equipment, furniture, and fixtures	(14,448,859)	(1,321,292)	117,386	(15,652,765)
Total accumulated depreciation and amortization	(207,164,277)	(12,249,144)	176,219	(219,237,202)
Capital assets, net	181,938,337	59,921,730	(212,496)	241,647,571

Depreciation expense for the years ended September 30, 2023 on the capital assets above was \$11,819,402. Amortization expense for the years ended September 30, 2023 on the above capital assets was \$429,742.

5. Pension Plan

Pension Description

The Sarasota Manatee Airport Authority Pension Plan (the “Plan”) is a single-employer defined benefit pension plan controlled by the provisions adopted pursuant to the Authority Agreement for employees hired before October 1, 2007. The Plan is governed by the Authority, which is responsible for the management of plan assets. The Authority consists of six members who are appointed by the Governor of Florida on a non-partisan basis for four-year terms. The Plan is administered by the Principal Financial Group. Active members of the Plan do not contribute to the Plan.

Pension Plan (continued)

Benefits Provided

The Plan provides a retirement benefit at no cost to full-time eligible employees. Part-time employees may be eligible depending on number of hours worked. After six months of employment, an employee 21 years or older may be eligible to be enrolled depending upon hours worked in the Plan year. Employees under 55 do not vest during the first five years of employment. Employees over 55 vest after two years. Benefits are calculated as 2.25% of the member’s final five-year average compensation multiplied by accrual service with a maximum of 30 years. Maximum benefit is \$15,000. Members are eligible for normal retirement after they have attained age 62 and completed two years of service; however, there is a benefit reduction for each year prior to normal retirement age. The Plan also provides death and disability benefits.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

For the year ended September 30, 2023, the Authority reported a liability for the net pension liability of \$7,963,198. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the pension liability was determined by an actuarial valuation as of this date.

For the year ended September 30, 2023, the Authority recognized pension expense of \$1,406,443 and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 687,485	\$ (148,658)
Effects of changes in assumptions	615,785	(1,238,570)
Net difference between expected and net investment income	3,520,035	
Contribution after measurement period	<u>1,199,459</u>	
Total	<u>\$6,022,764</u>	<u>\$ (1,387,228)</u>

For the year ended September 30, 2023, the Authority reported \$1,199,459 in deferred outflows of resources, resulting from contributions subsequent to the measurement dates that will be recognized as a reduction of the net pension liability for the year ending September 30, 2024.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions as of September 30, 2023 will be recognized in pension expense as follows:

<u>Years Ending September 30</u>	
2024	777,741
2025	792,238
2026	728,210
2027	1,120,206
2028	\$ -

Pension Plan (continued)

Plan Membership

The Plan provides retirement benefits to eligible employees hired before October 1, 2007 except for those employees employed by the Authority on September 30, 2006 and employed by Rural Metro for services at the Sarasota Bradenton International Airport no later than October 2, 2006 and continuously through September 30, 2009 and rehired by the Authority on October 1, 2009.

Sixteen firefighters were included in September 30, 2023 for disability pension eligibility only to satisfy Florida Statute 112.1816. The fiscal year counts were as of the 2023 and 2022 valuation dates.

The Plan’s membership consisted of:

	<u>2023</u>	<u>2022</u>
Active employees	44	46
Retirees and beneficiaries currently receiving benefits	80	79
Terminated employees entitled to benefits, not yet receiving	7	8
Disabled plan members entitled to benefits	<u>0</u>	<u>1</u>
Total	<u>131</u>	<u>134</u>

Contributions

The basis for determining contributions is an actuarially determined contribution rate that is calculated each year in the Plan’s actuarial valuation report. The actuarially determined contribution rate is the estimated amount necessary to finance the cost of benefits earned by plan members during the year, with additional amounts to finance any unfunded accrued liability and plan administrative expenses.

The contribution requirements of the Plan are established and may be amended by the board members of the Authority. The Authority is required to contribute an actuarially determined fixed amount annually.

Investment Policy

The Authority has an investment policy for the Plan. The President, with recommendation from the Senior Vice President, CFO, has the authority with the assistance of the Plan administrator’s financial consultants, to select the funds in which to invest. Asset allocation is a strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio. Based on the principle that asset types perform differently in different market and economic conditions, asset allocation is an important factor in determining returns for an investment portfolio. Target asset allocations are set by ranges by the EVP/CFO, and President, with the assistance of the Plan administrator’s financial consultants and adjusted within those ranges periodically to adjust to market conditions.

Fair value of investments is based on quoted market prices.

Pension Plan (continued)

Money-weighted Rate of Return

The money-weighted rate of return is calculated as a rate of return on pension plan investments incorporating the timing and amount of cash flows. This return is calculated net of investment expenses.

