

Lee County Port Authority

Component Unit Financial Report



Years Ended September 30, 2011 and 2010



LEE COUNTY PORT AUTHORITY



Lee County Port Authority

Lee County, Florida

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ROBERT M. BALL, A.A.E.
EXECUTIVE DIRECTOR

February 17, 2012

MICHAEL D. HUNT
PORT AUTHORITY ATTORNEY

Dear Friends:

I am pleased to present the Lee County Port Authority's (Port Authority) financial results for the fiscal year ending September 30, 2011. Despite continued global, regional, and local economic challenges, our financial results were encouraging.

**BOARD OF
PORT COMMISSIONERS**

BRIAN BIGELOW

For the fiscal year, total passengers at Southwest Florida International Airport numbered 7,667,548, an increase of 3.89 percent when compared with the previous year. Operating expenses before depreciation were \$60.8 million, an increase of \$2.4 million when compared to last year's results. The major increases in this category were attributable to benefits related to personnel costs and contracted services. Total revenues were \$83.8 million, an increase of \$900,000 over last year's results. The majority of increases were from rental cars and terminal concessions.

TAMMY HALL

RAY JUDAH

These factors have resulted in the signatory airlines receiving approximately \$2.7 million in a refund of landing fees and terminal rents. Additionally, the carriers received their share of net revenues, which totaled \$3.6 million. The actual cost-per-enplaned passenger was calculated to be \$6.52, which is \$0.52 less than the previous year.

FRANK MANN

JOHN E. MANNING

Major ongoing projects in the past year included the continued conceptual design of the Parallel Runway, design of the RSW Apron Expansion, and the construction of the Aircraft Rescue and Fire Fighting station. The station is expected to be completed in the summer of 2012.

The Port Authority was recognized during the year for many notable awards. The Federal Aviation Administration (FAA) recognized the Airport with the Air Carrier Airport Safety Award for the Airport's ongoing safety record; the Southeast Chapter of the American Association of Airport Executives (SEC-AAAE) recognized the Airport with the Commercial Airport Project of the Year Award for the Airport's expansion of the Wildlife Management Program; Airports Council International (ACI-NA) recognized the Airport with the Excellence in Marketing Award for the "Fly Me to the Moon" art exhibit, and the Florida Airport Council (FAC) recognized Page Field with the Environmental Excellence Award for Page Field's Pollution Prevention Program.

From an air-service perspective, new and expanded markets over the past year included Raleigh/Durham, Rochester, Chicago/Midway, Milwaukee, Columbus, Nashville, and Lansing.

SOUTHWEST FLORIDA INTERNATIONAL AIRPORT

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

February 17, 2012

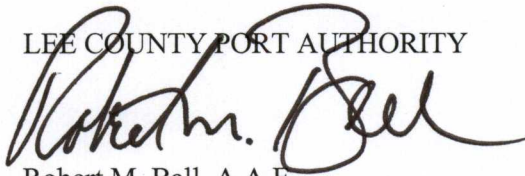
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Turning our focus to Page Field Airport, the construction of the new General Aviation Terminal was completed in August 2011. The project, (Base Ops), is a 22,613 square-foot terminal and fuel farm. Base Ops offers first-class services and amenities for passengers and crews, an executive conference room and seminar facility, easy access to and from runways via a new parallel taxiway, 600,000 square feet of ramp space with exclusive business aircraft parking, and a 24,000 square-foot hangar.

We are extremely pleased with the results of the past fiscal year and look forward to serving our customers at Southwest Florida International Airport and Page Field during the upcoming year.

Sincerely,

LEE COUNTY PORT AUTHORITY

A handwritten signature in black ink, appearing to read "Robert M. Ball". The signature is fluid and cursive, with a large initial "R" and "B".

Robert M. Ball, A.A.E.
Executive Director



Independent Auditors' Report

To the Board of County Commissioners of
Lee County, Florida

and

To the Board of Port Commissioners of the
Lee County Port Authority:

We have audited the accompanying basic financial statements of the Lee County Port Authority, a blended component unit of Lee County, Florida (the "Authority") as of and for the year ended September 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the management of Lee County Port Authority. Our responsibility is to express an opinion on these financial statements based on our audit. The Authority's financial statements as of and for the year ended September 30, 2010 were audited by other auditors whose report dated February 9, 2011 expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit also includes 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, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lee County Port Authority as of September 30, 2011, and the changes in financial position and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 17, 2012 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 8 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquires of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the Lee County Port Authority's basic financial statements. The letter of transmittal and the supplemental schedule are presented for purpose of additional analysis and are not a required part of the basic financial statements. The letter of transmittal and the supplemental schedule have not been subjected to the auditing procedures applied in the audit of the basis financial statements and, accordingly, we express no opinion or provide any assurance on them.

