



Annual Financial Report

Fiscal Year ending September 30, 2023

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March 18, 2024

Honorable Chairman and Board Members and Concerned Citizens
Melbourne Orlando International Airport (MLB)

The Airport management team respectfully submits the Annual Financial Report for the Melbourne Orlando International Airport (Airport), City of Melbourne, Florida (City) for the fiscal year ended September 30, 2023.

This report consists of management's representations concerning the finances of the Airport. As such, management assumes full responsibility for the information presented in this report. To provide a reasonable basis for making these representations, management of the Airport participates in the City's established comprehensive internal control framework designed both to protect the Airport's assets from loss, theft, or misuse and additionally provides sufficiently reliable information for the preparation of the City's and Airport's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable assurance that the financial statements are free from material misstatement. As Airport management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The Airport's financial statements have been audited by Carr, Riggs & Ingram, LLC, a locally based CPA firm. The audit provides reasonable assurance that the Airport's financial statements are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The result of the audit was the issuance of an unmodified audit opinion which means the Airport's financial statements comply with GAAP. The independent auditor's report is the first component of the financial section of this report.

The Airport is a financially self-sustaining enterprise fund that generates revenues from user fees and lease revenues. The Airport's primary function is to provide the infrastructure to facilitate air service for residents of Brevard County as well as to provide an economic engine for the area. The Airport has scheduled service from four carriers (Delta Air Lines, American Airlines, Allegiant, Sun Country and TUI) and several other carriers who operate non-scheduled or charter service. These carriers provide nonstop service to eleven destinations, both domestic and international, accommodating almost 750,000 passengers per year. The Airport has three runways, the longest is 10,181 feet. The 246,000 square foot terminal includes eight gates and a 40,000 square foot fully outfitted customs facility. Internationally respected corporations, such as: Northrop Grumman, Embraer Executive Jets, L3Harris Corporation, Collins Aerospace, Thales Group, General Electric Transportation Systems, General Dynamics, STS Repair and Modification LLC and more have significant operations on Airport property.

The Airport continues to work on multiple capital improvement projects to maintain and expand the infrastructure needed to serve our diverse customer base that ranges from a leisure traveler to a corporate tenant. Our goal is to provide an excellent customer experience to all those who use the Airport.

As a component unit of the City of Melbourne, the Airport is a legally separate organization. The Airport does not provide a financial benefit or impose a financial burden on the City but is fiscally dependent on the City. The City must approve the Airport Authority's budget and its bonded debt issuances.

The independent audit of the financial statements of the Airport was part of a broader, federal and state mandated "Single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditor to report on the fair presentation of the financial statements as well as the internal controls and compliance with legal

requirements. The independent auditor's reports on internal controls and compliance issued in connection with Federal and State Single Audits are included in the "Single Audit" Section of the City's report.

The independent auditors included an audit of the Melbourne Orlando International Airport's compliance with the types of compliance requirements issued by the Federal Aviation Administration (Guide) in the Report on Compliance for the Passenger Facility Charge Program. Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to the Passenger Facility Charge Program. The Independent Auditor's Report on Compliance for the Passenger Facility Charge Program is presented as the last component of the financial section of this report.

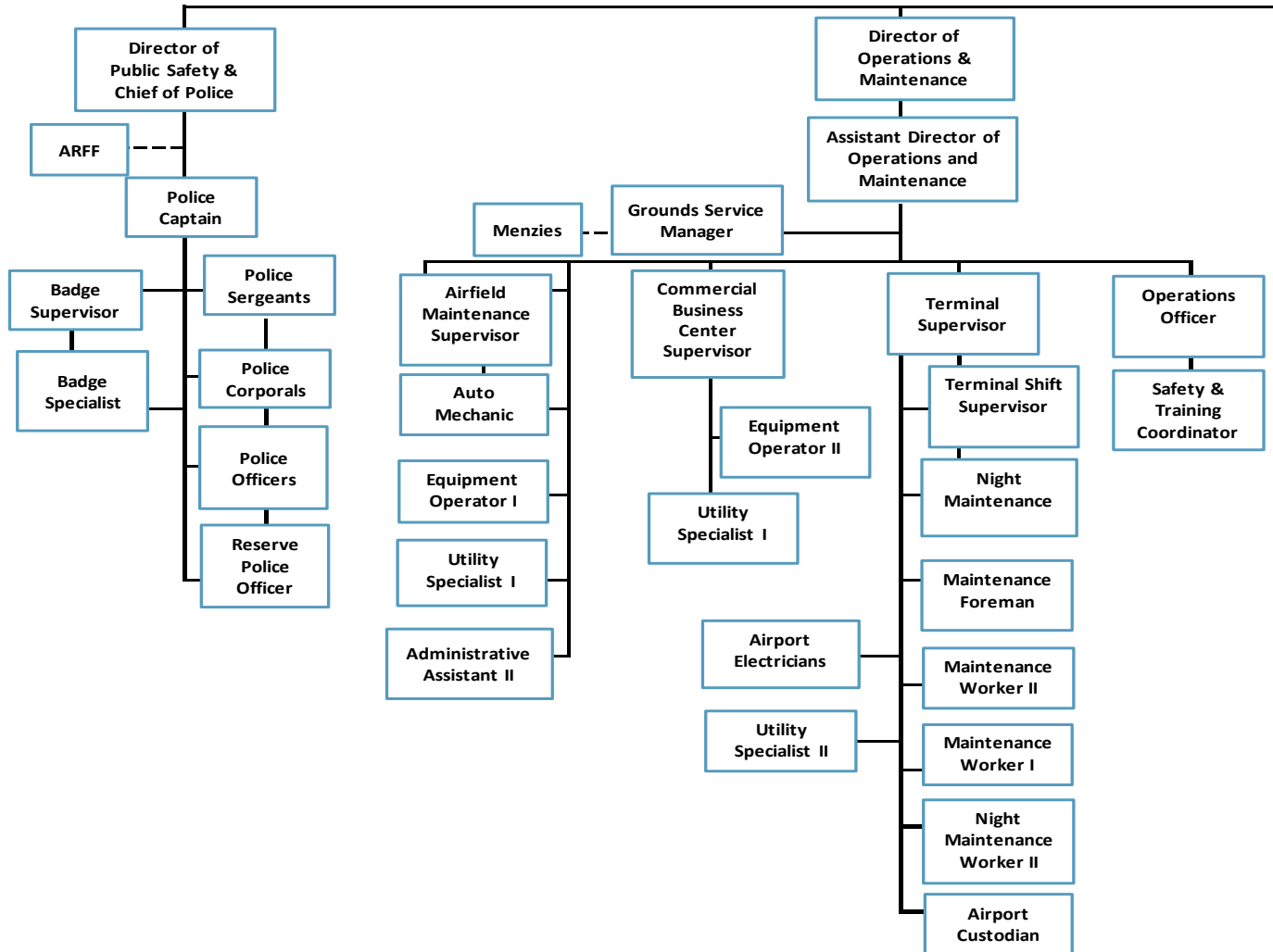
GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to augment the MD&A and should be read in conjunction with it. The Airport's MD&A can be found immediately following the independent auditor's report.

Airport staff appreciates the support provided by the Chairman, Authority Board Members as well as Mayor and City Council that enable the Airport to maintain the highest standards of professionalism in the management of the Melbourne Orlando International Airport's finances.

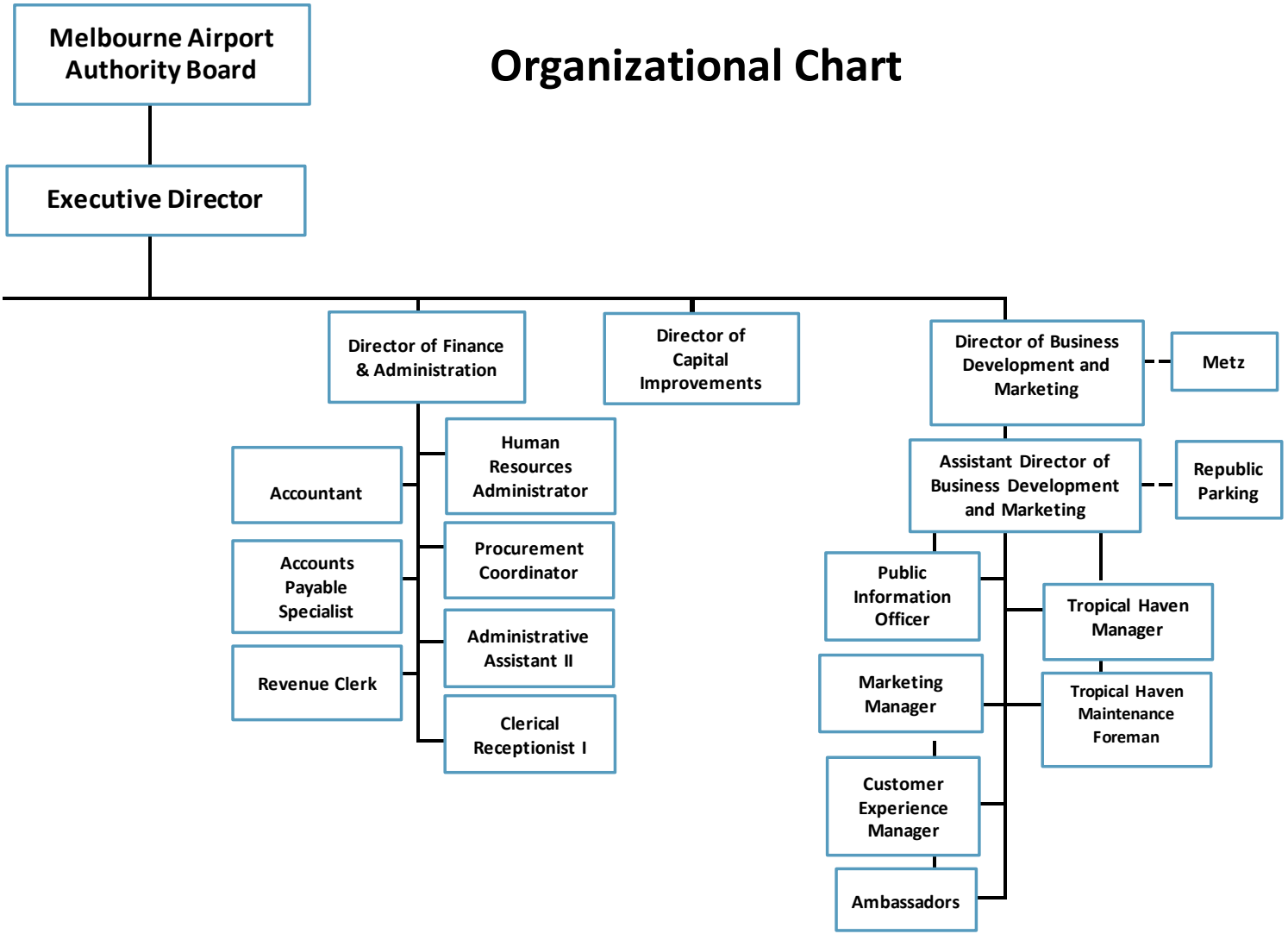
Respectfully,

Mike O'Dell
Director of Finance and Administration

Organizational Chart



Organizational Chart





Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT AUDITOR'S REPORT

Chairman and Airport Authority
Orlando Melbourne International Airport

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Melbourne Orlando International Airport (the "Airport"), a discretely presented component unit of the City of Melbourne, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Airport's basic financial statements as listed in the table of contents.

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Airport and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 1(A), the financial statements present only the Melbourne Orlando International Airport and do not purport to, and do not present fairly the financial position of the City of Melbourne, Florida as of September 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified in respect to this matter.

As described in Note 3(A) to the financial statements, in fiscal year 2023, the Airport adopted new accounting guidance, GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

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 Airport's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 generally accepted auditing standards 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 generally accepted auditing standards 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 Airport's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Airport'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 the required supplementary information on pages 5 – 10 and 47 – 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

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

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
March 18, 2024

Management's Discussion and Analysis

The Melbourne Orlando International Airport (the "Airport") management team provides readers of the Airport's financial statements this narrative overview and analysis of the financial activities of the Airport for the fiscal year ended September 30, 2023, referred to as FY 23 throughout the MD&A.

Overview of the Financial Statements

Fiscal Year 2023 was the second full year of the scheduled international service from the United Kingdom and Scotland to the Melbourne Orlando International Airport. FY 2023 enplanements reached 360,000, an 11% increase over the prior year, primarily due to growth in domestic enplanements. International enplanements decreased by approximately 4% as there was pent up demand in the prior year as we were coming out of the pandemic. We expect the FY 23 international traffic volume to be representative of the normalized numbers we can expect in the future. Although enplanements increased, the Airport's operating loss increased as expected since several airlines are still in the incentive fee waiver period coupled with the fact that our international carrier operated two months longer in FY 23 than in the prior year. The Airport incurs additional expenses related to marketing incentives in addition to fee waivers for routes operated with a specified frequency and duration.

Passenger-driven revenues (parking and concession revenue) and expenses (ground handling and Customs) were higher due to the growth in passenger traffic. Parking revenue reached a new milestone as it increased to over \$2 million for the first time due to strong demand plus a rate adjustment that went into effect at the beginning of the fiscal year. The concession program continued to mature as FY 23 was the first full year Metz operated the new restaurants and retail locations. The impact was reflected in growth in the Airport concession revenues.

The Airport also saw growth in the non-passenger areas that will have a substantial impact on the Airport's future revenues. Existing tenants executed options for land plus new tenants announced expansion plans to construct an aircraft manufacturing facility at the Airport. Once these facilities are constructed and the lease payments begin, this will have a significant positive impact on the Airport's revenue. The Airport has done well in attracting new commercial tenants as well as working with existing tenants to expand, which has had a significant impact on the local economy as well as on the Airport.

The management discussion and analysis provides an introduction to the Airport's basic financial statements and is intended to offer a narrative on the overall financial results for the year. The Airport's financial statements include three components: the financial statements, the notes to the financial statements, and the required supplemental information. The notes and the required supplemental information provide additional information that is essential to understanding the data in the Airport's financial statements.

The Airport is a financially self-sustaining enterprise fund that is governed by the Melbourne Airport Authority. Its main purpose is to provide and maintain scheduled air passenger service to residents of Brevard County and surrounding counties. The Airport does not provide a financial benefit or impose a financial burden on the City of Melbourne (the "City"); however, the Airport is fiscally dependent on the City. The City must approve the Airport Authority's budget and any debt issuances. The Airport currently has \$15 million in debt outstanding that was used to fund the expansion of the Airport Terminal Renovation and Expansion project. The Airport has paid interest only since the debt was issued but the first principal payment of \$1.8 million will be paid in May 2024.

The Airport is a Proprietary (business type) enterprise fund that uses the accrual basis of accounting. Enterprise funds generate cash flow by charging fees to fund expenses. Enterprise funds use a measurement focus known as the flow of economic resources which is generally the same as that used by commercial entities. Both long-term assets and long-term liabilities are reported on the balance sheet of enterprise funds.

The financial statements include a statement of net position; a statement of revenues, expenses, and changes in fund net position; and a statement of cash flows.

The statement of net position presents information on all the Airport's assets and liabilities, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Airport is improving or weakening.

The statement of revenues, expenses, and changes in fund net position presents information showing the Airport's net position change during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents changes in cash and cash equivalents from operating activities, non-capital financing activities, capital, and related financing activities, and investing activities. This statement presents the cash basis performance, cash receipts and disbursements with no consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The financial statements can be found on pages 10-14 of this report.

The notes to the financial statements can be found on pages 15-44 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits and post-retirement benefits other than pensions, to its employees. Required supplementary information can be found on pages 45-54 of this report.