The annual money-weighted rate of return on plan investments for the fiscal years ended September 30, 2023 and 2022 was 5.85% and (14.73%), respectively.

Actuarial Assumptions

The following is a summary of actuarial methods and assumptions used in the actuarial valuations as of September 30, 2022:

Long-term inflation: 2.25%

Salary increases range from: 3.38% to 5.68%

Long-term rate of return: 5.00%

Mortality rate table: PubG-2010 General below median base rate mortality table projected to future years with historical and assumed mortality improvement scale

The actuarial assumptions used in the September 30, 2022 valuation were based on the results of an actuarial experience study for the period from October 1, 2021 to September 30, 2022.

Discount Rate

The discount rate used to measure the total pension liability was 5.00% for the 2022 measurement year and 5.50% for the 2023 measurement year. The long-term rate of return was used to calculate the actuarial present value of projected benefit payments for each future period when the projected fiduciary net position is greater than the projected expected benefit payments. The projection of cash flows used to determine the discount rate assumed that Authority contributions will be made at rates equal to the difference between actuarially determined contribution rates.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. 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 Plan (continued)

Changes in Net Pension Liability

The net pension liability at September 30, 2023 was measured as of September 30, 2022, using the total pension liability that was determined by an actuarial valuation as of September 30, 2022.

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balances at measurement date October 1, 2021	\$ 31,896,844	\$ 28,262,309	\$ 3,634,535
Changes for the year			
Service cost	418,448	-	418,448
Interest	1,576,875	-	1,576,875
Differences between expected and actual experience	854,924	-	854,924
Changes in assumptions	(1,572,431)	-	(1,572,431)
Changes in benefit terms			
Contributions - employer	-	1,231,350	(1,231,350)
Net investment income	-	(4,197,163)	4,197,163
Benefits payments, including refunds of employee contributions	(1,516,525)	(1,516,525)	-
Administrative expense	-	(85,034)	85,034
Total changes for the year	(238,709)	(4,567,372)	4,328,663
Balances at measurement date September 30, 2022	\$ 31,658,135	\$ 23,694,937	\$ 7,963,198

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the Authority, calculated under GASB Statement No. 68 using the discount rate of 5.00% for the 2022 measurement year and 5.50% for the 2023 measurement year, as well as what the Authority's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	2023			2022		
	1% Decrease 4.50%	Current Discount 5.50%	1% Increase 6.50%	1% Decrease 4.50%	Current Discount 5.50%	1% Increase 6.50%
Authority's net pension liability	\$ 10,422,859	\$ 7,180,767	\$ 4,392,232	\$ 11,234,600	\$ 7,963,198	\$ 5,152,710

Long-Term Rate of Return

The long-term interest rate assumption is developed as a weight-average rate base on the target asset allocation of the Plan and the long-term capital market assumptions. The overall return for each asset class was developed by combining a long-term inflation component and the associated expected real rates. The development of the capital market assumptions utilized a variety of methodologies, including but not limited to historical analysis, stock valuation models such as dividend discount models and earnings yields models, expected economic growth outlook, and market yield analysis.

Best estimates of expected real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023 and 2022 are summarized in the following table:

Asset Class	2023		2022	
	Expected Real Rate Return	Target Allocation	Expected Real Rate Return	Target Allocation
U.S. Equity - Large Cap	5.40%	19.25%	5.30%	19.85%
U.S. Equity - Mid Cap	5.95%	2.23%	5.60%	2.25%
U.S. Equity - Small Cap	6.30%	1.21%	6.15%	1.10%
Non-U.S. Equity - Developed	4.60%	9.75%	5.60%	10.36%
REIT	0.00%	0.00%	0.00%	0.00%
Real Estate (Direct Property)	4.25%	7.75%	2.95%	7.67%
TIPS	0.00%	0.00%	0.00%	0.00%
Core Bond	1.75%	54.90%	1.80%	53.91%
High Yield	3.85%	4.91%	3.70%	4.86%
		<u>100.00%</u>		<u>100.00%</u>

Pension Plan Reporting: Net Pension Liability

GASB Statement No. 67, *Financial Reporting for Pension Plans – an Amendment of GASB Statement No. 25*, requires pension plans to include certain disclosures about the plan as well as the net pension liability in the notes to the financial statements. As the retirement systems do not issue separate financial statements, the required disclosures for pension plan reporting are found in this section of the notes to the financial statements and in the required supplementary information section.

The net pension liability is calculated as the total liability less the pension plan's net fiduciary position. The total pension liability is the present value of pension benefits attributable to past service of the pension plan, and the net fiduciary position is the resources currently available in the pension plan's trust to pay benefits.