Cheng, Behaert & Holland, L.L.P.

Orlando, Florida
February 17, 2012



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Management's Discussion and Analysis (unaudited)

This discussion and analysis is intended to serve as an introduction to the Lee County Port Authority's (Port) financial statements for fiscal years ending September 30, 2011 and 2010. The information here should be taken in conjunction with the financial statements, footnotes and supplementary information found in this report.

Financial Highlights and Summary

Table 1 reflects a summary of net assets for 2011, 2010, and 2009.

<u>Table 1</u>			
Summary of Net Assets			
September 30, 2011, 2010, and 2009			
(000's)			
	<u>2011</u>	<u>2010</u>	<u>2009</u>
Current and other assets	\$200,809	\$196,726	\$193,440
Capital Assets	<u>689,930</u>	<u>686,046</u>	<u>696,031</u>
Total assets	<u>890,739</u>	<u>882,772</u>	<u>889,471</u>
Current liabilities	31,791	33,198	33,386
Non-current liabilities	<u>349,197</u>	<u>356,599</u>	<u>370,965</u>
Total liabilities	<u>380,988</u>	<u>389,797</u>	<u>404,351</u>
Net assets:			
Invested in capital assets, net of related debt	369,207	355,435	350,005
Restricted	44,333	42,008	43,782
Unrestricted	<u>96,211</u>	<u>95,532</u>	<u>91,333</u>
Total net assets	<u>\$509,751</u>	<u>\$492,975</u>	<u>\$485,120</u>

Summary of Net Assets Analysis

In 2011, total assets increased \$7,967,000. This increase was primarily due to a combination of an increase in cash and cash equivalents of \$13,660,000, a decrease in receivables of \$815,000, a decrease in investments of \$10,183,000, an increase in fixed assets of \$12,851,000, an increase of \$6,044,000 in construction work in progress and an increase of \$15,011,000 in accumulated depreciation. In 2011, total liabilities decreased \$8,809,000. This decrease was primarily due to an increase in accounts payable of \$3,070,000, a decrease of \$3,346,000 in accrued liabilities, a decrease in bond and note payables of \$11,892,000, and an increase in other post employment benefits ("OPEB") of \$2,942,000.

In 2010, total assets decreased \$6,699,000. This decrease was primarily due to a combination of an increase in cash and cash equivalents of \$5,427,000, a decrease in investments of \$108,000, a net increase in accounts receivable of \$480,000, an increase in accumulated depreciation of \$19,385,000, an increase of \$5,002,000 in fixed assets and a \$3,859,000 increase in construction work in progress. In 2010, total liabilities decreased \$14,554,000. This decrease was primarily due to a decrease in contracts and accounts payable of \$1,747,000, an increase in OPEB of \$1,695,000, an increase in airlines refunds and rebates of \$3,872,000, a decrease of \$2,483,000 in other accrued liabilities, and a decrease in bonds payable (net of amortization) of \$15,380,000.

Lee County Port Authority
September 30, 2011

Table 2 reflects a summary of revenues, expenses, and changes in net assets for 2011, 2010 and 2009.

Table 2
Summary of Revenues, Expenses, and Changes in Net Assets
For the Years Ended September 30, 2011, 2010 and 2009
(000's)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
<i>Revenues, net:</i>			
User fees	\$46,837	\$47,531	\$45,515
Rental cars	17,051	16,581	16,831
Parking	12,498	12,289	12,057
Other, net	<u>7,392</u>	<u>6,533</u>	<u>9,225</u>
Total revenues, net	<u>83,778</u>	<u>82,934</u>	<u>83,628</u>
<i>Expenses:</i>			
Salaries, wages and benefits	31,901	30,317	31,734
Contractual services, materials and supplies, Utilities, Repairs and Maintenance	25,744	24,650	26,213
Depreciation and amortization	19,709	19,632	19,339
Other	<u>3,217</u>	<u>3,408</u>	<u>4,271</u>
Total expenses	<u>80,571</u>	<u>78,007</u>	<u>81,557</u>
Operating income	<u>3,207</u>	<u>4,927</u>	<u>2,071</u>
<i>Non-operating revenues (expenses):</i>			
Investment earnings	471	701	829
Interest expense	(18,882)	(21,162)	(21,782)
Passenger facility charges	15,582	15,156	14,942
Other revenues (expenses)	<u>263</u>	<u>439</u>	<u>408</u>
Total non-operating revenues (expenses)	<u>(2,566)</u>	<u>(4,866)</u>	<u>(5,603)</u>
Income (loss) before capital contributions	641	61	(3,532)
Capital contributions	<u>16,135</u>	<u>7,794</u>	<u>19,895</u>
Increase in net assets	16,776	7,855	16,363
Beginning net assets	<u>492,975</u>	<u>485,120</u>	<u>468,757</u>
Ending net assets	<u>\$509,751</u>	<u>\$492,975</u>	<u>\$485,120</u>