Financial Highlights

- The Airport realized a net operating loss of \$2.4 million, excluding depreciation expense which is a non-cash expense. This loss is higher than prior year's \$1.7 million loss, but it was expected as TUI operated 2 additional months in FY 23 and TUI, as well as other airlines, are still in their incentive period in which fees are waived and marketing support is available to promote the Airport and the routes.
- Overall, the Airport incurred a net loss before capital contributions of \$5.6 million which includes a \$10.1 million depreciation expense. If depreciation expense, a non-cash charge, is excluded, net income before capital contributions was \$4.4 million for FY 23 (compared to \$10.9 million in FY 22). The reason for the decrease is lower FAA grant revenue (\$3.2 million FY 23 compared to \$5.6 million FY 22) and non-recurring gain on sale of land (\$5 million) that was earned in FY 2022. Note that the Airport closed out its FAA CRSSA grant in 2023 and still has one ARPA FAA operating grant totaling approximately \$2 million that will be used in FY 24. The Airport has benefited significantly over the past several years from the funds provided by the CARES/CRSSA/ARPA grants.
- The Airport saw its cash and cash equivalents increase by approximately \$4 million in fiscal year 2023. This was due to completion of the Terminal Renovation and Expansion project and timing of when the next set of projects will begin. Most of the Airport projects are funded with grants and there may be timing delays between when the funds are expended and when the Airport is reimbursed.
- The total net position for the Airport as of September 30, 2023, is \$227,303,792. Of this amount, \$24,446,647 is unrestricted and available to be used for the Airport's ongoing obligations to vendors and creditors.
- The Airport implemented GASB 87 in fiscal year 2022 and recorded a receivable of \$333 million which reflects the net present value of the future expected lease payments that are currently under contract. In FY 23, the Airport increased the receivable to \$344 million due to new leases coupled with lease modifications that meet the requirement of GASB 87 for remeasurement. While this is a significant asset that was accrued, management does not expect this to have any impact on the Airport finances or its operations.
- At the end of fiscal year 2023, the Construction in Progress (CIP) balance was \$61.1 million as there was \$8.2 million in additions and \$8.5 million transferred out. The Terminal Renovation and Expansion project remains in CIP as the Airport is still working with the contractor to complete the project.

Financial Analysis

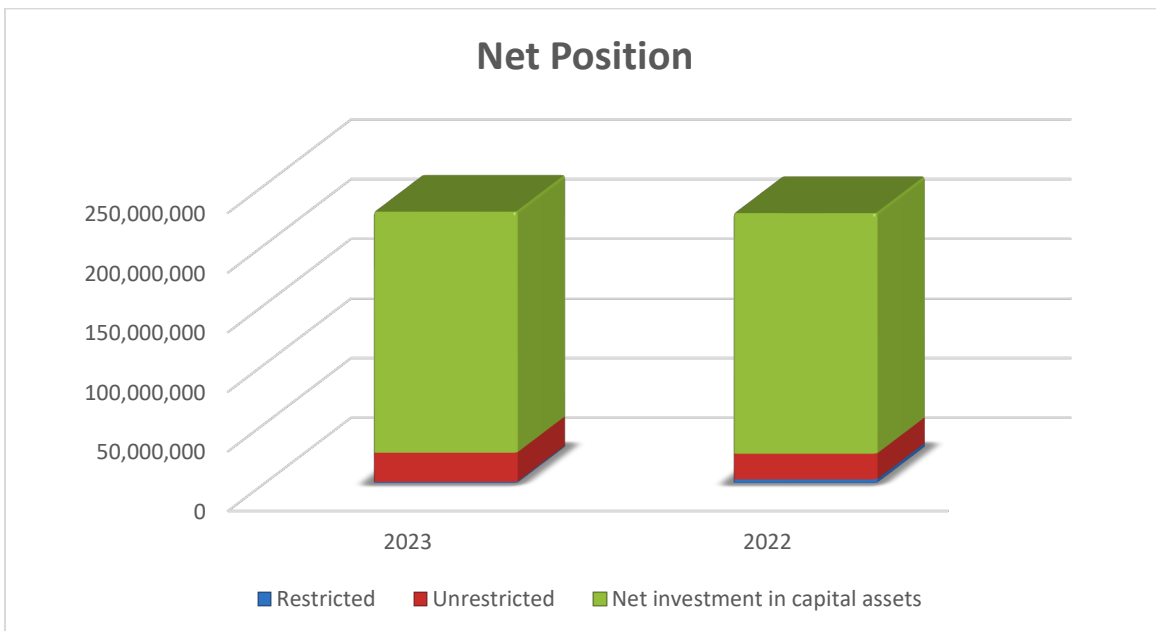
The total net position serves as a useful indicator of an entity's financial position; as of September 30, 2023, the Airport's net position is \$227,303,792, comprised primarily of investment in capital assets (i.e., land, buildings, improvements other than buildings, machinery, equipment, and general infrastructure) which reflects the nature of an airport—to provide infrastructure to facilitate air travel.

The Airport has total debt of \$15 million which bears interest at a fixed rate of 1.95%, the Airport has been paying interest-only until May 2024 when principal payments will start.

The following table reflects the condensed statement of net position:

Net Position		
	2023	2022
Assets:		
Current and other assets	\$ 383,631,629	\$ 371,882,233
Capital assets	219,934,578	219,938,969
Total assets	<u>603,566,207</u>	<u>591,821,202</u>
Total deferred outflow of resources	<u>1,458,633</u>	<u>1,209,393</u>
Liabilities:		
Current liabilities	14,207,874	13,398,786
Noncurrent liabilities	<u>19,602,891</u>	<u>20,498,749</u>
Total liabilities	<u>33,810,765</u>	<u>33,897,535</u>
Total deferred inflow of resources	<u>343,910,283</u>	<u>333,052,192</u>
Net position:		
Net investment in capital assets	201,969,590	201,575,893
Restricted	887,555	2,919,195
Unrestricted	<u>24,446,647</u>	<u>21,585,780</u>
Total net position	<u>\$ 227,303,792</u>	<u>\$ 226,080,868</u>

The Airport has positive balances in all categories of net position for fiscal years ended September 30, 2023, and September 30, 2022, respectively.



The following table shows condensed revenue and expense data:

Changes in Net Position		
	2023	2022
Operating revenues:		
Fees and charges for services	\$ 20,910,458	\$ 19,056,197
Non-operating revenues		
Federal and State grants	3,217,546	5,887,792
Passenger Facility Charges	1,498,725	1,319,122
Customer Facility Charges	1,360,363	982,149
Investment earnings (loss)	1,113,794	(101,831)
Gain on sale or disposal of capital assets	3,724	5,012,061
Total non-operating revenues	<u>7,194,152</u>	<u>13,099,293</u>
Total revenues	<u>28,104,610</u>	<u>32,155,490</u>
Operating expenses:		
Salaries, wages and employee benefits	6,653,797	5,593,297
Contractual services, materials and supplies	16,671,859	15,166,450
Depreciation and amortization	<u>10,123,404</u>	<u>8,441,938</u>
Total operating expenses	<u>33,449,060</u>	<u>29,201,685</u>
Non-operating expenses:		
Interest Expense	306,935	292,938
Other Nonoperating Expense	8,078	5,869
Contributions to private organizations	-	206,711
Total non-operating expenses	<u>315,013</u>	<u>505,518</u>
Total expenses	<u>33,764,073</u>	<u>29,707,203</u>
Income (Loss) before contributions	(5,659,463)	2,448,287
Capital contributions	<u>6,882,387</u>	<u>22,846,484</u>
Change in net position	1,222,924	25,294,771
Total net position - beginning, October 1	<u>226,080,868</u>	<u>200,786,097</u>
Total net position - ending September 30	<u>\$ 227,303,792</u>	<u>\$ 226,080,868</u>

- Capital Contributions were lower in FY 23 because of grants used to fund the Terminal Expansion and Renovation project as well as the Northside project as the eligible portion of the projects were primarily earned in the prior year.
- The net position increase was more modest in FY 23 as there were several non-recurring items in FY 22 such as the two land sales and significant grant contributions due to the terminal expansion.



Key information regarding the financial performance for the fiscal year ended September 30, 2023 are as follows:

- The financial statements reflect a net loss before contributions of \$5,659,463 which includes \$10,123,404 in depreciation expense, a non-cash expense. Depreciation expense reflects the amount an entity needs to recover through rates and charges on a long-term basis to replace certain assets. However, since most of the Airport’s assets are grant funded, the Airport does not generally recover all depreciation through the rate base. If depreciation expense is excluded, the Airport realized net income before contributions of \$4,463,941. Most of this cash flow generated in FY 23 will be reinvested into new and existing infrastructure needed to meet the needs of stakeholders.
- The passenger-driven revenues, such as car rental concessions, terminal concessions, Passenger Facility Charges (PFCs), Customer Facility Charges (CFCs), and other similar fees, experienced modest growth as passenger volumes increased 11% over the prior year.
- Car rental companies charge a Customer Facility Charge (CFC) of \$4.00 per transaction day, which is remitted to the Airport, this generated \$1,360,363 in FY 23 compared to \$982,149 in FY 2022. The CFC revenue generated in FY 23 was used to fund part of the Terminal Renovation and Expansion project. The airport advanced the funds for this project and will be fully reimbursed in early FY 24 so there will be funds available for new rental car projects in FY 24. The CFC was implemented in April 2019 and is used to fund projects that benefit rental car customers.
- Interest income was higher due to more favorable increases in interest rates that were yielding 5% to 5.5% this year coupled with higher balances maintained in higher yielding accounts.
- The increase in salaries, wages, and employee benefits is due to pension expense, a non-cash charge, which increased \$1.1 million. This actuarially determined amount is a personnel expense that the Airport has no control over. As is reflected in the cash flow statement, the amount of cash expense for personnel was \$5.6 million last year and \$5.8 million in FY 23.
- The Airport’s operating expenses increase is due to the expanded international air service that started in March 2022; there were 6 months of international operations in FY 22 compared to 8 months in FY 23. Ground handling costs increased approximately \$329,000, customs expense was \$615,000 higher, and contractual labor increased by \$360,000 as the Airport increased the staff needed to clean and maintain the expanded section of the terminal. Airport management expects these costs to level off next year.

Capital Assets
(net of depreciation)

	2023		2022
Land	\$ 7,985,935		\$ 7,985,935
Construction in progress	61,191,788		61,452,310
Buildings	78,877,391		82,254,320
Improvements other than buildings	66,360,525		64,150,033
Equipment	5,103,771		3,946,365
Right to use leased equipment	150,006		150,006
Intangibles, computer software, right to use subscriptions	265,162		-
Total	\$ 219,934,578		\$ 219,938,969

Additional information on the Airport's capital assets can be found in Note (4) (E) on page 23 of this report.

Noncurrent Liabilities. The Airport has an outstanding note payable to a local bank in the amount of \$15,000,000 with a 10 term with a fixed rate interest of 1.95%. Repayment terms on this debt include interest-only payments until May 2024 when both principal and interest are due. Payments are due semi-annually on November 1 and May 1 each year.

As of September 30, 2023 and 2022, the Airport's noncurrent liability for compensated absences is \$371,172 and \$384,487, respectively. These amounts represent accumulated, vested vacation, sick leave, and applicable benefits. The Airport's net pension liability was \$4,668,928 as of September 30, 2023.

Requests for Information

This financial report is designed to provide a general overview of the Melbourne Orlando International Airport's finances for those with an interest in the Airport's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Executive Director
Melbourne Orlando International Airport
One Air Terminal Parkway, Suite 220
Melbourne, FL 32901

MELBOURNE ORLANDO INTERNATIONAL AIRPORT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

ASSETS

Current assets:

Cash and cash equivalents	\$	23,652,771
Cash and cash equivalents, restricted		33,798
Investments, at fair value		6,317,771
Receivables, trade (net of allowance of \$54,221)		228,693
Lease receivable		1,628,160
Other receivables		423,253
Interest receivable		39,856
Due from primary government		7,883
Due from other governments		5,934,893
Due from other governments, restricted		853,757
Inventory		26,359
Prepaid expenses		<u>351,962</u>
Total current assets		<u>39,499,156</u>

Noncurrent assets:

Restricted assets:

Cash and cash equivalents		<u>294,766</u>
Lease receivables		<u>343,785,941</u>
Net pension asset, city general pension		<u>51,766</u>

Capital assets:

Nondepreciable:

Land		7,985,935
Construction in progress		61,191,788

Depreciable:

Buildings		135,213,483
Improvements other than buildings		127,523,545
Machinery and equipment		14,588,706
Intangibles, computer software		277,928
Right to use leased equipment		489,452
Right to use subscription assets		344,089
Less accumulated depreciation/amortization		<u>(127,680,348)</u>

Total capital assets, net of accumulated depreciation/amortization		<u>219,934,578</u>
Total noncurrent assets		<u>564,067,051</u>
Total assets		<u>603,566,207</u>

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows, city general pensions		384,463
Deferred outflows, FRS pension		854,852
Deferred outflows, other postemployment benefits		<u>219,318</u>
Total deferred outflows of resources		<u>1,458,633</u>

The accompanying notes are an integral part of this statement.

MELBOURNE ORLANDO INTERNATIONAL AIRPORT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023
(Continued)

LIABILITIES

Current liabilities:

Accounts payable	4,401,471
Accrued payroll expenses	187,769
Accrued interest payable	121,875
Due to other governments	1,671,675
Unearned revenue	4,778,436
Compensated absences	187,990
Leases payable	63,758
Subscription liability	80,039
Other postemployment benefits	27,306

Current liabilities payable from restricted assets:

Accounts payable	887,555
Revenue bonds payable from restricted assets	1,800,000

	14,207,874
--	------------

Noncurrent liabilities:

Liabilities payable from restricted assets, customer deposits	294,766
Compensated absences	371,172
Leases payable	90,113
Subscription liability	188,247
Other postemployment benefits	789,665
Net pension liability, city special risk general pension	152,294
Net pension liability, FRS pension	4,516,634
Revenue bonds payable from restricted assets	13,200,000

	19,602,891
--	------------

	33,810,765
--	------------

DEFERRED INFLOWS OF RESOURCES

Deferred inflows, FRS pension	65,568
Deferred inflows, other postemployment benefits	98,015
Deferred inflows, leases	343,746,700

	343,910,283
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NET POSITION

Net investment in capital assets	201,969,590
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Restricted for:

Capital improvements	887,555
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Unrestricted	24,446,647
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	\$ 227,303,792
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The accompanying notes are an integral part of this statement.

**MELBOURNE ORLANDO INTERNATIONAL AIRPORT
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED SEPTEMBER 30, 2023**

OPERATING REVENUES

Airfield and hangar fees	\$ 3,186,860
Terminal and area building fees	5,274,103
Commercial business center fees	10,012,817
Tropical Haven fees	2,061,477
International/U.S. Customs/Foreign Trade Zone fees	318,515
Other	56,686
Total operating revenues	<u>20,910,458</u>

OPERATING EXPENSES

Salaries, wages and employee benefits	6,653,797
Contractual services, materials and supplies	16,671,859
Depreciation and amortization	10,123,404
Total operating expenses	<u>33,449,060</u>

Operating income (loss) (12,538,602)

NONOPERATING REVENUES (EXPENSES)

Federal and State grants	3,217,546
Passenger Facility Charges	1,498,725
Investment earnings (loss)	1,113,794
Customer Facility Charges	1,360,363
Interest expense	(306,935)
Gain on sale/disposal of capital assets	3,724
Other nonoperating revenue (expense)	(8,078)
Total nonoperating revenues (expenses)	<u>6,879,139</u>

Loss before contributions (5,659,463)

Capital contributions 6,882,387

Change in net position 1,222,924

Total net position, October 1 226,080,868

Total net position, September 30 \$ 227,303,792

The accompanying notes are an integral part of this statement.