Net Pension Liability Components (Pension Plan Reporting)

The components of the net pension liability of the retirement systems at September 30, 2023 were as follows:

Pension Plan (continued)

	2023
Total pension liability	31,745,416
Plan fiduciary net position	<u>24,564,649</u>
Retirement plan's net pension liability	<u>\$ 7,180,767</u>
Plan fiduciary net position as a percentage of the total pension liability	77.38%

Actuarial Assumptions (Pension Plan Reporting)

The total pension liability was determined based on a roll-forward of the entry age normal liabilities from the September 30, 2022 actuarial valuation. The pension plans used the Entry Age Normal Actuarial Cost Method with a level percent closed amortization method. Under the Entry Age Normal Cost Method, an annual Normal Cost is determined for each covered active member, which is the contribution required to provide all the projected pension benefits assuming this contribution is payable over a period ending on the date of retirement and expressed as a level percentage of compensation.

The total pension liability for the pension plan as of September 30, 2023 was determined based on a roll-forward of entry age normal liabilities from the September 30, 2022 actuarial valuation, using the following actuarial assumptions, applied to all periods included in the measurement:

	2023
Long-term inflation:	2.40%
Salary increases range from:	3.38% to 5.68% depending on age
Long-term rate of return:	5.50%
Mortality rate table:	PubG-2010 General below median base rate mortality table projected to future years with historical and assumed mortality improvement scale

Actuarial Changes from the Prior Year for 2023

The long term rate of return was updated from 5.0 to 5.5% for the current year.

6. Compensation Plan

Deferred Compensation Plan

The Authority offers its employees a deferred compensation plan (the “457 Plan”) created in accordance with IRS Code Section 457. The 457 Plan, which is available to all employees, permits employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Investments are managed by the 457 Plan’s trustee under one of several investment options, or a combination thereof. The choice of the investment option(s) is made by the employee.

All 457 Plan assets are held by trustees for the exclusive benefits of the participants and beneficiaries. Thus, the assets and liabilities relating to the 457 Plan are not reflected on the Authority’s Statement of Net Position. The fair values of the 457 Plan investments were \$4.3 million as of September 30, 2023.

Defined Contribution Plan

The Authority also provides a defined contribution plan (the “401(a) Plan”). Employees 21 years or older may be eligible to be enrolled depending upon hours worked in the plan year. Employees do not vest during the first five years of employment. The Authority’s annual contribution is a percentage of annual salary, as designated by the board each fiscal year. If employees elect to participate in the 457 Plan, the Authority will match the employee’s annual contribution by a percentage designated by the board each year of the employee’s annual salary. The Authority match is deposited into the 401(a) Plan. The 401(a) compensation is not available to employees until termination, retirement, or death. Investments are managed by the 401(a) Plan’s trustee under one of several investment options or a combination thereof. The choice of the investment options is made by the employee. All 401(a) Plan assets are held by trustees for the exclusive benefits of the participants and beneficiaries. Thus, the assets and liabilities relating to the 401(a) Plan are not reflected on the Authority’s Statements of Net Position. The fair values of the 401(a) Plan’s investments were \$2.89 million as of September 30, 2023. For the year ended September 30, 2023, the Authority recognized pension expense of \$597,127.

7. Post Employment Health and Other Benefits

The Authority provides retiree health care benefits to eligible employees. The Authority administers the Post Employment Benefits Trust (the “Plan”), a single-employer defined benefit OPEB plan that is used to provide post employment benefits other than pensions (OPEB) for eligible Authority employees. The Authority’s health plan provides continuation of coverage to retired employees as long as they elect at the time they retire and pay for their coverage at the same rate charged to the Authority. The cost of continued participation in such health plan will be paid entirely by the retired employee. This, in essence, means that the only liability the Authority would have related to retiree health care would be as a result of the implicit rate subsidy.

The Authority estimated the net OPEB liability for as of September 30, 2023 using an actuarial valuation as of September 30, 2022 and concluded the net OPEB liability and related deferrals were not material to the Authority’s financial statements.

8. Leases

The Authority’s financial statements reflect lease activity recorded under the provisions of GASB Statement No. 87, Leases (“GASB 87”). The primary objective of GASB 87 is to enhance the relevance and consistency of information about the Authority’s leasing activities. GASB 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessor is required to recognize a lease receivable and a deferred inflow of resources, and a lessee is required to recognize a lease liability and intangible right-to-use lease asset. The Authority’s operations as a lessee are immaterial to the financial statements as a whole and, therefore, not disclosed in the footnote, whereas the Authority’s operations as a lessor are material and disclosures are shown below.

The Authority leases certain land and building assets to various third parties under both regulated and non-regulated lease agreements. The assets leased include improved space and unimproved land on the airfield, in the terminal building, in the air cargo building, and on other Authority-owned property not contiguous to the airport itself.