Summary of Revenues and Expenses Analysis

In 2011, operating income totaled \$3,207,000, a decrease of \$1,720,000, which was a combination of an increase of total net revenues of \$844,000 and an increase of \$2,564,000 in operating expenses. The increase in total net revenues was primarily due to an increase of \$1,013,000 in fuel sales (due to a higher average sales price), an increase of \$228,000 in privilege fees, a decrease of \$1,081,000 in landing fees, (due to a lower landing fee) and a decrease of \$1,037,000 in signatory airline rents (due to a lower terminal rental rate). Operating expenses increased \$2,564,000 in 2011 mainly due to an increase of \$1,584,000 in salaries and benefits (mainly due to an increase in OPEB) and an increase of \$1,094,000 in contractual services (due to increases costs in the parking contract and an increase in cost of fuel sold for resale).

In 2010, operating income totaled \$4,927,000, an increase of \$2,856,000, which was a combination of a decrease of \$694,000 in total net revenues and a decrease of \$3,550,000 in operating expenses. The decrease to total net revenues was primarily due to an increase of \$1,000,000 in landing fees, (due to a higher landing fee rate) an increase of \$515,000 in aviation fuel sales, (due to a higher average sales price) a decrease of \$250,000 in rental car fees (due to less activity) an increase of \$232,000 in parking lot revenue, (due to a change in the parking rates) an increase of \$201,000 in rentals (mainly due to a reclassification of cell tower rental revenue) and an increase of

Lee County Port Authority

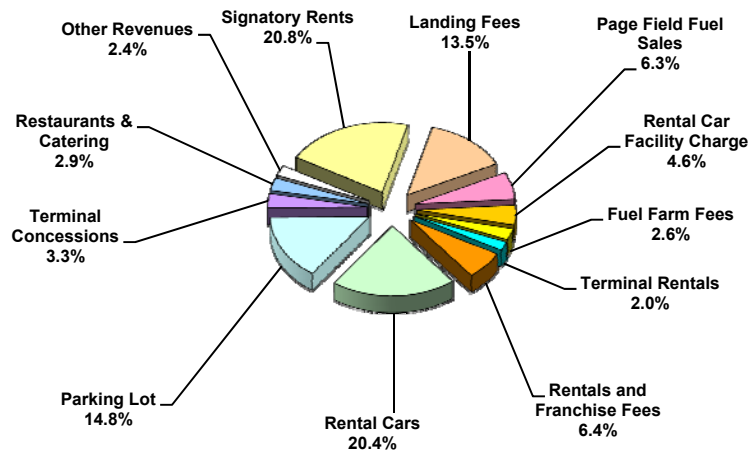
September 30, 2011

\$3,035,000 in airline refunds and rebates (due to the recalculation of the annual rates and charges per the airline use agreement). Operating expenses decreased \$3,550,000 in 2010, mainly due to a decrease of \$1,827,000 in OPEB, a decrease in contractual services of \$714,000 (due to decreased costs in the parking and janitorial contracts) and a decrease in utilities of \$1,159,000, (due to lower electric rates and fuel credits).

In 2011, capital contributions totaled \$16,135,000, an increase of \$8,341,000. This was due to a combination of a \$1,168,000 grant for a fire truck, a \$5,069,000 grant for the general aviation terminal, a \$1,159,000 grant for the entrance road to the general aviation terminal, and a \$500,000 ARRA solar grant. In 2010, capital contributions totaled \$7,794,000, a decrease of \$12,101,000. This was due to a combination of additional grants received in 2009. These include a grant of \$6,936,000 for the Midfield terminal, a grant of \$5,577,000 for the apron at Page Field, and a grant of \$1,189,000 for T-hangars at Page Field.

The following charts summarize the Net Revenues and Expenses for fiscal year 2011.