MELBOURNE ORLANDO INTERNATIONAL AIRPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 21,096,673
Cash payments to suppliers for goods and services	(17,458,738)
Cash payments for employee services	(5,801,724)
Deposits returned and applied	(18,105)
Other operating revenues	<u>56,686</u>
Net cash used by operating activities	<u>(2,125,208)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
FEMA/State hurricane proceeds	69,585
Operating grants and donations	3,367,732
Customer facility charges	1,327,885
Passenger facility charges	1,471,469
Other nonoperating revenue (expense)	<u>(8,078)</u>
Net cash provided by noncapital financing activities	<u>6,228,593</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(10,128,052)
Principal paid on lease obligations	(60,654)
Interest paid on lease obligations	(306,935)
Proceeds from sale of capital assets	32,725
Capital grants	<u>9,704,747</u>
Net cash used by capital and related financing activities	<u>(758,169)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of investment securities	(2,999,574)
Proceeds from sale and maturities of investment securities	2,917,944
Interest on investments	<u>990,104</u>
Net cash provided by investing activities	<u>908,474</u>
Net increase in cash and cash equivalents	4,253,690
Cash and cash equivalents at October 1	<u>19,727,645</u>
Cash and cash equivalents at September 30	<u><u>\$ 23,981,335</u></u>

The accompanying notes are an integral part of this statement.

MELBOURNE ORLANDO INTERNATIONAL AIRPORT
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED SEPTEMBER 30, 2023
(Continued)

**RECONCILIATION OF OPERATING LOSS TO
NET CASH USED BY OPERATING ACTIVITIES**

Operating loss	\$ (12,538,602)
Adjustments not affecting cash:	
Depreciation and amortization	10,123,404
Deferred outflows - pensions and other postemployment benefits	(249,240)
Deferred inflows - pensions and other postemployment benefits	(181,235)
Deferred inflows - leases	11,039,326
Changes in assets and liabilities:	
Receivables, trade	471,229
Other receivables	(33,259)
Due from other governments	(1,073)
Inventory	(9,624)
Prepaid items	(32,335)
Noncurrent lease receivables	(11,208,305)
Net pension asset	548,467
Net pension liability	811,073
Accounts payable	(862,483)
Accrued payroll expenses	(77,920)
Due to (from) primary government	(163,046)
Due to other governments	114,402
Subscription liability	80,039
Customer deposits	(18,105)
Unearned revenue	61,151
Other postemployment benefits	928
	<hr/>
Net cash used by operating activities	<u><u>\$ (2,125,208)</u></u>

NON-CASH INVESTING ACTIVITIES

Increase in fair value of investments	<u><u>\$ 104,193</u></u>
Cash and cash equivalents reconciliation:	
Current assets:	
Cash and cash equivalents	\$ 23,652,771
Cash and cash equivalents, restricted	33,798
Noncurrent assets:	
Cash and cash equivalents, restricted	<hr/> 294,766
Cash and cash equivalents at September 30	<u><u>\$ 23,981,335</u></u>

The accompanying notes are an integral part of this statement.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Melbourne Orlando International Airport (the “Airport”), governed by the Melbourne Airport Authority (the “Airport Authority”), is a financially self-sustaining enterprise. Its main purpose is to provide and maintain scheduled air passenger and cargo service to residents of Brevard County and surrounding counties. The Airport Authority consists of three (3) City of Melbourne (the “City”) Council members appointed by the City Council and four (4) members from the business community. Although the City Council does not appoint a majority of the Airport Authority and the Airport does not provide a financial benefit or impose a financial burden on the City, the Airport Authority is fiscally dependent on the City. The City must approve the Airport Authority’s budget and its bonded debt issuances. Financial statements for the Melbourne Orlando International Airport may be obtained from the Executive Director, Melbourne Orlando International Airport, One Air Terminal Parkway, Suite 220, Melbourne, FL 32901.

The financial statements of the Airport have been prepared in conformity with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the standard-setting body for governmental accounting and financial reporting. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitute GAAP for governmental units.

The more significant Airport accounting policies are described below:

A. Reporting Entity

Melbourne Orlando International Airport is a component unit of the City of Melbourne (the primary government). Component units are legally separate organizations for which the City Council is financially accountable. The City’s Annual Comprehensive Financial Report (ACFR), as of September 30, 2023, includes the Airport and all other component units of the City, and has been issued under a separate cover. These financial statements include only the Airport.

B. Fund Financial Statements

The financial statements (i.e., the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Fund Net Position) report information on all of the activities of the Airport. Business-type activities of the Airport rely to a significant extent on fees and charges for support. The Airport is a component unit for which the primary government is financially accountable.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Melbourne Orlando International Airport is a component unit of the City of Melbourne; financial statements are accounted for on an accrual basis. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Rents paid in advance are recorded as unearned revenue and recorded as revenue as it is earned.

As a general rule the effect of interfund activity has been eliminated from the financial statements. Exceptions to this general rule are administrative charges and police/fire services provided by the City’s General Fund to the Airport. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

1. Cash and Cash Equivalents/Investments

Cash and cash equivalents represent all investments, which are short term, highly liquid, and readily convertible to a specified cash value. These investments generally have original maturities of three months or less. Cash equivalents consist of equity in pooled investments. The cash and cash equivalents presented on the Statement of Cash Flows are composed of restricted and unrestricted cash and cash equivalents. Investments are stated at fair value, based on the quoted market price.

2. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds”. All trade receivables are shown net of an allowance for uncollectibles. The Airport records a net noncurrent lease receivable for both Embraer and Space Florida earned rent that will be collected in future years per the lease agreement.

The Airport’s lease receivables are measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the Airport may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The Airport is the lessor of various properties. The Airport recognizes a lease receivable and a deferred inflow of resources in the financial statements. The lease term includes the non-cancellable period of the lease.

3. Inventories and Prepaids

Inventories consist of materials and supplies used in the production of goods and services, are valued at cost on the first-in, first-out method.

Certain payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items. The cost of prepaid items is recorded as an expense when consumed rather than when paid.

4. Restricted Assets

Certain assets of the Airport are classified as restricted assets on the Statement of Net Position because their use is limited by law through constitutional provisions or enabling legislation; or by restrictions imposed externally by creditors, grantors, contributors, or laws or regulations of other governments. In a fund with both restricted and unrestricted assets, qualified expenses are considered to be paid first from restricted assets and then from unrestricted assets. Assets are set aside for the following uses:

- Due from Other Governments – used to segregate revenues due from other governments for Airport projects.
- Customer/Tenant Deposits – used to segregate deposits collected from Airport tenants.
- Cash and Cash Equivalents – used to report resources set aside to meet grant requirements for Airport projects.

5. Capital Assets

Capital assets, which include property, plant, equipment, right-to-use leased equipment and subscription assets, intangibles, and infrastructure assets (e.g., roads, runways, taxiways, buildings, and similar items), are reported in the financial statements. Capital assets, other than equipment, are defined by the government as assets with an initial, individual cost of more than \$25,000 (amount not rounded) and an estimated useful life of more than two years. Equipment is defined as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life of more than two years. Such assets are recorded at historical cost, if purchased or constructed, and at acquisition value of market transaction at date of gift, if donated. Major additions are capitalized while maintenance and repairs, which do not improve or materially extend the life of the respective assets are charged to expense. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated or amortized using the straight-line method over the following average useful lives:

Classification	Range of Lives
Buildings	20-40 years
Improvements other than buildings	10-25 years
Machinery and equipment	2-20 years
Right-to-use leased equipment	2-20 years
Intangibles, computer software, and right-to-use subscription arrangements	2-10 years
Airport runways	25 years

6. Net Position

Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances of debt, or other liabilities that are attributable to the acquisition, construction or improvement of those assets.

Net position is restricted when constraints placed on funds are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net position. Restricted net position consists primarily of due from other governments in connection with specific grant funded projects. When both restricted and unrestricted resources are available for use, generally it is the Airport's policy to use restricted resources first, then unrestricted resources as they are needed.

7. Deferred Outflows of Resources

In addition to assets, the statements of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The deferred amount is for pension and other post-employment benefits adjustments are classified as deferred outflows of resources due to GASB Codification P20, "Pension Activities", and P52, "Other Post Employees Benefits Other than Pensions". The deferred outflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASB Codification (GASBC) Section P20: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria. The deferred outflows related to pensions will be recognized as either pension expense or a reduction in the net pension liability in future reporting years.

8. Compensated Absences

It is the Airport's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation pay is accrued when incurred in the Airport financial statements.

The Airport's obligation for accumulated, vested vacation, reimbursable sick leave, and applicable benefits of \$559,162, is recorded as compensated absences, a current liability of \$187,990, and a non-current liability of \$371,172, in the Statement of Net Position.

9. Long-Term Liabilities

In the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred. Net pension liabilities and other post-employment benefits are determined based on actuarial valuations, see Note (5) B and (5) C for additional information.

10. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, 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 (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Other Post-Employment Benefits (OPEB) Liability

For purposes of measuring the net OPEB liability, deferred outflows/inflows of resources related to OPEB, and OPEB expense, information about fiduciary net position and additions to/deductions from 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. The Airport's proportionate share of OPEB amounts were further allocated to each participating employee based on the contributions paid by each employer. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

12. Leases

The Airport accounts for leases in accordance with GASB Statement No. 87, *Leases*.

The Airport is the lessor of various properties. The Airport recognizes a lease receivable and a deferred inflow of resources in the financial statements. The lease term includes the non-cancellable period of the lease.

The Airport's lease receivables are measured at the present value of the lease payments expected to be received during the lease term at a discount of 2%, which is the Airport's estimated incremental borrowing rate. Subsequently, the lease receivable is reduced by the principal portion of lease payments received and the deferred inflow of resources is recognized as revenue over the life of the lease term. Most leases include increases of a minimum percentage or escalate with CPI or fair value adjustments. Under the

lease agreement, the Airport may receive variable lease payments that are dependent upon the lessee’s revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

13. Deferred Inflows of Resources

In addition to liabilities, the statements of financial 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(s) and so will not be recognized as an inflow of resources (revenue) until that time. The deferred inflows related to pensions are an aggregate of items related to pensions as calculated in accordance with GASBC Section P20: Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specified Criteria. The deferred inflows related to pensions will be recognized as a reduction to pension expense in future reporting years. The deferred inflows related to leases are associated with amounts owed to the Airport, as lessor, by entities leasing the Airport’s capital assets.

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

(2) STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The Airport has no material violations of finance-related legal and contractual provisions.

(3) ACCOUNTING CHANGES

A. Implementation of New GASB Pronouncements

In May 2020, the GASB issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Assets and liabilities resulting from SBITAs should be recognized and measured using the facts and circumstances that existed at the beginning of the fiscal year in which this Statement is implemented. Governments are permitted, but are not required, to include in the measurement of the subscription asset capitalizable outlays associated with the initial implementation stage and the operation and additional implementation stage incurred prior to the implementation of this Statement.

In fiscal year 2023, the Airport implemented GASB Statement No. 96, Subscription-Based Information Technology Arrangements. In accordance with generally accepted accounting principles, the implementation of this Statement for the Airport requires the restatement of the September 30, 2022, net position to record the cumulative effect of recording right-to-use subscription assets less accumulated amortization, net of the respective subscription liabilities as of September 30, 2022.

Net Position, September 30, 2022 as previously	
previously reported	\$ 226,080,868
Right-to-use subscription assets	308,616
Subscription liabilities	<u>(308,616)</u>
Net Position, September 30, 2022, restated	<u>\$ 226,080,868</u>

In May 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. The objectives of this Statement are to address financial reporting issues that result from the replacement of an Interbank Offered Rate (IBOR) by providing exceptions for certain hedging derivative instruments to the hedge accounting termination provisions when an IBOR is replaced as the reference rate of the hedging derivative instrument’s variable payment and clarification of the hedge accounting termination provisions when a hedged item is amended to replace the reference rate; replacing LIBOR as an appropriate benchmark interest rate for the evaluation of the effectiveness of an interest rate swap with a Secured Overnight Financing Rate or the Effective Federal Funds Rate; and providing exceptions to the lease modifications guidance in Statement 87 for lease contracts that are amended solely to replace an IBOR used to determine variable payments. As of July 1, 2023, derivative instruments that hedge the interest rate risk of taxable debt and use an IBOR as a reference rate are no longer eligible for hedge accounting. There were no significant impacts of implementing this Statement.

B. Future Adoption of GASB Pronouncements

The Governmental Accounting Standards Board has issued statements that will become effective in future years. These statements are as follows:

GASB Statement No. 100, *Accounting Changes and Error Corrections*, this Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

GASB Statement No. 101, *Compensated Absences*, the objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter.

The Melbourne Orlando International Airport, in conjunction with the City of Melbourne, will implement new GASB pronouncements no later than the required effective date. The Airport is currently evaluating whether or not the above listed new GASB pronouncements will have a significant impact to the Airport's financial statements.

(4) DETAILED NOTES – ON ALL FUNDS

A. Deposits and Investments

Deposits – Banks and savings and loans must meet the criteria to be a qualified public depository as described in the Florida Security for Public Deposits Act in accordance with Chapter 280, Florida Statutes before any investment of public funds can be made with them. As of September 30, 2023, the carrying amount of the Airport's deposits with banks was \$3,889,037 and the bank balance was \$3,967,018. The Airport has petty cash of \$200.

The City maintains a pool of cash and investments in which each fund (and the Airport) participates on a daily transaction basis. Investment earnings are distributed monthly based on average daily balances.

Airport daily deposits are deposited in Earning Credit Rate (ECR) accounts. These accounts are fully collateralized in accordance with Florida state law.

At year-end, the Airport's investment balances were as follows:

	Concentration of Credit Risk	Credit Rating (S&P)	Fair Value Level ⁽¹⁾	Fair Value	Investment Maturities (in Years)			
					Less Than 1	1-5	6-10	More Than 10
<u>Cash Equivalents</u>								
Money Market Funds	76.08%	AAA	L1	\$ 20,092,098	\$ 20,092,098	\$ -	\$ -	\$ -
<u>Investments</u>								
U.S. Treasury & Agency Bonds:								
U.S. Treasury Notes	9.59%	-	L2	2,532,761	466,848	2,065,913	-	-
Federal National Mortgage Association	0.78%	AA	L2	207,135	-	159,463	47,672	-
Federal Home Loan Mortgage Corporation	1.98%	AA	L2	523,310	523,310	-	-	-
Supra-National Agency Bond/Note	0.22%	AAA	L2	57,105	57,105	-	-	-
Corporate Notes ⁽²⁾								
Corporate Note	4.70%	A	L2	1,241,316	268,922	972,394	-	-
Corporate Note	1.20%	AA	L2	316,571	90,031	226,540	-	-
Corporate Note	0.59%	BBB	L2	156,098	98,338	57,760	-	-
Corporate Note								
-Asset Backed Security	3.77%	AAA	L2	995,593	3,260	992,333	-	-
Corporate Note								
-Asset Backed Security	0.89%	Unrated	L2	235,272	703	234,569	-	-
Municipal Bond/Notes:								
Municipal Bond/Note	0.05%	A	L2	14,494	-	14,494	-	-
Municipal Bond/Note	0.14%	AA	L2	38,116	14,821	23,295	-	-
Subtotal Investments				6,317,771	1,523,338	4,746,761	47,672	-
Total Airport Cash								
Equivalents and Investments				\$ 26,409,869	\$ 21,615,436	\$ 4,746,761	\$ 47,672	\$ -

(1) The Airport categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 (L1) inputs are quoted prices in active markets for identical assets; Level 2 (L2) inputs are other than quoted prices that are observable either directly or indirectly and valuations use interest rate curves and credit spreads applied to the terms of the debt instrument (maturity and coupon interest rate) and consider the counterparty credit rating or net asset value (NAV); Level 3 (L3) inputs are significant unobservable inputs.