Lease payments received in exchange for the contracted use of leased assets are paid to the Authority monthly and are based on fixed rental amounts, rentals amounts that are variable based on changes in the consumer price index (“CPI”), variable amounts directly related to the gross revenues generated by the tenant/operator from the leased assets, or a combination of both fixed and variable amounts.

During the year ended September 30, 2023, the Authority recognized the following related to those lease agreements included in the Lease Receivable:

Lease revenue	\$	1,579,137
Interest income	\$	382,133
Revenue from variable payments not previously included in the measurement of the lease receivable:		
Changes in the consumer price index	\$	26,079

Leases Excluded from the Lease Receivable

GASB 87 excludes certain leases from the accounting model described above and from inclusion in the Lease Receivable. These exclusions include Regulated Leases, leases for which payments are exclusively variable and based on the future performance of the lessee, and short-term leases, defined as those having a term of twelve months or less at lease commencement.

Regulated Leases

Regulated leases are leases that are subject to external laws, regulations, or legal rulings. For example, the U.S. Department of Transportation (“DOT) and the Federal Aviation Administration regulate aviation leases between airports and air carriers and other aeronautical users through various policies and guidance, including the FAA’s Rates and Changes Policy and Federal Grant Assurances. In accordance with GASB 87, the Authority does not recognize a lease receivable and a deferred inflow of resources for regulated leases. Regulated lease assets include terminal passenger holdrooms, operations space, baggage service

Leases (continued)

areas, terminal apron areas, ticket counters, ticket offices, hangars, and land. Certain assets are subject to preferential or exclusive use by commercial airline tenants under regulated leases, as follows:

- Passenger hold rooms – 92% of available space is designated as preferential use
- Baggage service offices – 80% of available space is designated as exclusive use
- Ticket counters, offices & queuing Area – 62% of available space is designated as exclusive use
- Concourse operations areas – 65% of available space is designated as preferential use
- Terminal apron area – 92% of available apron is designated as preferential use

During the year ended September 30, 2023, the Authority recognized the following from regulated leases:

Regulated lease revenue	\$ 11,762,941
Revenue from variable payments not included in schedule of expected future minimum payments	\$ 2,127,241

Future expected minimum payments related to the Authority’s regulated leases at September 30, 2023 are as follows:

Fiscal Year	Expected Future Minimum Payments (\$)
2024	11,427,980
2025	1,632,686
2026	1,859,307
2027	1,760,006
2028	1,760,006
2029-2033	8,394,911
2034-2038	7,640,184
2039-2043	4,715,669
2044-2048	4,217,956
2049-2053	3,922,829
2054-2055	914,107

In addition to Regulated Leases disclosed above, the Authority has certain leases with exclusively variable payments based on the future performance of the lessee, and short-term leases. Payments on these leases are recognized as inflows of resources when due. Revenues recognized on exclusively variable payment leases and short-term leases during the year ended September 30, 2023 totaled \$19,225,438 and \$601,538, respectively.

9. Commitments and Contingencies

The Authority has entered into construction contracts to purchase property, plant, and equipment aggregating approximately \$124.7 million as of September 30, 2023. Of that amount, approximately \$66.7 million has been expended, with the remaining amount anticipated to be expended over the next two years. The majority of these expenditures are expected to be reimbursed to the Authority through grant funding.

A summary of construction commitments at September 30, 2023 is as follows:

<u>Project</u>	<u>Spent to date</u>	<u>Remaining Commitment</u>
Taxiway C & F Rehab	6,088,734	2,230,167
Baggage System	19,168,889	25,904,521
Ground Transportation Design	710,575	146,009
Terminal Projects	15,060,053	14,928,964
West Apron	1,330,394	8,690,637
Commercial Apron	8,517,608	1,512,287
Grant funded	50,876,253	53,412,586
Park N Ride Lot	1,073,929	2,800,624
Master Parking Plan Design	253,009	446,400
Various Parking Related	8,501,234	459,294
CONRAC	2,585,019	453,922
Elevator Renovation	270,496	270,496
Cell Phone Parking Lot	3,184,580	134,244
Authority funded	15,868,267	4,564,978
Total	66,744,520	57,977,564

The Authority is involved in certain legal actions and claims arising in the ordinary course of its business. It is the opinion of management (based on the advice of legal counsel) that such litigation and claims will be resolved without a material adverse effect on the Authority's net position, results of operations, or cash flows.

Grant money received and disbursed by the Authority are for specific purposes and are subject to review by the grantor agencies. Such audits may result in request for reimbursement due to disallowance of expenditures. Based on prior experience, the Authority does not believe that such disallowances, if any, would have a material effect on the financial position of the Authority.