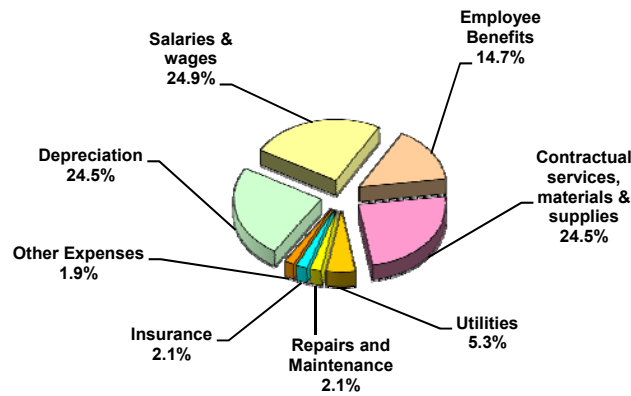
Operating Revenues for Fiscal Year 2011



<u>Operating Revenues</u>	<u>2011</u>	<u>2010</u>	<u>2011 Percent of Total</u>	<u>Increase/ (Decrease) from 2010</u>	<u>% Increase/ (Decrease) from 2010</u>
Signatory Rents	\$17,395,000	\$18,432,000	20.8%	\$(1,037,000)	-5.6%
Landing Fees	11,349,000	12,430,000	13.5%	(1,081,000)	-8.7%
Page Field Fuel Sales	5,267,000	4,254,000	6.3%	1,013,000	23.8%
Rental Car Facility Charge	3,814,000	3,629,000	4.6%	185,000	5.1%
Fuel Farm Fees	2,159,000	2,130,000	2.6%	29,000	1.4%
Terminal Rentals	1,716,000	1,902,000	2.0%	(186,000)	-9.8%
Rentals & Franchise Fees	5,379,000	5,230,000	6.4%	149,000	2.8%
Rental Cars	17,051,000	16,581,000	20.4%	470,000	2.8%
Parking Lot	12,498,000	12,289,000	14.8%	209,000	1.7%
Terminal Concessions	2,743,000	2,637,000	3.3%	106,000	4.0%
Restaurants & Catering	2,437,000	2,286,000	2.9%	151,000	6.6%
Other Revenues	1,970,000	1,134,000	2.4%	836,000	73.7%
Total Net Operating Revenues	\$83,778,000	\$82,934,000	100.0%	\$844,000	1.0%

Lee County Port Authority
September 30, 2011

Operating Expenses for Fiscal Year 2011



Operating Expenses	2011	2010	2011	Increase/	% Increase/
			Percent of	(Decrease)	(Decrease)
			Total	from 2010	from 2010
Salaries & wages	\$20,029,000	\$19,920,000	24.9%	\$109,000	0.5%
Employee benefits	11,872,000	10,397,000	14.7%	1,475,000	14.2%
Contractual services, materials & supplies	19,747,000	17,819,000	24.5%	1,928,000	10.8%
Utilities	4,278,000	4,253,000	5.3%	25,000	0.6%
Repairs and maintenance	1,719,000	2,578,000	2.1%	(859,000)	-33.3%
Insurance	1,725,000	1,817,000	2.1%	(92,000)	-5.1%
Other expenses	1,492,000	1,591,000	1.9%	(99,000)	-6.2%
Depreciation	19,709,000	19,632,000	24.5%	77,000	0.4%
Total Operating Expenses	\$80,571,000	\$78,007,000	100%	\$ 2,564,000	3.3%

Passenger Facility Charges

In November 1992, the Port received approval from the Federal Aviation Administration (“FAA”) to impose a Passenger Facility Charge (PFC) of \$3.00 per eligible enplaned passenger. In 1998, the Port issued PFC Revenue Bonds for \$52,225,000 to fund eligible capital improvements and land acquisition. In November 2003, the Port was granted authority to raise the PFC level from \$3.00 to \$4.50. In September 2010, the FAA approved a PFC Application for \$51,877,000. Projects in the application were all for the Southwest Florida International Airport and include design and construction of a new Fire and Rescue Station, various fire rescue equipment, design and construction of taxiways and apron, design and permitting of the parallel runway, passenger terminal improvements, enhancements to the mitigation park and master planning and noise studies. As a result of this PFC Application, net of June 2011 amendment of \$2,086,000, the total collection authority increased from \$246,663,000 to \$296,455,000 with an estimated expiration date of May 1, 2018.