The Airport has the following recurring fair value measurements as of September 30, 2023:

- Mutual funds – valued at the daily closing price as reported by the fund. Mutual funds held by the Airport are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the Airport are deemed to be actively traded.
- Fixed income funds - valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yield currently available on comparable securities of issuers with similar credit ratings. (L2).

The above table summarizes the assets of the Airport for which fair values are determined on a recurring basis as of September 30, 2023. In accordance with GASB Codification, I50, “Investments”, money market funds have not been classified in the fair value hierarchy as they can be redeemed daily with no redemption notice period.

	Credit Rating (S&P)	Airport
(2) Corporate Bonds/Notes	N/A *	7.99%
	AAA	33.81%
	AA	10.75%
	A	42.15%
	BBB	5.30%
		<u>100.00%</u>

*N/A=Not rated by S&P

Melbourne Orlando Airport Authority Investment Policy

Pursuant to the requirements of Section 218.415, Florida Statutes, the City of Melbourne adopted Resolution No. 3511 on September 8, 2016, establishing the City's present investment policy. Such investment policy applies to the investment of surplus funds, which include cash and investment balances of the Airport. This policy does not apply to funds not under control of the City; such as the General Employees' and Special Risk Class Employees' Pension Plans.

All investments are made based on reasonable research as to credit quality, liquidity, and interest rate risk prior to the investment being acquired.

The investment policy authorizes the Airport to invest in U.S. Government securities, agencies, Federal instrumentalities, repurchase agreements, the Local Government Surplus Funds Trust Fund administered by the Florida State Board of Administration, interest-bearing time deposits or savings accounts, commercial paper, corporate notes, bankers' acceptances, and State or local government taxable or tax-exempt debt, and an intergovernmental investment pool. Overnight repurchase agreements restrict investments to obligations of U.S. Government Agencies and Federal instrumentalities.

The investment policy provides maturity and liquidity requirements for investments. All investments other than investments in the Local Government Surplus Funds Trust Fund are required to be purchased pursuant to competitive bids. A maximum of 25% of available funds may be invested in the Local Government Surplus Funds Trust Fund. The policy also requires diversification of the investment portfolio to control the risk of loss from overconcentration of assets in a specific maturity, issuer, instrument, dealer, savings and loan, or bank through which investments are purchased. Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Airport's investment policy restricts portfolio composition for federal instrumentalities to 100% total, 40% individually. Concentration percentages for the Federal instrumentalities are provided in the schedule. Currently, the investment of a significant portion of the Airport's portfolios are being managed by the City's financial advisor, PFM Asset Management LLC.

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the Airport will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Airport's investment policy states that all securities, with the exception of certificates of deposits, shall be held with a third-party custodian; and all securities purchased by, and all collateral obtained by the Airport, should be properly designated as an asset of the Airport. The third-party custodian holds securities in an account separate and apart from the assets of the financial institution and are either insured or registered in the Airport's name.

The fair values of the Airport's fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate-sensitive instruments may be affected by the credit worthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions. As a means to limit its exposure to fair value losses arising from rising interest rates, the Airport's investment policy limits its investment portfolio to maturities of less than 5.5 years for corporate notes, two years for time deposits, and 270 days for commercial paper.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As a means to limiting its exposure to credit risk, the Airport limits investments with credit quality ratings from nationally recognized rating agencies of:

- State and/or local government taxable and/or tax-exempt debt, general obligation and/or revenue bonds, rated at least "MIG 1/A3" by Moody's Investors Services and "SP-1/A-" by Standard & Poor's for long-term debt.
- Commercial paper of any United States company that is rated, at the time of purchase, "P-1" by Moody's and "A-1" by Standard & Poor's.
- Money Market Mutual Funds that are rated "AAA" by Standard & Poor's, or the equivalent by another rating agency.
- Local Government Surplus Funds Trust Fund money market funds that are rated "AAA" by Standard & Poor's, or the equivalent by another rating agency.

B. Allowance for Doubtful Accounts

The Airport provides an allowance for accounts receivable that may become uncollectible. At September 30, 2023, this allowance was \$66,438. No other allowances for doubtful accounts are maintained since all other accounts receivable are considered collectible at September 30, 2023.

C. Receivables

Receivables for the Airport amounted to \$100,659 in rent receivable and \$194,472 in parking fees, less \$66,438 in uncollectible balances.

D. Retainage Payables

Retainage payable of \$2,106,107 is included in accounts payable and current liabilities payable from restricted assets as of September 30, 2023.

E. Capital Assets

Capital asset activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022	Additions	Deletions	Balance September 30, 2023
Capital assets, not being depreciated:				
Land	\$ 7,985,935	\$ -	\$ -	\$ 7,985,935
Construction in Progress	61,452,310	8,226,746	8,487,268	61,191,788
Total capital assets, not being depreciated/amortized	<u>69,438,245</u>	<u>8,226,746</u>	<u>8,487,268</u>	<u>69,177,723</u>
Capital assets, being depreciated/amortized:				
Buildings	134,982,460	231,023	-	135,213,483
Improvements other than buildings	119,988,165	7,535,380	-	127,523,545
Machinery and equipment	12,674,310	2,298,044	383,648	14,588,706
Intangible computer software	293,723	-	15,795	277,928
Right-to-use leased equipment	489,452	-	-	489,452
Right-to-use subscription assets	308,616 ⁽¹⁾	35,473	-	344,089
Total capital assets, being depreciated/amortized	<u>268,736,726</u>	<u>10,099,920</u>	<u>399,443</u>	<u>278,437,203</u>
Less accumulated depreciation/amortization:				
Buildings	52,728,140	3,607,952	-	56,336,092
Improvements other than buildings	55,838,132	5,324,888	-	61,163,020
Machinery and equipment	8,727,945	1,111,637	354,647	9,484,935
Intangibles, computer software	293,723	-	15,795	277,928
Right-to-use leased equipment	339,446	-	-	339,446
Right-to-use subscription assets	-	78,927	-	78,927
Total accumulated depreciation/amortization	<u>117,927,386</u>	<u>10,123,404</u>	<u>370,442</u>	<u>127,680,348</u>
Total capital assets, being depreciated/amortized, net	<u>150,809,340</u>	<u>(23,484)</u>	<u>29,001</u>	<u>150,756,855</u>
Airport capital assets, net	<u>\$ 220,247,585</u>	<u>\$ 8,203,262</u>	<u>\$ 8,516,269</u>	<u>\$ 219,934,578</u>

(1) October 1, 2022 balance is restated due to the implementation of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*.

F. Construction and Other Significant Commitments

Construction Commitments

The Airport's construction as of September 30, 2023 are summarized below.

Terminal Upgrade-Fire Sprinklers/Plumbing	\$	948,407
Vista Infrastructure Improvements		276,713
Terminal Expansion-Phase 2		350,338
Terminal Expansion-Public Space		1,964,294
Terminal Expansion-VIP Lounge		119,001
Total	\$	<u>3,658,753</u>

G. Interfund Receivables and Payables

Interfund receivables and payables between the City and the Airport as of September 30, 2023 are summarized below.

	<u>Due From</u>	<u>Due To</u>
General fund	\$ -	\$ 7,883
Airport	\$ 7,883	\$ -
Total	<u>\$ 7,883</u>	<u>\$ 7,883</u>

All interfund receivables and payables represent cash transfers for operating purposes and amounts expected to be repaid within one year.

H. Leases

1. Lease Receivable

The Airport accounts for leases in accordance with GASB Statement No. 87, *Leases*. The Airport's operations consist of agreements for use of land, buildings and terminal space. The agreements are made up of various noncancellable agreements for land, buildings, and terminal space, which expire between the years of 2024 and 2077. The Airport recognized \$1,449,697 of lease revenue principal and \$6,892,602 of lease interest for the year ended September 30, 2023.

The following is a schedule by years of minimum future revenues from noncancellable agreements:

Year ending September 30,	Principal	Interest	Total Future Minimum Lease Payments
2024	\$ 1,628,160	\$ 7,076,443	\$ 8,704,603
2025	2,448,879	6,823,097	9,271,976
2026	2,597,042	6,773,138	9,370,180
2027	2,713,348	6,720,919	9,434,267
2028	2,906,247	6,666,297	9,572,544
2029-2033	19,686,121	32,283,532	51,969,653
2034-2038	26,914,240	29,909,481	56,823,721
2039-2043	32,863,032	27,003,517	59,866,549
2044-2048	39,226,485	23,401,970	62,628,455
2049-2053	50,444,127	18,982,952	69,427,079
2054-2058	58,459,726	13,445,414	71,905,140
2059-2063	64,023,176	7,388,148	71,411,324
2064-2068	28,758,687	2,432,051	31,190,738
2069-2073	9,624,705	602,278	10,226,983
2074-2077	3,120,126	117,709	3,237,835
Total Minimum Future Revenues	<u>\$ 345,414,101</u>	<u>\$ 189,626,946</u>	<u>\$ 535,041,047</u>

2. Regulated Leases

The Airport's operations include certain lease agreements that are classified as regulated leases under paragraph 42 of GASB Statement No. 87, *Leases*. These agreements consist of aeronautical lease agreements, as defined by the Federal Aviation Administration, which are made up of air carrier agreements, facility agreements that directly or substantially relate to the movement of passengers, ticketing, baggage, mail and cargo, and aircraft storage and maintenance service agreements. Leases under the Airfield and Hangar Area and the Commercial Business center provide for the exclusive use of the premises for the term of the agreement. Upon the conclusion of the lease and options, or upon default, ownership of the premises reverts to the airport. Leases under the Terminal Building cost center are all preferential and the airport has the ability to assign and reallocate space as needed to maximize the use of the facility. For these agreements, lease rates cannot exceed a reasonable amount and the Airport cannot deny potential lessees the right to enter into leases if facilities are available, provided that the potential lessee's use of the facilities complies with use restrictions. The Airport recognizes the revenues from these lease agreements as inflows each year based on the payment provisions of each lease contract. The Airport recognized \$3,643,219 of regulated lease revenue principal and \$845,809 of regulated lease interest for the years ended September 30, 2023.

The following is a schedule by years of minimum future revenues from regulated lease agreements:

Year ending September 30,	Principal	Interest	Total Future Minimum Lease payments
2024	\$ 730,512	\$ 960,020	\$ 1,690,532
2025	897,437	921,012	1,818,449
2026	929,009	882,178	1,811,187
2027	1,009,068	840,819	1,849,887
2028	906,991	813,705	1,720,696
2029-2033	5,852,393	4,011,468	9,863,861
2034-2038	9,205,872	3,854,758	13,060,630
2039-2043	11,115,690	3,590,634	14,706,324
2044-2048	4,869,425	3,204,926	8,074,351
2049-2053	5,919,524	2,740,458	8,659,982
2054-2058	6,528,408	2,140,072	8,668,480
2059-2063	7,624,967	1,451,180	9,076,147
2064-2068	7,233,850	690,170	7,924,020
2069-2073	3,608,522	143,945	3,752,467
Total Minimum Future Revenues	\$ 66,431,668	\$ 26,245,345	\$ 92,677,013

I. Concession Agreements

The Airport provides space for concessionaires, such as car rental companies, food and beverage, and retail concessionaires, to operate in the terminal facility. Concessionaires are responsible for the initial build-out of the space as well as the on-going maintenance of their concession space. In exchange for operating in the terminal facility, the concessionaires have contracts with the Airport whereby they pay a percentage of their gross revenues to the Airport, these fees are considered privilege or concession fees. Some of the agreements require a minimum annual guarantee (MAG) that the concessionaire must pay to the Airport, so the concessionaire pays the greater of the MAG or the percentage of gross revenues. The terms of these agreements range from month-to-month up to 12 years. The facilities being utilized are a small part of the entire terminal asset, which is included in capital assets. The value of the space being utilized is indeterminable. There are no liabilities or deferred inflows recorded associated with these arrangements.

J. Subscription-Based Information Technology Arrangements

The Airport has two software arrangements that require recognition under GASBC Section S:80, Subscription-Based Information Technology Arrangements (SBITAs). The Airport now recognizes a subscription liability and an intangible right-to-use subscription asset for body worn camera software used by the police department and their common use passenger processing and flight information display system.

The body camera software arrangement is a five-year agreement, effective from July 12, 2023 through July 11, 2028 with an annual payment of \$8,121 for the first year and \$7,272 for each year subsequently thereafter.

The common use passenger processing and flight information display system arrangement is a four-year agreement. The initial term of the subscription is a three-year period commencing on the effective date of January 31, 2022 through January 31, 2025. After the initial term, the Airport has an option to extend this arrangement for an additional two years through January 31, 2027; the Airport is likely to

exercise that option. Initial implementation and hardware costs total \$232,234. The first year subscription fee was \$91,737 and the remaining annual payments amount to \$72,767. There is no option to purchase the software. There are no residual value guarantees in the agreement.

The Airport has used a 2% discount rate for these arrangements to determine the present value of the intangible right-to-use asset and subscription liability. The following is a schedule of minimum future payments from SBITAs as of September 30:

<i>For the years ending September 30,</i>	Principal		Interest		Total
2024	\$	80,039	\$	4,099	\$ 84,138
2025		80,039		2,566	82,605
2026		80,039		1,003	81,042
2027		28,169		78	28,247
Total	\$	268,286	\$	7,746	\$ 276,032

K. Long-Term Liabilities

1. Debt Service Requirements to Maturity: The annual requirements to amortize all bonded debt outstanding as of September 30, 2023 including interest requirements, is presented below:

MATURITIES

	<u>Purpose of Issue</u>	<u>Amount Issued</u>	<u>Amount Outstanding</u>
Airport Bonds from direct borrowings			
Airport bonds,			
Series 2021 - 1.95%	Airport Terminal Expansion	\$ 9,000,000	\$ 9,000,000
Series 2021B - 1.95%	Airport Terminal Expansion	6,000,000	6,000,000
Total Revenue Bonds		15,000,000	15,000,000
Interest		-	1,275,554
TOTAL AIRPORT DEBT SERVICE		<u>\$ 15,000,000</u>	<u>\$ 16,275,554</u>

**BOND DEBT SERVICE
CITY OF MELBOURNE AIRPORT AUTHORITY
TAXABLE AIRPORT REVENUE NOTE, SERIES 2021**

<u>Period Ending</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Debt Service</u>
9/30/2024	\$ 1,800,000	1.950%	\$ 292,500	\$ 2,092,500
9/30/2025	1,821,000	1.950%	257,400	2,078,400
9/30/2026	1,842,000	1.950%	221,890	2,063,890
9/30/2027	1,863,000	1.950%	185,972	2,048,972
2028-2031	7,674,000	1.950%	317,792	7,991,792
	<u>\$ 15,000,000</u>		<u>\$ 1,275,554</u>	<u>\$ 16,275,554</u>

2. Pledged Revenues: Information on pledged revenues and principal and interest payments are as follows:

<u>Pledged Revenue</u>	<u>Term</u>	<u>Future Principal and Interest</u>	<u>Current Pledged Revenue</u>	<u>Current Principal and Interest</u>	<u>Current Percentage of Revenue</u>
Airport net revenues	2031	<u>\$ 16,275,554</u>	<u>\$ 24,883,340</u>	<u>\$ 292,500</u>	1.18%

3. New Bond Issues: No new bond issues in the current fiscal year.

4. Changes in Long-Term Liabilities:

Long-term liability activity for the year ended September 30, 2023 was as follows:

	Balance October 1, 2022	Additions	Reductions	Balance September 30, 2023	Amounts Due Within One Year
Compensated absences	\$ 560,722	\$ 296,756	\$ 298,316	\$ 559,162	\$ 187,990
Leases payable	214,525	-	60,654	153,871	63,758
Subscription liabilities	308,616 (1)	35,473	75,803	268,286	80,039
Notes from direct borrowings	15,000,000	-	-	15,000,000	1,800,000
Airport Total	\$ 16,083,863	\$ 332,229	\$ 434,773	\$ 15,981,319	\$ 2,131,787

(1) October 1, 2022 balance is restated due to the implementation of GASB Statement No. 96, *Subscription- Based Information Technology Arrangements*.