10. Risk Management

The Authority is a member of the Public Risk Management of Florida ("PRM"), a liability risk pool. PRM administers insurance activities relating to workers' compensation, property, liability, and automobiles. PRM absorbs the risk of loss up to a specified amount annually and purchases excess and other specific

Risk Management (continued)

coverage from third-party carriers. PRM assesses each member its pro rata shares of the estimated amount required to meet current year losses and operating expenses. During the fiscal year ended September 20, 2023, the Authority had no significant reductions in insurance coverage from the prior years. In addition, there have been no settlements that exceeded the Authority's insurance coverage in any of the past three fiscal years. Additionally, the Authority continues to utilize the services of an Independent Risk Management Consultant to advise on appropriate terms, conditions, and coverage needs.

Sarasota Manatee Airport Authority
Required Supplementary Information

For the Year Ended September 30, 2023

Schedule of Changes in the Plan's
 Net Pension Liability and Related Ratios
 Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability										
Service cost	358,151	418,448	\$ 371,216	\$ 355,832	\$ 338,952	\$ 334,145	\$ 420,392	\$ 450,261	\$ 380,235	\$ 432,411
Interest	1,713,236	1,576,875	1,612,601	1,719,569	1,659,271	1,619,917	1,641,276	1,592,327	1,501,532	1,425,682
Differences between expected and actual experience	(345,401)	854,924	154,640	(834,756)	299,330	212,964	(991,666)	(306,138)	221,460	188,470
Changes of assumptions	-	(1,572,431)	1,453,587	(531,186)	-	748,974	708,226	(89,187)	(867,045)	954,595
Change in benefit terms			-	101,302						
Benefit payments	(1,638,705)	(1,516,525)	(1,364,984)	(1,435,913)	(1,109,161)	(973,349)	(921,018)	(764,203)	(603,915)	(555,406)
Net change in total pension liability	87,281	(238,709)	2,227,060	(625,152)	1,188,392	1,942,651	857,210	883,060	632,267	2,445,752
Total pension liability beginning	31,658,135	31,896,844	29,669,784	30,294,936	29,106,544	27,163,893	26,306,683	25,423,623	24,791,356	22,345,604
Total pension liability ending (a)	\$31,745,416	\$ 31,658,135	\$ 31,896,844	\$ 29,669,784	\$ 30,294,936	\$ 29,106,544	\$ 27,163,893	\$ 26,306,683	\$ 25,423,623	\$ 24,791,356
Plan fiduciary net position										
Contributions - Employer	1,199,459	1,231,350	\$ 1,027,763	\$ 1,116,114	\$ 1,071,006	\$ 936,156	\$ 1,044,759	\$ 1,105,021	\$ 1,001,004	\$ 1,200,366
Net investment income (loss)	1,393,913	(4,197,163)	2,737,996	1,865,349	1,430,228	851,104	1,699,321	1,351,302	(43,535)	1,234,170
Benefit payments	(1,638,705)	(1,516,525)	(1,364,984)	(1,435,913)	(1,109,161)	(973,349)	(921,018)	(764,203)	(603,915)	(555,406)
Administrative expense	(84,955)	(85,034)	(84,525)	(84,796)	(5,227)	(4,890)	(9,202)	(3,263)	(13,652)	(23,888)
Net change in plan fiduciary net position	869,712	(4,567,372)	2,316,250	1,460,754	1,386,846	809,021	1,813,860	1,688,857	339,902	1,855,242
Plan fiduciary net position - beginning	23,694,937	28,262,309	25,946,059	24,485,305	23,098,459	22,289,438	20,475,578	18,786,721	18,446,819	16,591,577
Plan fiduciary net position - ending (b)	24,564,649	23,694,937	\$ 28,262,309	\$ 25,946,059	\$ 24,485,305	\$ 23,098,459	\$ 22,289,438	\$ 20,475,578	\$ 18,786,721	\$ 18,446,819
The Plan's net pension liability ending (a) - (b)	\$ 7,180,767	\$ 7,963,198	\$ 3,634,535	\$ 3,723,725	\$ 5,809,631	\$ 6,008,085	\$ 4,874,455	\$ 5,831,105	\$ 6,636,902	\$ 6,344,537
Plan fiduciary net position as a percentage of the total pension liability	77.38%	74.85%	88.61%	87.45%	80.82%	79.36%	82.06%	77.83%	73.89%	74.41%
Covered payroll	3,897,012	3,896,838	\$ 3,432,198	\$ 3,553,155	\$ 3,178,265	\$ 3,081,986	\$ 3,449,801	\$ 3,540,676	\$ 3,875,727	\$ 3,949,576
The Plan's net pension liability as a percentage of covered payroll	184.26%	204.35%	105.90%	104.80%	182.79%	194.94%	141.30%	164.69%	171.24%	160.64%
Notes to Schedule for Changes in Assumptions:										
Long-term rate of return on assets	5.50%	5.50%	5.00%	5.50%	5.75%	5.75%	6.00%	6.25%	6.25%	6.75%
Discount rate	5.50%	5.50%	5.00%	5.50%	5.75%	5.75%	6.00%	6.25%	6.25%	6.04%