Capital Assets

Capital assets, net of \$19,706,000 of depreciation, increased by \$3,884,000 in 2011. Major capital spending in 2011 included \$7,019,000 for construction of a new aircraft rescue and fire station, \$11,117,000 for construction of a general aviation terminal and \$983,000 for development of Skyplex.

Capital assets, net of \$19,628,000 of depreciation, decreased by \$9,985,000 in 2010. Major capital spending in 2010 included \$1,688,000 in site preparation, \$883,000 for design of a new fire station, \$2,720,000 for design of an apron and \$2,632,000 for construction for a general aviation terminal at Page Field.

Lee County Port Authority
September 30, 2011

Table 3 reflects a summary of capital assets for 2011, 2010, and 2009.

Table 3
Capital Assets
September 30, 2011, 2010 and 2009
(000's)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Land	\$142,800	\$142,800	\$139,808
Easements & Right of Ways	47	45	n/a
Construction in progress	29,078	23,034	19,172
Buildings	337,222	328,769	328,787
Improvements	19,087	17,948	17,948
Equipment	48,950	47,683	45,412
Software	2,999	2,999	2,878
Artwork	713	50	-
Infrastructure	<u>289,764</u>	<u>288,437</u>	<u>288,360</u>
Subtotal	870,660	851,765	842,365
Less accumulated depreciation and amortization	<u>(180,730)</u>	<u>(165,719)</u>	<u>(146,334)</u>
Total	<u>\$689,930</u>	<u>\$686,046</u>	<u>\$696,031</u>

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

Debt Administration

As of September 30, 2011, the Port had \$351,492,000 in outstanding debt, a decrease of \$10,520,000. In October 2010, the Airport issued the Series 2010 Passenger Facility Charge Revenue Refunding Note, which refunded the Series 1998 Passenger Facility Charge Bonds. In August 2011, the Airport issued the Series 2011A Airport Revenue Refunding Bonds, which refunded the remaining portion of the Series 2000A Airport Revenue Bonds.

Table 4
Outstanding Debt
September 30, 2011, 2010 and 2009
(000's)

	<u>2011</u>	<u>2010</u>	<u>2009</u>
Series 1998 Passenger Facility Charge Bonds	\$ -	\$21,335	\$31,395
Series 2000A Airport Revenue Bonds	-	172,575	291,155
Series 2002 Airport Revenue Refunding Bonds	-	6,580	12,895
Series 2005 Airport Revenue Refunding Bonds	37,625	37,665	37,700
Series 2010A Airport Revenue Refunding Bonds	119,350	119,350	n/a
Series 2011A Airport Revenue Refunding Bonds	174,450	n/a	n/a
2004 Line of Credit Note	4,167	4,507	4,832
Series 2010 Passenger Facility Charge Loan	<u>15,900</u>	<u>n/a</u>	<u>n/a</u>
Total	<u>\$351,492</u>	<u>\$362,012</u>	<u>\$377,977</u>

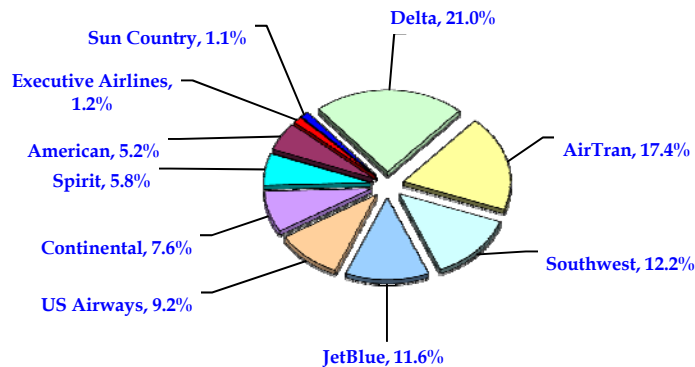
See additional information on the Port's debt in note VI to the financial statements.

Airport Activities

The total passenger count for fiscal year 2011 was 7,667,548, an increase of 3.89 percent over prior year. Below is a summary of new and increased airline service to Southwest Florida International Airport over the past year.