On April 21, 2021, the City issued taxable Airport Revenue Note, Series 2021A with a principal amount of \$9,000,000 for the purpose of financing terminal renovations, expansion, and other capital projects. The note bears interest fixed commencing at 1.95% per annum and matures on May 1, 2031. Interest is payable semi-annually due May 1 and November 1, beginning November 1, 2021. Principal is payable annually based on level debt service payments, commencing May 1, 2024. The note is secured solely by a lien upon and pledge of general revenues, passenger facility charges, customer facility charges and any amounts on deposit in the escrow account.

On November 10, 2021, the City issued taxable Airport Revenue Note, Series 2021B with a principal amount of \$6,000,000, to fund expanding and rehabilitating the existing terminal facility. The note bears interest fixed at 1.95% per annum and matures on May 1, 2029. Interest is payable semi-annually due May 1 and November 1, beginning May 1, 2022. Principal is payable annually based on level debt service payments, commencing May 1, 2024. The note is secured by and payable solely from the legally available net revenues of the Airport.

(5) OTHER INFORMATION

A. Risk Management

Insurance - The City is exposed to various risks of loss related to torts; theft of or damage to and destruction of assets; errors and omissions; and natural disasters. The City purchases commercial insurance with various deductibles for different types of losses. The costs for this insurance program are accounted for in the Insurance Internal Service fund. Settled claims have not exceeded this commercial coverage in the past three fiscal years. All applicable City funds and component units participate in the general property and liability insurance program and make payments to the Insurance fund based on estimates of the amounts needed to pay insurance premiums and claims and to accumulate funds for financial stability. The excess accumulated funds over claims liability was \$768,645 at September 30, 2023. The Airport also purchased additional insurance not covered by these programs, which is accounted for in the Airport fund.

The General Property and Liability claims liability at September 30, 2023 is \$954,246 and is based on the requirements of GASB Codification, C50, "Claims and Judgements", which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. To estimate this liability the incurred but not reported (IBNR) factors are applied to trended claims history. General Property and Liability claims at September 30, 2022 and 2023 are summarized below:

Fiscal Year	Claims Liability October 1,	Current Year Claims and Changes in Estimates	Payments	Claims Liability September 30,	Due Within One Year
2021-2022	\$ 964,682	\$ 213,341	\$ 269,864	\$ 908,159	\$ 244,483
2022-2023	908,159	282,873	236,786	954,246	362,896

Workers Compensation - The City is exposed to risk of loss related to injuries to employees. The City established a self-insured workers compensation program, accounted for in the Workers Compensation Internal Service fund to finance its uninsured risk of loss. The Workers Compensation fund provides coverage for up to a maximum of \$200,000 for each worker's compensation claim. The City purchases commercial insurance for claims in excess of coverage provided by the self-insurance program. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. All applicable funds and component units participate in the workers compensation self-insurance program and make payments to the Workers Compensation fund based on estimates of the amounts needed to pay prior and current year claims and to accumulate funds for financial stability. Excess accumulated funds over claims liability was \$3,008,784 at September 30, 2023.

The workers compensation claims liability at September 30, 2023 is \$1,759,300 and is based on the requirements of GASB Codification, C50, "Claims and Judgements", which requires a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. To estimate this liability the incurred but not reported (IBNR) factors are applied to trended claims history. Workers' compensation claims at September 30, 2022 and 2023 are summarized below:

Fiscal Year	Claims Liability October 1,	Current Year Claims and Changes in Estimates	Payments	Claims Liability September 30,	Due Within One Year
2021-2022	\$ 2,225,954	\$ 754,508	\$ 1,157,863	\$ 1,822,599	\$ 340,103
2022-2023	1,822,599	964,182	1,027,481	1,759,300	487,346

B. Pension Plans

All regular employees are covered by the Florida Retirement System or a local pension plan. The total pension expense for the Airport as of September 30, 2023 was \$1,563,720.

General Employees' Pension Plan

The plan does not issue stand-alone financial reports and are not included in any other retirement systems or entity's financial reports. The City accounts for the plan as a pension trust fund, therefore, it is accounted for in substantially the same manner as proprietary funds, with a capital measurement focus and employment of the accrual basis of accounting. Plan member contributions, employer contributions and contributions from other entities are recognized in the period in which the contributions are due. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

Summary of Significant Accounting Policies

Method Used to Value Investments. Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments that do not have an established market are reported at estimated fair value.

Because the plan does not issue stand-alone GAAP financial reports, the following individual financial reports are presented for the plan:

The Pension trust funds fiduciary net position activity as of September 30, 2023 was as follows:

	<u>General Employees Pension</u>
ASSETS	
Cash and cash equivalents	\$ 380,881
Investments, at fair value:	
U.S. government securities	1,336,267
Corporate bonds	1,362,573
Common stocks	4,673,764
Foreign bond funds	446,777
Foreign equity funds	990,332
Interest receivable	23,753
Total assets	<u>9,214,347</u>
LIABILITIES	
Accounts payable and accrued expenses	17,256
Due to other funds	2,231
Overfunded contributions	<u>59,741</u>
Total liabilities	<u>79,228</u>
NET POSITION	
Held in trust for pension benefits	<u>\$ 9,135,119</u>

The Pension trust funds change in fiduciary net position activity as of September 30, 2023 was as follows:

	General Employees Pension
ADDITIONS	
Contributions	
Employer contributions	\$ 85,958
Total contributions	<u>85,958</u>
Investment income	
Net appreciation in fair value of investments	855,894
Interest, dividends, and other income	<u>289,146</u>
Total investment gains (losses)	1,145,040
Less investment expense	<u>(33,942)</u>
Net investment gains (losses)	<u>1,111,098</u>
Total additions (reductions)	<u>1,197,056</u>
DEDUCTIONS	
Benefits paid	560,378
Administrative expense	<u>71,696</u>
Total deductions	<u>632,074</u>
Net change in net position	564,982
Net position held in trust for pension benefits October 1	<u>8,570,137</u>
Net position held in trust for pension benefits September 30	<u>\$ 9,135,119</u>

Plan Description

Plan administration. The Airport employees participate in the Regular Class Employees and Special Risk Class Employees Pension Plan (General Employees Pension Plan). These are single employer defined benefit pension plans. City and Airport employees participate in the General Employees Pension Plan, Regular class and only Airport employees participate in the Special Risk class. The General Employees Pension Plan was closed to new members as of August 1, 2008.

The General Employees Pension Plan is administered by a Board of Trustees comprised of:

- a) Two City Residents appointed by the City Council.
- b) Two Members of the Plan elected by a majority of the membership.
- c) A fifth Member elected by the Board and appointed by the City Council.

Plan membership. At October 1, 2022, Airport general employee pension plan membership consisted of the following:

	General Employees Pension Plan
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	-
Total	<u>9</u>

Benefits provided. The plan provides retirement, disability, and death benefits. Accrued pension equals Average Final Compensation (AFC) times Benefit Multiplier times Credited Service.

General Employees’ Pension Plan:

Normal Retirement:

Date: Regular Class – Earlier of age 62 and 6 years of Credited Service (age 57 with 10 years of Credited Service for the City Manager), or completion of 30 years of Credited Service. Special Risk Class – Earlier of age 55 and 6 years of Credited Service or completion of 25 years of Credited Service.

Benefit: Regular Class 1.6% of AFC times Credited Service. Rate increases to 1.63% if age 63 or 31 years, 1.65% if age 64 or 32 years, and 1.68% if age 65 or 33 years. Rate is 2.0% for Senior Management employees. Special Risk Class – 3.0% of Average Final Compensation times Credited Service.

Early Retirement:

Date: 6 years of Credited Service for both Regular and Special Risk Class.

Benefit: Regular Class – Accrued benefit reduced 5% for each year prior to Normal Retirement. Special Risk Class - Accrued benefit reduced 3% for each of the first 5 years prior to Normal Retirement and 5% for each additional year thereafter.

Vesting:

Schedule: 100% after 6 years of Credited Service for both Regular and Special Risk Class.

Benefit: Vested portion of accrued benefit payable at the otherwise Normal Retirement date.

Disability Retirement:

Service-Connected Eligibility: Covered from date of employment for both Regular and Special Risk Class.

Non-Service-Connected Eligibility: After 8 years of Credited Service.

Benefit: Regular Class – Accrued to date of disability, but not less than 42% of AFC (Service Connected), or 25% of AFC (Non-Service Connected). Special Risk Class – Accrued to date of disability, but not less than 65% of AFC (Service Connected), or 25% of AFC (Non-Service Connected)

Pre-Retirement Death:

Vested: Beneficiary receives an immediate or deferred monthly benefit computed based on the assumption that the member retired on the date of death and elected the 100% joint and survivor annuity.

Non-Vested: Refund of Member Contributions, if any.

Cost of Living Adjustment (COLA):

Regular Class – each July 1 following retirement the monthly benefit amount is increased 3%, based on the June benefit, excluding any supplemental benefit. Special Risk Class – beginning on the July 1 following 2 years of payments, the monthly amount is increased 3% based on the June benefit, excluding any supplemental benefit.

Supplement:

Early and Normal Retirees receive a monthly benefit of \$5 for each year of Credited Service (minimum is \$30 and maximum is \$150) for both Regular and Special Risk Class.

Contribution Requirements. The pension plan provides retirement and disability benefits to plan members and beneficiaries. This pension plan is administered by a separate local Board of Trustees. Benefit provisions and contribution requirements are established by City ordinance as provided in Chapter 23, Articles V, VI and VII of the Melbourne City Code. Amendments may only be made by City Council adoption of a local ordinance.

Contributions. The employer, employee, and State contribution requirements are applicable to each Plan and actuarially determined on an annual basis. Administrative costs of the pension plan are financed by the plan. No employee contributions are required for

the General Employee Pension Plan. The employer contributions for the General Employee Pension Plan were \$45,983 for general employees and \$39,975 for Airport police personnel for the 2022-2023 fiscal year.

The Airport’s annual contributions exceeded the annual pension cost for the local pension plan for the year ended September 30, 2023. The Airport’s contribution to the General Employees Special Risk Class was \$39,975. The General Employees Regular Class used \$45,983 in prepaids.

Investments

Investment policy. The pension plan policy in regard to the allocation of invested assets is established and may be amended by the Board of Trustees. In fulfilling their fiduciary responsibility, the Board recognizes that the pension plan is an essential vehicle for providing income benefits to retired participants. The Board also recognizes that the obligations of the Plan are long-term, and that investment policy should be made with a view toward performance and return over a number of years. The general investment objective is to obtain a reasonable total rate of return, defined as interest and dividend income plus realized and unrealized capital gains and losses, commensurate with the Prudent Investor Rule and any other applicable City Ordinances and State Statutes.

The following was the Board’s adopted asset allocation policy as of September 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity	50%
International Equity	10%
Domestic Fixed Income	35%
Global Fixed Income	5%
Real Estate	0%
Alternatives	0%

Concentration. Investments (excluding mutual funds and those issued or guaranteed by the U.S. government) held by the local pension plan did not exceed five percent of total plan assets.

Rate of Return. For the year end September 30, 2023, the annual money-weighted rate of return on the General Employee Pension Plan investments was 12.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deferred Retirement Option Plan (DROP)

General Employees’ Pension Plan:

Members are eligible to enter the DROP at the Normal Retirement Date. DROP participants are not eligible for death or disability benefits. The maximum DROP participation duration is 60 months. The Accrued Benefit is frozen and no further Employee Contributions are payable at DROP entry. The Accrued Benefit accumulates in the DROP account with an annual interest rate of 1.3%, compounded monthly on the prior month’s ending balance.

A Member’s final DROP account value for distribution is the value of the account at the end of the quarter immediately preceding termination of participation in the DROP, plus any monthly periodic additions made to the DROP account subsequent to the end of the previous quarter and prior to distribution. The DROP balance at September 30, 2023 was \$0 for Regular Class, and \$0 for Special Risk Class.

Net Pension Liability of the City of Melbourne

The components of the net pension liability of the City at September 30, 2023, as follows, is presented in accordance with GASB Statement No. 67, while the net pension liability recognized by the City in the current financial statements represents the net pension liability measured as of September 30, 2022, which is allowed by GASB Statement No. 68.

	General Employees Pension Plan	
	Regular Class*	Airport Special Risk Class
Total pension liability	\$ 6,197,005	\$ 1,646,514
Plan fiduciary net position	(7,570,159)	(1,564,961)
Sponsor's net pension liability (asset)	\$ (1,373,154)	\$ 81,553
Plan fiduciary net position as a percentage of total pension liability	122.16%	95.05%

* The Airport's portion of the Regular Class net pension asset is 9.363% or (\$128,568).

Actuarial assumptions. The total pension liability was determined by an actuarial valuation as of October 1, 2022 for the General Employees Pension Plan using the following actuarial assumptions applied to all measurement periods:

	General Employees Pension Plan
Inflation	2.50%
Salary increases	6.00%
Investment rate of return	7.00%

The actuarial assumptions used in the October 1, 2022 valuation were carried forward from the prior actuary. No recent actuarial experience study has been performed. The mortality table has been revised to that used in the valuation of FRS as of July 1, 2022 and 2023, as required by state statutes.

The long term expected rate of return on pension plan investments was determined using a building-block method in which best estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2023 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return General Employees Pension Plan
Domestic Equity	7.50%
International Equity	8.50%
Domestic fixed income	2.50%
Global fixed income	3.50%

Discount rate. The discount rate used to measure the total pension liability for the General Employee Pension Plan was 7.00%. The projection of cash flows used to determine the discount rate assumes that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contributions rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long term expected rate of return on pension plan investments was applied to all periods of projected benefits payments to determine the total pension liability.

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability of the City, calculated using the discount rate, as well as what the City's net pension liability (asset) 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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
General Employee Regular Class	(719,082)	(1,373,154)	(1,925,743)
General Employee Airport Special Risk Class	298,534	81,553	(95,864)

Net Pension Liability

The Airport's net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2023 for the General Employee Pension Plan, which will be recorded in the fiscal year ending September 30, 2023.

GENERAL EMPLOYEES REGULAR CLASS PENSION PLAN

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Reporting Period Ending 9/30/2022	\$ 6,423,501	\$ 8,959,773	\$ (2,536,272)
Changes for the year:			
Service cost	16,645	-	16,645
Interest	438,469	-	438,469
Difference between expected and actual experience	(172,731)	-	(172,731)
Contributions - employer	-	48,752	(48,752)
Net investment income	-	(1,581,993)	1,581,993
Benefit payments, including refunds of employee contributions	(352,604)	(352,604)	-
Administrative expenses	-	(37,798)	37,798
Net changes	<u>(70,221)</u>	<u>(1,923,643)</u>	<u>1,853,422</u>
Reporting Period Ending 9/30/2023	<u>\$ 6,353,280</u>	<u>\$ 7,036,130</u>	<u>\$ (682,850)</u>

The Airport's portion of the Regular Class net pension liability is 7.6% or \$51,776.