Schedule of Authority
 Pension Contributions
 Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 1,199,459	\$ 1,231,350	\$ 1,027,763	\$ 1,116,114	\$ 1,071,006	\$ 936,156	\$ 1,044,759	\$ 1,105,021	\$ 1,001,004	\$ 1,200,366
Contributions in relation to the actuarially determined contribution	1,199,459	1,231,350	1,027,763	1,116,114	1,071,006	936,156	1,044,759	1,105,021	1,001,004	1,200,366
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 3,897,012	\$ 3,896,838	\$ 3,432,198	\$ 3,553,155	\$ 3,178,265	\$ 3,081,986	\$ 3,449,801	\$ 3,540,676	\$ 3,875,727	\$ 3,949,576
Contributions as a percentage of covered payroll	30.8%	31.60%	29.94%	31.41%	33.70%	30.38%	30.28%	31.21%	25.83%	30.39%

Notes to Schedule:

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization period	15 years
Amortization method	Level dollar amortization
Asset valuation method	Market value
Inflation	2.40%
Cost of Living adjustment	0%
Retirement age	65
Investment rate of return	5.50%, net of pension plan investment expense
Mortality table	Mortality base table is PubG-2010 and mortality improvement scale is MP 2018
Benefit changes	In 2020, added Disability benefit for firefighters
Changes in assumptions	2015 assumptions changed retirement age from 62 to 65 and adjusted mortality tables resulting in an increase to the actuarially determined contribution 2016 assumptions changed mortality tables resulting in decrease to the actuarially determined contribution 2020 assumptions changed related to mortality tables, retirement age, turnovers and salary projections, resulting in a decrease to the actuarially determined contribution 2021 assumptions changes to mortality tables, retirement age for inactive changed from 65 to 62, salary projections updated, resulting in a decrease to the actuarially determined contribution

Sarasota Manatee Airport Authority
Required Supplementary Information

Schedule of
Investment Returns - Pension
Last 10 Fiscal Years

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return net of investment expense	5.85%	-14.73%	10.51%	7.56%	6.11%	3.77%	8.14%	7.03%	-0.23%	7.21%

Sarasota Manatee Airport Authority

Supplementary Schedules

For the Year Ended September 30, 2023

Sarasota Manatee Airport Authority
Schedule of Operating Expenses

	<u>2023</u>
Depreciation and amortization	12,249,144
Salaries and wages	12,182,907
Operating supplies, maintenance, and repairs	3,767,486
Health insurance	2,429,058
Marketing	888,569
Retirement benefit plans	1,996,419
Legal	623,526
Service contract	1,138,660
General insurance	997,427
Electricity	950,565
Social Security	848,686
Professional services	960,306
Data processing supplies	158,421
Workers' compensation insurance	284,949
Telephone	317,525
Customs	263,394
Water and sewer	212,532
Advertising and entertainment	129,717
Office supplies, postage, and publishing	108,907
Software Licenses/Annual Licenses	270,891
Dues and subscriptions	143,068
Employment expenses	1,359
Sanitation	84,762
Uniforms and identification	81,693
Miscellaneous	70,029
Training	67,213
Travel	202,348
Public relations	53,097
Taxes	18,669
Bad debt	1,374
Car allowance	16,560
Disability	1,433
Shuttle service	13,441
Equipment rental	95,333
Employee service awards	1,399
	<u><u>41,630,867</u></u>

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
Sarasota Manatee Airport Authority

We have audited, 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, the basic financial statements of the Enterprise Fund and Pension Trust Fund of Sarasota Manatee Airport Authority (the "Authority") as of and for the year ended September 30, 2023 and the related notes to the basic financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 14, 2024.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

To Management and the Board of Directors
Sarasota Manatee Airport Authority

Purpose of this Report

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

Plante & Moran, PLLC

February 14, 2024

Report on Compliance for the Major Federal Program as required by the Uniform Guidance, State Financial Assistance Project as required by Chapter 10.550, Rules of the Auditor General, and Passenger Facility Charge Audit Guide for Public Agencies and 14 CFR 158.63; Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Directors
Sarasota Manatee Airport Authority

Report on Compliance for Each Major Federal Program, State Financial Assistance Project, and Passenger Facility Charge Program

Opinion on Each Major Federal Program, State Financial Assistance Project, and Passenger Facility Charge Program

We have audited Sarasota Manatee Airport Authority's (the "Authority") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* and the requirements described in the Florida Department of Financial Services State Projects *Compliance Supplement* that could have a direct and material effect on the Authority's major federal program and state financial assistance project for the year ended September 30, 2023. In addition, we audited compliance with the applicable requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, and the requirements in 14 CFR 158.63 (collectively, the "Guide") for the year ended September 30, 2023. The Authority's major federal program and state financial assistance project are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. The passenger facility charge program is identified in the schedule of passenger facility charges collected and expended.