- Comefly: new weekly nonstop service to Aalborg, Denmark (started June 2011)
- Delta: new weekly nonstop service to Raleigh/Durham, NC (started November 2010)
- AirTran:
 - Started weekly nonstop service to Rochester, NY (started November 2010), Moline/Quad Cities, IL (started Feb 2011), and Bloomington-Normal, IL (started March 2011).
 - Increased Chicago-Midway and Milwaukee service from seasonal to year round
 - Increased nonstop service to Columbus, OH in Nov 2010 to twice daily for the season
 - Resumed service to Buffalo in March 2011.
- Southwest Airlines: new weekly service to Nashville, TN (started in January 2011, upgraded to daily in Feb 2011)
- Sun Country: new weekly service to Lansing, MI (started December 2010)
- Air Berlin: brought back the fourth weekly flight to Dusseldorf, Germany in July 2010

The following chart exhibits the Total Passenger Market Share for the Top Ten Airlines operating at Southwest Florida International Airport during Fiscal Year 2011.



<u>Airline</u>	<u>FY 2011 Market Share</u>	<u>FY 2010 Market Share</u>	<u>% Change</u>
Delta	21.0%	19.0%	10.5%
AirTran	17.4%	16.6%	4.8%
Southwest	12.2%	11.4%	7.0%
JetBlue	11.6%	12.0%	-3.3%
US Airways	9.2%	9.9%	-7.1%
Continental	7.6%	8.2%	-7.3%
Spirit	5.8%	5.2%	11.5%
American	5.2%	5.3%	-1.9%
Executive Airlines	1.2%	1.0%	20.0%
Sun Country	1.1%	1.2%	-8.3%

Airline Rates and Charges

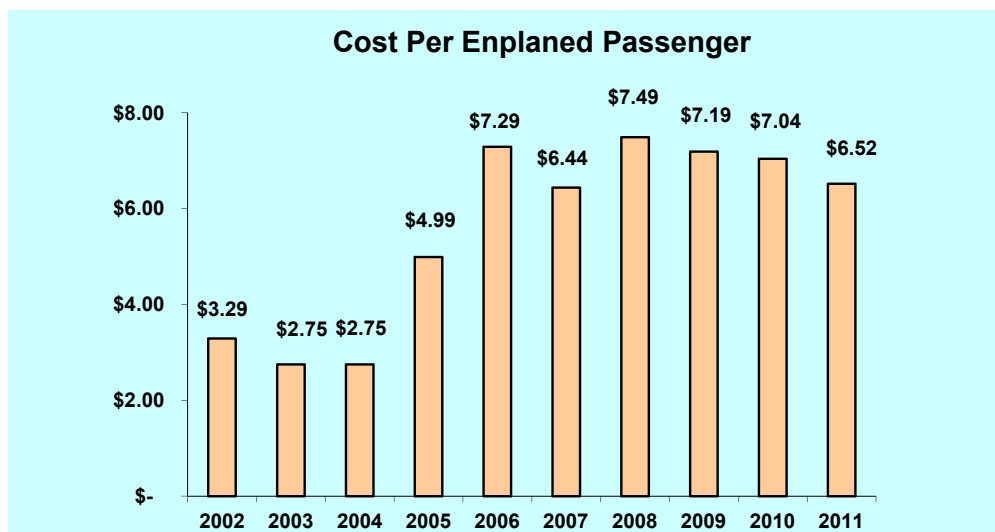
The Port Authority negotiated a new airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred as Signatory Airlines) with the key terms of the agreement approved by the Board in May 2008. The new Agreement commenced on October 1, 2008 with a five-year term, expiring on September 30, 2013.

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

Terminal premises are leased on an exclusive use, preferential use and joint use basis. The Authority will lease certain Terminal premises on a common use basis, as may be necessary. It is the intent of the Authority to manage its Terminal facilities in an efficient manner, while also respecting the schedules of its airline parties. Ticket counters, offices, operations areas, and baggage make-up facilities will be leased on an exclusive use basis. Gates/holdrooms and aircraft parking positions will be leased on a preferential use basis. Baggage claim will be leased on a joint use basis, with costs allocated to the Signatory Airlines based on twenty percent (20%) allocated to all Signatory Airlines equally, and eighty percent (80%) allocated to all Signatory Airlines based on the ratio of each Signatory Airline's enplaned passengers annually at the Airport.

Landing Fees are calculated using a "residual" Airfield Cost Center approach and will be based upon the total landed weight for all airline groups (Signatory, non-Signatory, Cargo, Charter, and International). Terminal Rents are calculated using a commercial compensatory method (i.e., rentable square foot divisor). Charges for the leasing of all Terminal space will be assessed on a square-footage basis. In fiscal year 2011, the Signatory Airlines paid the Port Authority \$22,992,000. This amount is net of refunds of \$2,680,000 and revenue sharing of \$3,584,000.