GENERAL EMPLOYEES SPECIAL RISK CLASS PENSION PLAN (AIRPORT)

	<u>Increase (Decrease)</u>		
	<u>Total Pension</u>	<u>Plan Fiduciary</u>	<u>Net Pension</u>
	<u>Liability</u>	<u>Net Position</u>	<u>Liability</u>
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Reporting Period Ending 9/30/2022	\$ 1,465,219	\$ 1,894,698	\$ (429,479)
Changes for the year:			
Interest	99,915	-	99,915
Difference between expected and actual experience	196,904	-	196,904
Contributions- employer	-	56,835	(56,835)
Net investment income	-	(333,670)	333,670
Benefit payments, including refunds of employee contributions	(75,736)	(75,736)	-
Administrative expenses	-	(8,119)	8,119
Net changes	<u>221,083</u>	<u>(360,690)</u>	<u>581,773</u>
Reporting Period Ending 9/30/2023	<u>\$ 1,686,302</u>	<u>\$ 1,534,008</u>	<u>\$ 152,294</u>

Sensitivity of the net pension liability (asset) to changes in the discount rate. The following presents the net pension liability (asset) of the Airport, calculated using the discount rate, as well as what the Airport'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:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
General Employee Regular Class*	\$ (3,141)	\$ (682,850)	\$ (1,255,696)
General Employee Special Risk Class	\$ 369,638	\$ 152,294	\$ (24,808)

*The Airport's portion of the Regular Class sensitivity of the net pension asset is 7.6%.

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

For the year ended September 30, 2023, the City will recognize a pension expense of \$56,081 for the General Employees Regular Class Pension Plan. On September 30, 2023 the City reported for the **General Employees Regular Class Pension Plan** deferred outflows and inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 1,214,835	\$ -
Contributions subsequent to the measurement date	45,983	-
Total	<u>\$ 1,260,818</u>	<u>\$ -</u>

The Airport's portion of the deferred outflows is 6.3% or \$79,225.

Deferred outflows of \$45,983, resulting from City contributions subsequent to the measurement date of September 30, 2022, will be recognized as an adjustment to the net pension asset (liability) in the fiscal year ending September 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2024	\$ 266,648
2025	234,868
2026	273,875
2027	439,444

For the year ended September 30, 2023 the Airport will recognize a pension expense of \$228,189 for the General Employees Special Risk Class Pension Plan. On September 30, 2023, the City reported for the Airport's **General Employees Special Risk Class Pension Plan** deferred outflows and inflows of resources from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 265,263	\$ -
Contributions subsequent to the measurement date	39,975	-
Total	<u>\$ 305,238</u>	<u>\$ -</u>

Deferred outflows of \$39,975, resulting from Airport contributions subsequent to the measurement date of September 30, 2022, will be recognized as a reduction to the net pension liability in the fiscal year ending September 30, 2024. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending September 30:

2024	\$ 59,234
2025	53,056
2026	59,902
2027	93,071

Florida Retirement System

General Information – Airport employees who are not covered under the Fire, Police, or General Pension Plans participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the FRS Pension Plan (“Pension Plan”) and the Retiree Health Insurance Subsidy (“HIS Plan”). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (“Investment Plan”) alternative to the FRS Pension Plan, which is administered by the State Board of Administration (“SBA”). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefits are established by Chapter 121, Florida Statutes, and Chapter 60S, Florida Administrative Code. Amendments to the law can be made only by an act of the Florida State Legislature.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000, or from the website: www.dms.myflorida.com/workforce_operations/retirement/publications.

Pension Plan

Plan Description – The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (“DROP”) for eligible employees.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age, average final compensation, and service credit. For Pension Plan members enrolled before July 1, 2011, Regular class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 1.6% of their final average compensation based on the five highest years of salary, for each year of credited service. Vested members with less than 30 years of service may retire before age 62 and receive reduced retirement benefits. Special Risk class members (sworn Airport police officers) who retire at or after age 55 with at least six years of credited service, or with 25 years of service regardless of age, are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service. Senior Management Service class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 2.0% of their final average compensation based on the five highest years of salary for each year of credited service. Elected Officers’ class members who retire at or after age 62 with at least six years of credited service or 30 years of service regardless of age are entitled to a retirement benefit payable monthly for life, equal to 3.0% of their final average compensation based on the five highest years of salary for each year of credited service.

For Plan members enrolled on or after July 1, 2011, the vesting requirement is extended to eight years of credited service for all these members and increasing normal retirement to age 65 or 33 years of service regardless of age for Regular, Senior Management Service, and Elected Officers’ class members, and to age 60 or 30 years of service regardless of age for Special Risk class members. Also, the final average compensation for all these members will be based on the eight highest years of salary.

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is three percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of three percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by three percent. Plan members initially enrolled on or after July 1, 2011, will not have a cost-of-living adjustment after retirement.

In addition to the above benefits, the DROP program allows eligible members to defer receipt of monthly retirement benefit payments while continuing employment with a FRS employer for a period not to exceed 60 months after electing to participate. Deferred monthly benefits are held in the FRS Trust Fund and accrue interest. There are no required contributions by DROP participants.

Contributions – Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS based on state-wide contribution rates established by the Florida Legislature. These rates, which include the HIS plan of 1.66%, are updated as of July 1 of each year. The employer contribution rates by job class for the periods from October 1, 2022 through June 30, 2023 and from July 1, 2023 through September 30, 2023, respectively, were as follows: Regular 11.91% and 13.57%; Special Risk Airport Police 27.83% and 32.67%; Senior Management Service 31.57% and 34.52%; Elected Officers’ 57.00% and 58.68%; DROP participants 18.60% and 21.13%; Re-employed General 5.89% and 6.78%, and Re-employed Airport Police 11.33% and 13.95%.

Airport's contributions, including employee contributions, to the Pension Plan totaled \$509,539 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the Airport reported a liability of \$3,163,617 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Airport's proportionate share of the net pension liability was based on the Airport's 2021-22 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the Airport's proportionate share was .081801%, which was a decrease of .000467% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Airport recognized pension expense of \$591,737. In addition, the Airport reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 262,582	\$ -
Change of assumptions	204,309	-
Net difference between projected and actual earnings on FRS plan investments	116,796	-
Changes in proportion and differences between City FRS plan contributions and proportionate share of contributions	65,232	10,000
City FRS plan contributions subsequent to the measurement date	79,511	-
Total	<u>\$ 728,430</u>	<u>\$ 10,000</u>

The deferred outflows of resources related to the FRS Pension Plan, totaling \$926,627 resulting from City contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2024. Other amounts reported as Airport deferred outflows of resources and deferred inflows of resources related to the FRS Pension Plan will be recognized in pension expense as follows:

Year Ending September 30:	
2024	\$ 87,078
2025	(34,500)
2026	522,507
2027	49,634
2028	14,210

Actuarial Assumptions – The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumption, applied to all period included in the measurement:

Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation

Mortality rates were based on the PUB-2010 base table, which varies by member category and sex, projected generationally with scale MP-2018.

The actuarial assumptions used in the June 30, 2023, valuation was based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected investment rate of return was not based on historical returns, but instead was based on a forward-looking capital market economic model. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption.

For the FRS Pension Plan, the table below summarizes the consulting actuary's assumptions based on the long-term target asset allocation. The reduced investment return assumption of 6.70 percent, which was adopted by the Florida Retirement System Actuarial Assumption Conference, conflicts with the consulting actuary's judgement of a reasonable assumption as defined by Actuarial Standards of Practice No. 27.

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.1%
Fixed income	19.8%	4.5%	4.4%	3.4%
Global equity	54.0%	8.7%	7.1%	18.1%
Real estate	10.3%	7.6%	6.6%	14.8%
Private equity	11.1%	11.9%	8.8%	26.3%
Strategic investments	3.8%	6.3%	6.1%	7.7%
Total	100.00%			
Assumed Inflation - Mean			2.4%	1.4%

* As outlined in the Plan's investment policy

Discount Rate - The discount rate used to measure the total pension liability was 6.70%. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Airport's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Airport's proportionate share of the net pension liability calculated using the discount rate of 6.70%, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.70%) or one percentage point higher (7.70%) than the current rate:

	1% Decrease (5.70%)	Current Discount Rate (6.70%)	1% Increase (7.70%)
Airport's proportionate share of the net pension liability	\$ 5,404,102	\$ 3,163,617	\$ 1,289,183

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2023, the Airport reported a payable in the amount of \$38,329 for outstanding contributions to the FRS Pension Plan required for the fiscal year ended September 30, 2023.

Health Insurance Subsidy (HIS) Plan

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

Benefits Provided - For the fiscal year ended September 30, 2023, eligible retirees and beneficiaries received a monthly HIS payment of \$5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of \$30 and a maximum HIS payment of \$150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions – The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2023, the HIS contribution was 1.66%. The Airport contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Airport’s contributions to the HIS Plan totaled \$58,899 for the fiscal year ended September 30, 2023.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – At September 30, 2023, the Airport reported a liability of \$1,353,017 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2023. The Airport’s proportionate share of the net pension liability was based on the Airport’s 2021-22 fiscal year contributions relative to the 2022-23 fiscal year contributions of all participating members. At June 30, 2023, the Airport's proportionate share was .089947%, which was an increase of .000205% from its proportionate share measured as of June 30, 2022.

For the fiscal year ended September 30, 2023, the Airport recognized pension expense of \$547,000. In addition, the Airport reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 21,372	\$ 3,427
Change of assumptions	41,435	5,101
Net difference between projected and actual earnings on HIS Plan investments	754	-
Changes in proportion and differences between City HIS Plan contributions and proportionate share of contributions	47,049	47,040
City HIS Plan contributions subsequent to the measurement date	<u>15,812</u>	<u>-</u>
Total	<u>\$ 126,422</u>	<u>\$ 55,568</u>

The deferred outflows of resources related to the HIS Plan, totaling \$15,812 resulting from Airport contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Year Ending September 30,	
2024	\$ 9,623
2025	5,834
2026	9,707
2027	19,039
2028	10,085
Thereafter	784

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

Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.65 %

Mortality rates were based on the Generational PUB-2010 with Projection Scale MP-2018.

The actuarial assumptions used in the July 1, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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

Sensitivity of the Airport's Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Airport's proportionate share of the net pension liability calculated using the discount rate of 3.65%, as well as what the Airport's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.65%) or one percentage point higher (4.65%) than the current rate:

	<u>1% Decrease</u> <u>(2.65%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(3.65%)</u>	<u>1% Increase</u> <u>(4.65%)</u>
Airport's proportionate share of the net pension liability	\$ 1,543,581	\$ 1,353,017	\$ 1,195,052

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2023, the Airport reported a payable in the amount of \$4,406, for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2023.

Investment Plan

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

The FRS Investment Plan has 991 participating employers. The Airport has 19 participating employees.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. City employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected County Officers, etc.), as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members. Allocations to the investment member's accounts during the 2022-23 fiscal year, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 10.19%, Special Risk class 26.11%, Senior Management Service class 29.85% and County Elected Officers class 55.28%.

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

After termination and applying to receive benefits, the member may rollover-vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension

Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan or remain in the Investment Plan and rely upon that account balance for retirement income.

Airport contributions, including employee contributions, to the Investment Plan totaled \$237,616 for the fiscal year ended September 30, 2023.

C. Post-Employment Benefits Other Than Pensions (OPEB)

Plan Description - The City of Melbourne administers a single-employer defined benefit healthcare plan (the “Plan”) that provides medical insurance to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the City is required to provide eligible retirees (as defined in the City’s pension plans) the opportunity to participate in this Plan at the same cost that is applicable to active employees. Eligible retirees must be drawing an immediate benefit from their respective pension plan and be enrolled in medical coverage prior to retirement. Surviving spouses of participants are allowed access to the Plan but must pay the full premium. Benefit provisions for the Plan were established by City Council on May 12, 1987 and may only be amended by City Council. The City does not issue stand-alone financial statements for this Plan. All financial information related to the Plan is accounted for in the City’s basic financial statements. The Plan does not have a trust.

Funding Policy - The City is funding the post employee benefits on a pay-as-you-go basis. Contribution rates for the Plan are established by City Council annually. For non-union and Police Union employees hired prior to January 1, 2011, the City provides 50% of the health insurance premium for retirees who opt for coverage through the City’s insurance program or the Florida Retired Public Employees Group Medicare Supplemental Insurance Program as an explicit subsidy. IAFF employees hired prior to October 14, 2014, receive a subsidy at the rate of 2% per year of service up to a maximum of 50% of published rates, until the retiree reaches normal Medicare age. LIU Union employees hired prior to January 1, 2011, and who retire from the City with at least 8 years of service (current FRS vesting requirement) with the City, receive a 50% contribution toward retiree (single) group health insurance or toward the group Medicare supplemental plan. For the fiscal year ended September 30, 2023, the City contributed \$599,120 to cover 266 retired employees and \$24,598 for the Airport to cover 14 retired employees. Blended premium rates for active and retired employees combined provide an implicit subsidy for retirees because on an actual basis, their current and future claims are expected to result in higher costs to the Plan than those of active employees. The current year contribution represents an estimate of this implied subsidy.

Plan Membership – At October 1, 2023, OPEB membership consisted of the following:

	Airport Employees
Inactive members currently receiving benefits	14
Active members	43
Total	57

Actuarial Assumptions and Other Inputs – The total OPEB liability in the September 30, 2023 actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
*Salary Increases	0.9% to 5.3% projected annual salary increase
Discount rate	4.40% investment rate of return
Health care cost trend rates	7.50% percent using Society of Actuaries Long-Term Model
Retirees' share of benefit-related costs	50% of projected health insurance premiums

*Salary scale used by FRS depends on gender and service.

The discount rate was based on an index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the PUB-2010 base table which varies by member category and sex, projected generationally with scale MP-2021.

The actuarial assumptions used in the September 30, 2023 valuation are based on the results of a full valuation as of September 30, 2021, which was completed on the measurement date. The City recognized \$624,965 as the current portion for payments expected in the next fiscal year.

At September 30, 2023 the City of Melbourne reported a Net OPEB liability of \$16,829,169. The GASB 75 information has been provided as of the October 1, 2022 measurement date.

	Change in Net OPEB Liability		
	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance as of October 1, 2021 for FYE 2022	\$ 19,733,527	\$ -	\$ 19,733,527
Changes for the year:			
Service cost	753,899	-	753,899
Interest	420,980	-	420,980
Experience losses/(gains)	1,127,861	-	1,127,861
Trust Contribution - Employer	-	1,021,419	(1,021,419)
Changes of assumptions	(4,185,679)	-	(4,185,679)
Benefit payments (net of retiree contributions)	(1,021,419)	(1,021,419)	-
Net changes	(2,904,358)	-	(2,904,358)
Balance as of October 1, 2022 for FYE 2023	<u>\$ 16,829,169</u>	<u>-</u>	<u>\$ 16,829,169</u>

The Airport's share of the net OPEB liability is 4.85% or \$816,971.

Changes in assumptions and other inputs reflect a change in the discount rate from 2.19% as of September 30, 2020 to 4.40% as of September 30, 2022. The healthcare cost trend was based on the 2022 model released by the Society of Actuaries (SOA). The mortality improvement scale was updated to MP 2021 from MP 2018. The per capita claims cost assumption was updated to reflect recent claims and premium experience. The methods, assumptions, and participant data used are detailed in the actuarial valuation report dated September 30, 2023 with the exception of the actuarial cost method. These calculations are based in the Entry Age Normal cost method required by GASB 75.