In our opinion, the Authority complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program, state financial assistance project, and passenger facility charge program for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program, State Financial Assistance Project, and Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"), Chapter 10.550 of the Rules of the Auditor General (Chapter 10.550), and the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration, and the requirements in 14 CFR 158.63. Our responsibilities under those standards and the Uniform Guidance, Chapter 10.550, and the Guide are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program, state financial assistance project, and the passenger facility charge program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

To the Board of Directors
Sarasota Manatee Airport Authority

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal program, state financial assistance project, and passenger facility charge program.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, Chapter 10.550, and the Guide will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of the major federal program, state financial assistance project, and passenger facility charge program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, the Uniform Guidance, Chapter 10.550, and the Guide, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, Chapter 10.550, and the Guide, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

To the Board of Directors
Sarasota Manatee Airport Authority

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance, Chapter 10.550, and the Guide. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

February 14, 2024

Sarasota Manatee Airport Authority

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Program Title/Project Number/Subrecipient Name	ALN	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Transportation, Federal				
Aviation Administration - Direct Program -				
Airport Improvement Program:				
3-12-0071-65	20.106		\$ -	\$ 5,148,687
3-12-0071-67	20.106		-	1,128,467
3-12-0071-68	20.106		-	4,636,983
3-12-0071-69	20.106		-	2,555,555
3-12-0071-70	20.106		-	4,213,975
3-12-0071-71	20.106		-	4,225,000
3-12-0071-72	20.106		-	5,242,194
			<u>\$ -</u>	<u>\$ 27,150,861</u>
Total federal awards			<u>\$ -</u>	<u>\$ 27,150,861</u>

See notes to schedules of expenditures of federal awards and state financial assistance projects.

Sarasota Manatee Airport Authority

Schedule of Expenditures of State Financial Assistance Projects

Year Ended September 30, 2023

<u>Program Title/Project Number/Subrecipient Name</u>	<u>State CSFA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Amount Provided to Subrecipients</u>	<u>State Expenditures</u>
Florida Department of Transportation -				
Aviation Development Grants:				
440648-1-94-01	55.004		\$ -	\$ 34,859
444614-1-94-01	55.004		-	284,232
444678-1-94-01	55.004		-	133,545
446357-1-94-01	55.004		-	5,406,961
450535-1-94-01	55.004		-	14,452
450536-1-94-01	55.004		-	249,103
450852-1-94-01	55.004		-	2,282,769
Total state awards			<u>\$ -</u>	<u>\$ 8,405,921</u>

See notes to schedules of expenditures of federal awards and state financial assistance projects.

**Notes to Schedules of Expenditures of Federal Awards and
State Financial Assistance Projects**

Year Ended September 30, 2023

Note 1 - Basis of Presentation

The accompanying schedules of expenditures of federal awards and state financial assistance projects (the "Schedules") include the federal grant and state project activity of Sarasota Manatee Airport Authority (the "Authority") under programs of the federal and state government for the year ended September 30, 2023. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"); the Florida Single Audit Act; and Chapter 10.550 of the Rules of the Auditor General. Because the Schedules present only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position, changes in net position, or cash flows of the Authority.

Note 2 - Summary of Significant Accounting Policies

The Authority is an independent special district pursuant to the constitution and laws of Florida, particularly Chapter 2003-309, *Laws of Florida*, which authorized the Authority to own and operate the Sarasota Bradenton International Airport (the "Airport"). The Authority has jurisdiction, control, supervision, and management of the Airport.

Expenditures reported in the Schedules are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; the Florida Single Audit Act; or Chapter 10.550 of the Rules of the Auditor General wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if applicable, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The pass-through entity identifying numbers are presented where available.