It is typical for the airline industry to measure its costs by its cost per enplaned passenger. Airports use this as a management tool to assess how well they are doing compared to the industry and how effective they are in managing the airport. The following chart shows the cost per enplanement at Southwest Florida International Airport over the past 10 fiscal years. Please note, the increase in 2006 was due to the first full year of operations in the new terminal.



Lee County Port Authority
September 30, 2011

Financial Contact

The Lee County Port Authority's financial statements and this analysis are designed to give a general overview to all interested parties. If you should have any questions regarding this report or require additional information, please contact the Lee County Port Authority Finance Department, 11000 Terminal Access Road, Suite 8671, Fort Myers, Florida, 33913.

Financial Statements





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Lee County Port Authority
Lee County, Florida
STATEMENTS OF NET ASSETS
As of September 30, 2011 and 2010
(amounts expressed in thousands)

	2011	2010
ASSETS		
Current assets:		
Cash and equity in pooled cash and investments	\$ 100,649	\$ 84,802
Investments	10,475	20,595
Restricted assets	11,538	17,331
Receivables (net):		
Accounts	3,768	4,677
Grants	2,704	1,137
Due from other governments	-	3
Inventories	153	124
Other	924	931
Total current assets	130,211	129,600
Noncurrent assets:		
Restricted assets	66,716	63,028
Capital assets (net)	689,930	686,046
Intangible assets	13	16
Unamortized bond costs	3,869	4,082
Total noncurrent assets	760,528	753,172
Total assets	890,739	882,772
LIABILITIES		
Current liabilities:		
Contracts and accounts payable	8,768	5,690
Accrued liabilities	1,475	616
Refunds and rebates	7,041	6,987
Due to Board of County Commissioners	235	70
Due to other governments	468	358
Customer deposits	470	584
Deferred revenues	847	642
Compensated absences	981	952
Notes payable	355	340
Current liabilities payable from restricted assets		
Contracts and accounts payable	-	8
Accrued liabilities	3,878	8,083
Revenue bonds payable	7,273	8,868
Total current liabilities	31,791	33,198
Noncurrent liabilities:		
Compensated absences	431	437
Notes payable	19,712	4,167
Revenue bonds payable	317,352	343,209
Due to Board of County Commissioners	141	167
Accrued liabilities	11,561	8,619
Total noncurrent liabilities	349,197	356,599
Total liabilities	380,988	389,797
NET ASSETS		
Invested in capital assets, net of related debt	369,207	355,435
Restricted for:		
Capital Projects	36,010	32,206
Debt service	7,823	9,303
Renewal and Replacement	500	499
Unrestricted	96,211	95,532
Total Net Assets	\$ 509,751	\$ 492,975

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

Lee County Port Authority
Lee County, Florida
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Years Ended September 30, 2011 and 2010
(amounts expressed in thousands)

	2011	2010
OPERATING REVENUES		
User fees	\$ 46,837	\$ 47,531
Rentals	5,379	5,230
Concessions	6,205	6,190
Parking Revenues	12,498	12,289
Rental Car Revenues	17,051	16,581
Miscellaneous	169	515
Total operating revenues	88,139	88,336
Less: Rebates	(4,361)	(5,402)
Net operating revenues	83,778	82,934
OPERATING EXPENSES		
Salaries and wages	20,029	19,920
Employee benefits	11,872	10,397
Contractual services, materials and supplies	19,747	17,819
Utilities	4,278	4,253
Repairs and maintenance	1,719	2,578
Insurance	1,725	1,817
Other	1,492	1,591
Depreciation and amortization	19,709	19,632
Total operating expenses	80,571	78,007
Operating income	3,207	4,927
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings	471	701
Interest expense	(18,882)	(21,162)
Grants	408	390
Loss on disposal of capital assets	(183)	(14)
Passenger facility charges	15,582	15,156
Other revenues	39	67
Other expenses	(1)	(4)
Total non-operating revenues (expenses)	(2,566)	(4,866)
Income before capital contributions	641	61
Capital contributions	16,135	7,794
Change in net assets	16,776	7,855
Total net assets- beginning	492,975	485,120
Total net assets - ending	\$ 509,751	\$ 492,975