Sensitivity of the Net OPEB Liability - The following table represents the City's net OPEB liability calculated using the discount rate of 4.40%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (3.40%) or one percentage point higher (5.40 %) than the current rate:

	1% Decrease (3.40%)	Current Discount Rate (4.40%)	1% Increase (5.40%)
Net OPEB Liability	\$ 18,634,435	\$ 16,829,169	\$ 15,278,729

The following table represents the City's net OPEB liability calculated using the health care cost trend rate of 3.94%, as well as what the City's net OPEB liability would be if it were calculated using a health care cost trend rate that is one percentage point lower (2.94%) or one percentage point higher (4.94%) than the current rate:

	1% Decrease (2.94%)	Current Ultimate Trend (3.94%)	1% Increase (4.94%)
Net OPEB Liability	\$ 15,423,696	\$ 16,829,169	\$ 18,533,175

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

For the fiscal year ended September 30, 2023, the City of Melbourne recognized an OPEB expense of \$996,942. In addition, the City reported deferred outflows of resources and deferred inflows of resources related to the OPEB plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,607,645	\$ 1,146,853
Change of assumptions	1,447,315	3,553,606
City contributions subsequent to the measurement date	623,718	-
Total	<u>\$ 4,678,678</u>	<u>\$ 4,700,459</u>

The Airport's portion of the deferred outflows and inflows of resources is 4.7% or \$219,318 and deferred inflows of resources is 2.1% or \$98,015.

The deferred outflows of resources related to OPEB, totaling \$623,718 resulting from City contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the fiscal year ending September 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in the expense as follows:

Year Ending September 30:	
2024	\$ (177,937)
2025	(177,935)
2026	227,449
2027	(517,076)

D. Other Employee Benefit Plans

1. 457 Deferred Compensation Plans

The City sponsors two 457 Deferred Compensation Plans as an eligible employer as defined in Internal Revenue Code Section 457(e)(1). The assets of both plans are held in trust for participating employees, with the City serving as trustee for the exclusive benefit of the plan participants and their beneficiaries. In 2012, senior City management established the City of Melbourne 457 Plan Committee and hired NFP Retirement, formerly Fiduciary First, as a consultant, to remain in compliance with regulations governing 457 plans and to ensure the City receives the best investment options and best value for plan participants. The Committee, working in conjunction with the consultant, review the plans and their performance, and make recommendations to the City Manager for changes to the plans.

The City of Melbourne 457(b) Deferred Compensation Plan – Deferred Compensation Plan for Public Employees 457 Governmental Plan and Trust is administered by Nationwide Retirement Solutions and was established by Resolution No. 520 on April 10, 1979. Benefit terms for the 457 plan are established and may be amended by the City Manager as authorized by City Council, most recently restated by Resolution No. 3883, on October 10, 2019. The plan is fully funded by participants, operating on a pre-tax basis in the tax-deferred 457 plan, and operating on an after-tax basis in the Roth 457 plan, with contributions vesting immediately. The City does not contribute to the plan.

The 457 Governmental Deferred Compensation Plan and Trust is administered by Mission Square Retirement, formerly the International City Managers' Association Retirement Corporation, was established by Resolution No. 823 on July 12, 1983. Benefit terms for the 457 plan are established and may be amended by the City Manager as authorized by City Council, most recently restated by Resolution No. 3884, on October 10, 2019. The plan is fully funded by participants, operating on a pre-tax basis in the tax-deferred 457 plan, and operating on an after-tax basis in the Roth 457 plan, with contributions vesting immediately. The City does not contribute to the plan.

2. Melbourne Airport Authority 401(a) Plan

Established by Resolution No. 12-20 of the Melbourne Airport Authority on December 2, 2020, the Melbourne Airport Authority 401(a) Plan offers the Authority with the ability to make contributions for the benefit of key positions as a means to attract and retain employees in senior management positions. The plan is administered by Nationwide Retirement Solutions and voluntary participation is limited to the Executive Director and director-level positions at the airport.

Benefit terms are established and may be amended by the Melbourne Airport Authority. The Executive Director has the authority to determine the amount of discretionary contributions received by other participants of the plan, while the Melbourne Airport Authority

Board determines the discretionary amount of contributions the Executive Director receives. For all participants, contributions vest immediately. For the year ended September 30, 2023, the plan had 3 active participants and the airport made \$147,386 in contributions.

E. Contingencies

1. Litigation

The Airport is named as a defendant in various lawsuits. The outcomes of the lawsuits are not determinable at this time. It is the opinion of counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the Airport.

2. Grants

The Airport receives funds from federal, state, and private agencies under grants and contracts. The costs, both direct and indirect, charged to these grants and contracts are subject to audit and possible disallowance by the sponsoring agency. It is management's belief that any disallowances or adjustments would not have a significant effect on the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

The following schedules are reported in this subsection:

- Schedule of Changes in Net Pension Liability and Related Ratios-Regular Class
- Schedule of Changes in Net Pension Liability and Related Ratios-Special Risk
- Schedule of City Contributions
- Schedule of Investment Returns
- Schedules of Proportionate Share of the Net Pension Liability Health Insurance Subsidy Program
- Schedules of Contributions
- Schedule of Changes in the City's Total OPEB Liability and Related Ratios

Governmental Accounting Standards Board Codification P20 "Pension Activities" require supplementary information be reported on the local pension plans in addition to that provided in the Notes to the Financial Statements. This information is presented in the following schedules. Additional years' information will be included until 10 years of information is displayed.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
GENERAL EMPLOYEES PENSION
REGULAR CLASS**

	9/30/2023*	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Total pension liability					
Service cost	\$ 17,706	\$ 16,645	\$ 16,781	\$ 17,072	\$ 28,806
Interest	432,985	438,469	432,565	437,262	435,536
Difference between expected and actual experience	(235,981)	(172,731)	3,728	27,758	(42,598)
Changes in assumptions	-	-	-	(161,274)	-
Contributions - Buy Back	-	-	-	-	-
Benefit payments, including refunds of employee contributions	(370,985)	(352,604)	(384,581)	(390,662)	(380,046)
Net change in total pension liability	(156,275)	(70,221)	68,493	(69,844)	41,698
Total pension liability - beginning	6,353,280	6,423,501	6,355,008	6,424,852	6,383,154
Total pension liability - ending (a)	<u>\$ 6,197,005</u>	<u>\$ 6,353,280</u>	<u>\$ 6,423,501</u>	<u>\$ 6,355,008</u>	<u>\$ 6,424,852</u>
Plan fiduciary net position					
Contributions - employer	\$ 45,983	\$ 48,752	\$ 50,534	\$ 48,635	\$ 45,479
Contributions - Buy Back	-	-	-	-	-
Net investment income	897,567	(1,581,993)	1,372,153	715,805	363,214
Benefit payments, including refunds of employee contributions	(370,985)	(352,604)	(384,581)	(390,662)	(380,046)
Administrative expense	(38,536)	(37,798)	(42,371)	(40,720)	(47,375)
Net change in plan fiduciary net position	534,029	(1,923,643)	995,735	333,058	(18,728)
Plan fiduciary net position - beginning	7,036,130	8,959,773	7,964,038	7,630,980	7,649,708
Plan fiduciary net position - ending (b)	<u>\$ 7,570,159</u>	<u>\$ 7,036,130</u>	<u>\$ 8,959,773</u>	<u>\$ 7,964,038</u>	<u>\$ 7,630,980</u>
Net pension asset - ending (a) - (b)	<u>\$ (1,373,154)</u>	<u>\$ (682,850)</u>	<u>\$ (2,536,272)</u>	<u>\$ (1,609,030)</u>	<u>\$ (1,206,128)</u>
Plan fiduciary net position as a percentage of the total pension liability	122.16%	110.75%	139.48%	125.32%	118.77%
Covered payroll	\$ 109,885	\$ 98,744	\$ 92,865	\$ 95,315	\$ 173,308
Net pension liability of a percentage of covered payroll	(1,249.63)%	(691.54)%	(2,731.14)%	(1688.12)%	(695.94)%

*The net pension liability recognized by the City in the current year financial statements represents the net pension liability measured as of September 30, 2022, which is allowed by GASB Codification P20.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST NINE FISCAL YEARS
GENERAL EMPLOYEES PENSION
REGULAR CLASS
(CONCLUDED)**

	9/30/2018	9/30/2017	9/30/2016	9/30/2015	9/30/2014
Total pension liability					
Service cost	\$ 29,388	\$ 34,004	\$ 57,835	\$ 49,546	\$ 90,848
Interest	430,656	418,526	396,941	406,207	391,267
Difference between expected and actual experience	(8,617)	88,609	(62,793)	(31,975)	-
Changes in assumptions	-	-	338,980	442,831	-
Contributions - Buy Back	-	-	20,712	-	-
Benefit payments, including refunds of employee contributions	(382,238)	(344,239)	(494,716)	(329,470)	(169,081)
Net change in total pension liability	69,189	196,900	256,959	537,139	313,034
Total pension liability - beginning	6,313,965	6,117,065	5,860,106	5,322,967	5,009,933
Total pension liability - ending (a)	<u>\$ 6,383,154</u>	<u>\$ 6,313,965</u>	<u>\$ 6,117,065</u>	<u>\$ 5,860,106</u>	<u>\$ 5,322,967</u>
Plan fiduciary net position					
Contributions - employer	\$ 36,154	\$ 25,204	\$ 43,928	\$ 52,573	\$ 70,913
Contributions - Buy Back	-	-	20,712	-	-
Net investment income	642,567	898,559	583,511	(143,686)	819,869
Benefit payments including refunds of employee contributions	(382,238)	(344,239)	(494,716)	(329,470)	(169,081)
Administrative expense	(43,941)	(41,090)	(47,733)	(40,805)	(37,463)
Net change in plan fiduciary net position	252,542	538,434	105,702	(461,388)	684,238
Plan fiduciary net position - beginning	7,397,166	6,858,732	6,753,030	7,214,418	6,530,180
Plan fiduciary net position - ending (b)	<u>\$ 7,649,708</u>	<u>\$ 7,397,166</u>	<u>\$ 6,858,732</u>	<u>\$ 6,753,030</u>	<u>\$ 7,214,418</u>
Net pension asset - ending (a) - (b)	<u>\$ (1,266,554)</u>	<u>\$ (1,083,201)</u>	<u>\$ (741,667)</u>	<u>\$ (892,924)</u>	<u>\$ (1,891,451)</u>
Plan fiduciary net position as a percentage of the total pension liability	119.84%	117.16%	112.12%	115.24%	135.53%
Covered payroll	\$ 155,432	\$ 193,136	\$ 284,325	\$ 496,332	\$ 416,889
Net pension liability of a percentage of covered payroll	(814.86)%	(560.85)%	(260.85)%	(179.90)%	(453.71)%

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
GENERAL EMPLOYEES PENSION
AIRPORT SPECIAL RISK CLASS**

	9/30/2023*	9/30/2022	9/30/2021	9/30/2020	9/30/2019
Total pension liability					
Service cost	\$ -	\$ -	\$ 27,365	\$ 27,775	\$ 26,338
Interest	111,412	99,915	101,532	99,047	94,064
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	38,193	196,904	(50,483)	7,096	(16,296)
Changes in assumptions	-	-	-	(44,312)	-
Benefit payments, including refunds of employee contributions	(189,393)	(75,736)	(72,570)	(34,834)	(33,861)
Net change in total pension liability	(39,788)	221,083	5,844	54,772	70,245
Total pension liability - beginning	1,686,302	1,465,219	1,459,375	1,404,603	1,334,358
Total pension liability - ending (a)	\$ 1,646,514	\$ 1,686,302	\$ 1,465,219	\$ 1,459,375	\$ 1,404,603
Plan fiduciary net position					
Contributions - employer	\$ 39,975	\$ 56,835	\$ 75,764	\$ 77,540	\$ 73,106
Net investment income	188,275	(333,670)	279,132	136,905	64,937
Benefit payments, including refunds of employee contributions	(189,393)	(75,736)	(72,570)	(34,834)	(33,861)
Administrative expense	(7,904)	(8,119)	(8,808)	(7,695)	(8,437)
Net change in plan fiduciary net position	30,953	(360,690)	273,518	171,916	95,745
Plan fiduciary net position - beginning	1,534,008	1,894,698	1,621,180	1,449,264	1,353,519
Plan fiduciary net position - ending (b)	\$ 1,564,961	\$ 1,534,008	\$ 1,894,698	\$ 1,621,180	\$ 1,449,264
Net pension liability (asset) - ending (a) - (b)	\$ 81,553	\$ 152,294	\$ (429,479)	\$ (161,805)	\$ (44,661)
Plan fiduciary net position as a percentage of the total pension liability	95.05%	90.97%	129.31%	111.09%	103.18%
Covered payroll	N/A	N/A	\$ 31,974	\$ 71,569	\$ 72,705
Net pension liability (asset) as a percentage of covered payroll	N/A	N/A	(1,343.21)%	(226.08)%	(61.43)%

*The net pension liability recognized by the City in the current year financial statements represents the net pension liability measured as of September 30, 2022, which is allowed by GASB Codification P20.

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
LAST TEN FISCAL YEARS
GENERAL EMPLOYEES PENSION
AIRPORT SPECIAL RISK CLASS
(CONCLUDED)**

	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>	<u>9/30/2015</u>	<u>9/30/2014</u>
Total pension liability					
Service cost	\$ 25,640	\$ 25,050	\$ 22,024	\$ 56,954	\$ 47,919
Interest	89,768	80,237	91,869	82,160	72,693
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(21,419)	58,940	(281,383)	32,533	-
Changes in assumptions	-	-	20,015	136,013	-
Benefit payments, including refunds of employee contributions	(32,776)	(24,552)	(18,900)	(8,382)	(8,174)
Net change in total pension liability	<u>61,213</u>	<u>139,675</u>	<u>(166,375)</u>	<u>299,278</u>	<u>112,438</u>
Total pension liability - beginning	<u>1,273,145</u>	<u>1,133,470</u>	<u>1,299,845</u>	<u>1,000,567</u>	<u>888,129</u>
Total pension liability - ending (a)	<u><u>\$ 1,334,358</u></u>	<u><u>\$ 1,273,145</u></u>	<u><u>\$ 1,133,470</u></u>	<u><u>\$ 1,299,845</u></u>	<u><u>\$ 1,000,567</u></u>
Plan fiduciary net position					
Contributions - employer	\$ 60,208	\$ 51,197	\$ 32,286	\$ 47,458	\$ 90,530
Net investment income	107,983	141,013	84,999	(19,272)	100,040
Benefit payments, including refunds of employee contributions	(32,776)	(24,552)	(18,900)	(8,382)	(8,174)
Administrative expense	(7,624)	(6,639)	(7,217)	(5,710)	(4,822)
	<u>127,791</u>	<u>161,019</u>	<u>91,168</u>	<u>14,094</u>	<u>177,574</u>
Net change in plan fiduciary net position					
Plan fiduciary net position - beginning	<u>1,225,728</u>	<u>1,064,709</u>	<u>973,541</u>	<u>959,447</u>	<u>781,873</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 1,353,519</u></u>	<u><u>\$ 1,225,728</u></u>	<u><u>\$ 1,064,709</u></u>	<u><u>\$ 973,541</u></u>	<u><u>\$ 959,447</u></u>
Net pension liability (asset) - ending (a) - (b)	<u><u>\$ (19,161)</u></u>	<u><u>\$ 47,417</u></u>	<u><u>\$ 68,761</u></u>	<u><u>\$ 326,304</u></u>	<u><u>\$ 41,120</u></u>
Plan fiduciary net position as a percentage of the total pension liability	101.44%	96.28%	93.93%	74.90%	95.89%
Covered payroll	\$ 69,831	\$ 70,811	\$ 75,771	\$ 110,625	\$ 190,350
Net pension liability (asset) as a percentage of covered payroll	(27.44)%	66.96%	90.75%	294.96%	21.60%