The Authority has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Sarasota Manatee Airport Authority

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes None reported

Noncompliance material to financial statements noted? _____ Yes None reported

Federal Awards and State Projects

Internal control over major programs:

- Material weakness(es) identified? _____ Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? _____ Yes None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? _____ Yes No

Identification of major federal programs and state projects:

ALN Number	Name of Federal Program/Cluster	Opinion
20.106	Airport Improvement Program	Unmodified

CSFA Number	Name of State Project	Opinion
55.004	Aviation Development Grants	Unmodified

Dollar threshold used to distinguish between type A and type B Federal programs: \$814,526

Dollar threshold used to distinguish between type A and type B State projects: \$750,000

Auditee qualified as low-risk auditee? _____ Yes _____ No

Sarasota Manatee Airport Authority

Schedule of Findings and Questioned Costs (Continued)

Section II - Financial Statement Audit Findings

Reference Number	Finding
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Current Year None

Section III - Federal Program and State Project Audit Findings

Reference Number	Finding	Questioned Costs
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Current Year None

Sarasota Manatee Airport Authority

Schedule of Passenger Facility Charges Collected and Expended

Year Ended September 30, 2023

Collections	Date Approved	Amount Approved for Use	Cumulative Total - September 30, 2022	Quarter 1 October - December	Quarter 2 January - March	Quarter 3 April - June	Quarter 4 July - September	Cumulative Total - September 30, 2023
Passenger facility charge collections			\$ 81,092,271	\$ 1,855,885	\$ 2,367,364	\$ 2,604,222	\$ 1,340,501	\$ 89,260,243
Interest earned			3,474,540	1,074	527	2,988	2,146	3,481,275
Total passenger facility charge collections received			\$ 84,566,811	\$ 1,856,959	\$ 2,367,891	\$ 2,607,210	\$ 1,342,647	\$ 92,741,518
Application No. 95-02-U-05-SRQ	10/8/2009	\$ 5,947,682	\$ 5,947,682	\$ -	\$ -	\$ -	\$ -	\$ 5,947,682
Application No. 95-03-C-06-SRQ	10/8/2009	8,746,770	8,746,770	-	-	-	-	8,746,770
Application No. 00-04-C-03-SRQ	1/10/2018	59,802,061	59,802,061	-	-	-	-	59,802,061
Application No. 19-05-C-00-SRQ	5/7/2019	8,817,424	8,817,424	-	-	-	-	8,817,424
Application No. 21-06-C-00-SRQ	9/8/2021	9,035,363	1,089,003	1,800,000	1,810,000	2,750,000	1,586,360	9,035,363
Total passenger facility charge collections expended			\$ 92,349,300	\$ 1,800,000	\$ 1,810,000	\$ 2,750,000	\$ 1,586,360	\$ 92,349,300

See notes to schedule of passenger facility charges collected and expended.

**Notes to the Schedule of Passenger Facility Charges Collected
and Expended**

Year Ended September 30, 2023

Note 1 - General

The Aviation Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized domestic airports to impose a Passenger Facility Charge (PFC) on enplaning passengers. PFCs may be used for airport projects that meet at least one of the following criteria:

- Preserve or enhance safety, security, or capacity of the national air transportation system.
- Reduce noise or mitigate noise impacts resulting from an airport.
- Furnish opportunities for enhanced competition between or among carriers.

Since 1995, the Federal Aviation Administration (FAA) has approved six PFC applications and amendments submitted by the Sarasota Manatee Airport Authority (the "Authority"). The Authority is currently authorized to collect PFCs in the amount of \$4.50 per enplaned passenger up to a total for approved collections of approximately \$92 million. Project expenditures may include amounts for the payment of principal, interest, and other financing costs on bonds for which the proceeds are used to pay PFC-eligible costs on approved projects.

As of September 30, 2023, the Authority had received approximately \$89 million of PFC revenue and \$3 million of interest earnings. The Authority had expended approximately \$92 million on approved projects and debt repayments.

In October 2023, the FAA approved a new application (application 7) for nine (9) projects totaling \$41,232,162 that will reimburse the Authority for local shares on previous AIP and state grant projects as well as other locally funded construction of its Terminal and Taxiway expansion projects.

Note 2 - Basis of Presentation

The accompanying schedule of PFCs collected and expended has been prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles (GAAP).

**Independent Accountant's Report on Compliance
with Local Government Investment Policies**

To the Members of the Board
Sarasota Manatee Airport Authority

We have examined Sarasota Manatee Airport Authority's (the "Authority") compliance with the local government investment policies required by Section 218.415, Florida Statutes, during the year ended September 30, 2023. The Authority's management is responsible for the Authority's compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

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

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Authority's compliance with the specified requirements.

In our opinion, the Authority complied, in all material respects, with the local government investment policies required by Section 218.415, Florida Statutes, during the year ended September 30, 2023.

The purpose of this report is to comply with the audit requirements of Section 218.415, Florida Statutes, and Rules of the Auditor General.

Plante & Moran, PLLC

February 14, 2024