REGULAR CLASS

Fiscal Year Ended September 30,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Total Contributions as a Percentage of Covered Payroll
2023	\$ 45,983	\$ 45,983	\$ -	\$ 109,885	41.85%
2022	48,752	48,752	-	98,744	49.37%
2021	50,534	50,534	-	92,865	54.42%
2020	48,635	48,635	-	95,315	51.03%
2019	45,479	45,479	-	173,308	26.24%
2018	36,154	36,154	-	155,432	23.26%
2017	25,204	25,204	-	193,136	13.05%
2016	43,928	43,928	-	284,325	15.45%
2015	52,573	52,573	-	496,332	10.59%
2014	70,913	70,913	-	416,889	17.01%

AIRPORT SPECIAL RISK CLASS

Fiscal Year Ended September 30,	Actuarially Determined Contributions	Contributions in Relation to the Actuarially Determined Contributions	Contribution Deficiency (Excess)	Covered Payroll	Total Contributions as a Percentage of Covered Payroll
2023	\$ 39,975	\$ 39,975	\$ -	N/A	N/A
2022	56,835	56,835	-	N/A	N/A
2021	75,764	75,764	-	31,974	236.96%
2020	77,540	77,540	-	71,569	108.34%
2019	73,106	73,106	-	72,705	100.55%
2018	60,208	60,208	-	69,831	86.22%
2017	51,197	51,197	-	70,811	72.30%
2016	32,286	32,286	-	75,771	42.61%
2015	47,458	47,458	-	110,625	42.90%
2014	90,530	90,530	-	190,350	47.56%

Notes to Schedule

Valuation date: 10/01/2021

Actuarially determined contribution rates are calculated as of October 1, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Aggregate Cost Method (General Regular Class)
	Entry age normal (Special Risk)
Amortization method	Level percentage of pay, closed
Remaining amortization period	N/A (Regular Class)
	15 years (Special Risk)

Asset valuation method	Historical geometric 4-year average market value returns, net of fees
Inflation	2.5%
Salary increases	6.0%
Investment rate of return	7.0%
Payroll growth assumption	None
Normal retirement	Regular - Earlier of age 62 and 6 years of service or the completion of 30 years of service Special Risk – Earlier of 55 and 6 years of service or the completion of 25 years of service
Early retirement	Completion of 6 years of service
Disability retirement	It is assumed that 0.43% - 2.8% of disablements and active member deaths are service related.
Mortality	PubG.H-2010, sex distinct tables, set forwards one year, Scale MP-2018 for healthy active, retired, beneficiary lives. PubG.H-2010, set forward three years for Regular Class disabled lives, and 80%/20%. PubG.H-2010 for Special Risk disabled lives.

**SCHEDULE OF INVESTMENT RETURNS
LAST TEN FISCAL YEARS**

**ANNUAL MONEY-WEIGHTED RATE OF
INVESTMENT EXPENSES**

FISCAL YEAR ENDED SEPTEMBER 30,	GENERAL EMPLOYEES PENSION
2023	12.94%
2022	(17.74%)
2021	17.25%
2020	9.33%
2019	4.70%
2018	8.55%
2017	12.79%
2016	8.46%
2015	(1.92%)
2014	11.79%

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FLORIDA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

As of June 30,	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.081800764%	\$ 32,595,015	\$ 35,591,272	91.58%	82.38%
2022	0.082267863%	30,610,256	32,768,526	93.41%	82.89%
2021	0.083853878%	6,334,207	31,959,084	19.82%	96.40%
2020	0.084050243%	36,428,614	32,847,376	110.90%	78.85%
2019	0.074783341%	25,754,342	28,521,661	90.30%	82.61%
2018	0.078370505%	23,605,602	29,567,774	79.84%	84.26%
2017	0.079354279%	23,472,463	29,674,596	79.10%	83.89%
2016	0.079258566%	20,012,850	27,871,449	71.80%	84.88%
2015	0.079673656%	10,290,921	26,680,027	38.57%	92.00%
2014	0.079984257%	4,880,216	25,481,617	19.15%	96.09%

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS**

As of June 30,	City's proportion of the net pension liability (asset)	City's proportionate share of the net pension liability (asset)	City's covered payroll	City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	Plan fiduciary net position as a percentage of the total pension liability
2023	0.089946976%	\$ 14,284,779	\$ 35,591,272	40.14%	4.12%
2022	0.089741580%	9,505,067	32,768,526	29.00%	4.81%
2021	0.090257254%	11,071,409	31,959,084	34.64%	3.56%
2020	0.094640000%	11,555,390	32,847,376	35.18%	3.00%
2019	0.085367187%	9,551,734	28,521,661	33.49%	2.63%
2018	0.090438251%	9,572,086	29,567,774	32.37%	2.15%
2017	0.090468948%	9,673,357	29,674,596	32.60%	1.64%
2016	0.090215231%	10,514,211	27,871,449	37.72%	0.97%
2015	0.087923955%	8,966,860	26,680,027	33.60%	0.50%
2014	0.088954715%	8,317,483	25,481,617	32.64%	0.99%

Note: These schedules include the City and the Airport.

**SCHEDULE OF CONTRIBUTIONS
FLORIDA RETIREMENT SYSTEM
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 3,935,143	\$ 3,935,143	\$ -	\$ 34,734,148	11.33%
2022	3,510,519	3,510,519	-	\$ 32,805,431	10.70%
2021	3,194,470	3,194,470	-	32,075,428	9.96%
2020	2,792,617	2,792,617	-	32,010,599	8.72%
2019	2,318,823	2,318,823	-	30,228,181	7.67%
2018	2,233,496	2,233,496	-	28,765,311	7.76%
2017	2,065,787	2,065,787	-	29,260,292	7.06%
2016	2,169,203	2,169,203	-	30,392,862	7.14%
2015	1,936,874	1,936,874	-	26,867,609	7.21%
2014	1,589,141	1,589,141	-	25,478,479	6.24%

**SCHEDULE OF CONTRIBUTIONS
HEALTH INSURANCE SUBSIDY PROGRAM
LAST TEN FISCAL YEARS**

Fiscal Year Ended September 30,	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	City's Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 591,687	\$ 591,687	\$ -	\$ 34,734,148	1.70%
2022	543,012	543,012	-	\$ 32,805,431	1.66%
2021	530,533	530,533	-	32,075,428	1.65%
2020	545,366	545,366	-	32,010,599	1.70%
2019	474,036	474,036	-	30,228,181	1.57%
2018	490,449	490,449	-	28,765,311	1.71%
2017	478,788	478,788	-	29,260,292	1.64%
2016	497,507	497,507	-	30,392,862	1.64%
2015	363,208	363,208	-	26,867,609	1.35%
2014	308,312	308,312	-	25,478,479	1.21%

Note: These schedules include the City and the Airport.

Governmental Accounting Standards Board Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions" (OPEB) require supplementary information be reported in addition to that provided in the notes to the Financial Statements. Additional years' information will be included until 10 years of information is displayed.

**SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS**

	<u>9/30/2023</u>	<u>9/30/2022</u>	<u>9/30/2021</u>	<u>9/30/2020</u>
Total pension liability				
Service cost	\$ 753,899	\$ 679,754	\$ 539,312	\$ 401,198
Interest cost	420,980	446,333	426,802	519,920
Difference between expected and actual experience	1,127,861	-	2,295,440	38,454
Changes in assumptions	(4,185,679)	566,975	615,278	1,777,286
Benefit payments	(1,021,419)	(959,184)	(794,479)	(750,565)
Net change in OPEB liability	(2,904,358)	733,878	3,082,353	1,986,293
Total OPEB liability - beginning	19,733,527	18,999,649	18,355,634	16,369,341
Total OPEB liability - ending (a)	<u>\$ 16,829,169</u>	<u>\$ 19,733,527</u>	<u>\$ 21,437,987</u>	<u>\$ 18,355,634</u>
Plan fiduciary net position				
Contributions - employer	\$ 1,021,419	\$ 959,184	\$ 794,479	\$ 750,565
Benefit payments	(1,021,419)	(959,184)	(794,479)	(750,565)
	-	-	-	-
Net change in plan fiduciary net position				
Plan fiduciary net position - beginning	-	-	-	-
Plan fiduciary net position - ending (b)	-	-	-	-
Net OPEB liability - ending (a) - (b)	<u>\$ 16,829,169</u>	<u>\$ 19,733,527</u>	<u>\$ 21,437,987</u>	<u>\$ 18,355,634</u>
Plan fiduciary net position as a percentage of the total	0.00%	0.00%	0.00%	0.00%
*Covered-employee payroll	\$ -	\$ -	\$ -	\$ -
Net OPEB liability as a percentage of covered payroll	0.00%	0.00%	0.00%	0.00%

*Because this OPEB plan does not depend on salary, there is no salary information

Changes in benefit terms: None

Changes in assumptions: None

The following are the discount rates used in each period:

10/1/2017	3.50%
10/1/2018	3.83%
10/1/2019	2.75%
10/1/2020	2.41%
10/1/2021	2.19%
10/1/2022	4.40%

This plan does not have assets in a trust.

**SCHEDULE OF CHANGES IN THE CITY'S
TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST SIX FISCAL YEARS
(CONCLUDED)**

	<u>9/30/2019</u>	<u>9/30/2018</u>
Total OPEB liability		
Service cost	\$ 551,562	\$ 585,037
Interest cost	559,862	509,501
Difference between expected and actual experience	(2,119,942)	-
Changes in assumptions	(717,709)	(787,439)
Benefit payments	<u>(712,111)</u>	<u>(746,566)</u>
Net change in OPEB liability	<u>(2,438,338)</u>	<u>(439,467)</u>
Total OPEB liability - beginning	16,369,341	16,808,808
Total OPEB liability - ending (a)	<u><u>\$ 13,931,003</u></u>	<u><u>\$ 16,369,341</u></u>
Plan fiduciary net position		
Contributions - employer	\$ 712,111	\$ 746,566
Benefit payments	<u>(712,111)</u>	<u>(746,566)</u>
Net change in plan fiduciary net position	-	-
Plan fiduciary net position - beginning	-	-
Plan fiduciary net position - ending (b)	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Net OPEB liability - ending (a) - (b)	<u><u>\$ 13,931,003</u></u>	<u><u>\$ 16,369,341</u></u>
Plan fiduciary net position as a percentage of the total	0.00%	0.00%
*Covered-employee payroll	\$ -	\$ -
Net OPEB liability as a percentage of covered-employee payroll	0.00%	0.00%



Carr, Riggs & Ingram, LLC
215 Baytree Drive
Melbourne, Florida 32940

(321) 255-0088
(321) 259-8648 (fax)
www.cricpa.com

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

Chairman and Airport Authority
Melbourne Orlando International Airport

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Melbourne Orlando International Airport (the “Airport”), a discretely presented component unit of the City of Melbourne, Florida, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise Airport’s basic financial statements, and have issued our report thereon dated March 18, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Airport’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 Airport’s internal control. Accordingly, we do not express an opinion on the effectiveness of Airport’s internal control.

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida
March 18, 2024



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215 Baytree Drive
Melbourne, Florida 32940

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(321) 259-8648 (fax)
www.cricpa.com

INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR THE PASSENGER FACILITY CHARGE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE PASSENGER FACILITY CHARGE PROGRAM GUIDE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF PASSENGER FACILITY CHARGES

Mr. Greg Donovan Executive Director
Melbourne Orlando International Airport

Report on Compliance for the Passenger Facility Charge Program

Opinion on the Passenger Facility Charge Program

We have audited Melbourne Orlando International Airport’s compliance with the types of compliance requirements described in the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration (the “Guide”) that could have a direct and material effect on Melbourne Orlando International Airport’s passenger facility charge program for the year ended September 30, 2023.

In our opinion, Melbourne Orlando International Airport complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its passenger facility charge program for the year ended September 30, 2023.

Basis for Opinion on the Passenger Facility Charge Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements described in the Guide. Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Melbourne Orlando International Airport 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 the passenger facility charge program. Our audit does not provide a legal determination of Melbourne Orlando International Airport’s compliance with the compliance requirements referred to above.

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 Melbourne Orlando International Airport's passenger facility charge program.

Auditor's Responsibilities for the Audit 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 Melbourne Orlando International Airport'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 generally accepted auditing standards, *Government Auditing Standards*, and the Passenger Facility Charge Audit Guide for Public Agencies, issued by the Federal Aviation Administration 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 Melbourne Orlando International Airport's compliance with the requirements of the passenger facility charge program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, 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 Melbourne Orlando International Airport'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 Melbourne Orlando International Airport'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 Guide, but not for the purpose of expressing an opinion on the effectiveness of Melbourne Orlando International Airport'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 the 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 the 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 the passenger facility charge program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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 Guide. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Passenger Facility Charges

We have audited the financial statements of the Melbourne Orlando International Airport, a component unit of the City of Melbourne, Florida as of and for the year ended September 30, 2023, and the related notes to the financial statements which comprise the Melbourne Orlando International Airport's basic financial statements. We issued our report thereon dated March 18, 2024, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Melbourne Orlando International Airport's basic financial statements. The accompanying Schedule of Expenditures of Passenger Facility Charges is presented for purposes of additional analysis as required by the Guide and is 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 Schedule of Expenditures of Passenger Facility Charges provides relevant information that is not provided by the financial statements and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America or a complete presentation in accordance with the cash basis of accounting. Under the cash basis of

accounting, expenditures are recognized when paid rather than when the obligation is incurred and receipts are recorded when cash is received rather than when earned. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Passenger Facility Charges is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Restriction on Use

This report is intended solely for the information and use of management, the Melbourne Airport Authority Board, others within the Melbourne Orlando International Airport and the Federal Aviation Administration and is not intended to be and should not be used by anyone other than these specified parties.

Carr, Riggs & Ingram, L.L.C.

Melbourne, Florida

March 18, 2024

**Melbourne Orlando International Airport
Schedule of Expenditures of Passenger Facility Charges
For the Year Ended September 30, 2023**

Application Number	Project Name	Approved Project Cost	Financial Completion Date	Unliquidated Passenger Facility Charges at September 30, 2022	Passenger Facility Charge Revenue	Passenger Facility Charge Expenditures	Unliquidated Passenger Facility Charges at September 30, 2023
18-08-C-00-MLB	Terminal Development	\$ 11,742,070	Active	\$ (5,597,017)	\$ 1,471,469	\$ -	\$ (4,125,548)
		\$ 11,742,070		\$ (5,597,017)	\$ 1,471,469	\$ -	\$ (4,125,548)

Melbourne Orlando International Airport
Notes to the Schedule of Expenditures of Passenger Facility Charges
For the Year Ended September 30, 2023

NOTE 1: GENERAL

The accompanying Schedule of Expenditures of Passenger Facility Charges (the "Schedule") presents the activity of the passenger facility charge program of the Melbourne Orlando International Airport (the "Airport") for the year ended September 30, 2023. All passenger facility charges collected and expended are included in the accompanying schedule. Because the Schedule presents only a select portion of the operations of the Airport, it is not intended to, and does not present the financial position, change in net position or cash flows of the Airport.

NOTE 2: BASIS OF ACCOUNTING

The Schedule of Expenditures of Passenger Facility Charges is prepared on the cash basis of accounting. Under the cash basis of accounting, expenditures are recognized when paid rather than when the obligation is incurred and receipts are recorded when cash is received rather than when earned. However, the Airport's financial statements are prepared on the accrual basis of accounting and such transactions are recorded in the financial statements when revenue is earned or expenses are incurred. The information in this Schedule is presented in accordance with the requirements of the Passenger Facility Charge Audit Guide for Public Agencies issued by the Federal Aviation Administration in September 2000. Therefore, some amounts presented in this Schedule may differ from amounts presented in or used in the preparation of the financial statements. To date, the Airport has expended more than it has collected for passenger facility charges and has an ending unliquidated balance, which will be funded with future passenger facility charge collections.