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

Lee County Port Authority
Lee County, Florida
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2011 and 2010
(amounts expressed in thousands)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 84,921	\$ 86,140
Cash received (returned) from customer deposits	(113)	(319)
Other cash receipts	39	10
Payments to suppliers	(23,226)	(28,429)
Payments to employees	(31,725)	(28,304)
Net cash provided by operating activities	29,896	29,098
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	349	389
Net cash provided by noncapital financing activities	349	389
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	670	531
Capital contributions	14,854	9,727
Proceeds from passenger facilities charges	15,512	15,128
Additions to capital assets	(23,422)	(10,847)
Principal paid on bonds, loans, and leases	(12,496)	(16,761)
Interest paid on bonds, loans, and leases	(22,484)	(22,866)
Transfer to refunding escrow agent	(11)	(1)
Proceeds from sale of capital assets	189	54
Net cash used in capital and related financing activities	(27,188)	(25,035)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	78,157	75,682
Purchase of investments	(68,063)	(75,603)
Interest on investments	509	896
Net cash provided by investing activities	10,603	975
Net increase in cash and cash equivalents	13,660	5,427
Cash and equivalents at beginning of year	136,855	131,428
Cash and equivalents at end of year	\$ 150,515	\$ 136,855
Classified as:		
Current assets		
Cash and equity in pooled cash and investments	\$ 100,649	\$ 84,802
Restricted assets	11,538	17,331
Non-current assets		
Restricted assets	38,328	34,722
Totals	\$ 150,515	\$ 136,855

Lee County Port Authority
Lee County, Florida
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2011 and 2010
(amounts expressed in thousands)

	<u>2011</u>	<u>2010</u>
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ 3,207	\$ 4,927
Adjustments to reconcile operating income to net cash provided		
by operating activities:		
Depreciation and amortization	19,709	19,632
Other revenues	39	10
(Increase) decrease in accounts receivable	885	(450)
Decrease in due from other governments	2	
(Increase) decrease in inventories	(29)	486
Decrease in other assets	6	44
Increase (decrease) in contracts and accounts payable	2,635	(978)
Increase in accrued liabilities	2,999	1,715
Increase in refunds and rebates	54	3,872
Increase in due to Board of County Commissioners	165	62
Increase in due to other governments	110	43
Decrease in customer deposits	(113)	(319)
Increase (decrease) in deferred revenues	204	(214)
Increase in compensated absences	23	268
Total adjustments	<u>26,689</u>	<u>24,171</u>
Net cash provided by operating activities	<u>\$ 29,896</u>	<u>\$ 29,098</u>
 NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Increase in fair value of investments	\$ 66	\$ 85
Airport Revenue Refunding, Series 2011A issuance cost paid from bond proceeds	1,887	-
Airport Revenue Refunding, Series 2011A bond proceeds deposited directly into an irrevocable trust	177,782	-
Passenger Facility Charge Revenue & Refunding loan proceeds deposited directly into an irrevocable trust	18,848	-
Airport Revenue Refunding, Series 2010A bond proceeds deposited directly into an irrevocable trust	-	121,590
Airport Revenue Refunding, Series 2010A issuance cost paid from bond proceeds	-	1,246

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE I. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

Reporting Entity

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

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

Fund Accounting

The Port Authority uses an enterprise fund to report its activities.

Enterprise funds are used to account for operations (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (2) where it is decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

Measurement Focus

The Port Authority is accounted for on an "economic resources" measurement focus. Accordingly, all assets and liabilities are included on the Statements of Net Assets, and the reported fund net assets (total reported assets less total reported liabilities) provides an indication of the economic net worth of the Port Authority. The Statements of Revenues, Expenses, and Changes in Net Assets reports increases (revenues) and decreases (expenses) in total economic net worth.

Basis of Accounting

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011 and 2010

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

Reclassifications

Certain amounts in the fiscal year 2010 financial statements have been reclassified to conform to current year presentation.

Assets, Liabilities, and Net Assets

Cash and Equity in Pooled Cash and Investments

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

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

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

Investments

The Port Authority reports all investments at fair value, with the exception of debt investments held in an internal investment pool with a maturity within ninety days of purchase, repurchase agreements, and Local Government Surplus Funds

Investment Pool Trust Fund (State Board of Administration ("SBA")). All fair valuations are based on quoted market prices. The investment pool and repurchase agreements are stated at amortized cost, which approximates fair value. The fair value of the position in the Local Government Surplus Funds Investment Pool Trust Fund, an external 2a7-like investment pool, is the same as the value of the pool shares. The Port also participates in Fund B Surplus Funds Trust Fund, a fluctuating net asset value ("NAV") external investment pool ("Fund B").

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

Accounts Receivable

The accounts receivable of the Port Authority are recorded net of an allowance for doubtful accounts.

Inventory

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

Capital Assets

Capital assets include property, buildings, furniture, equipment, vehicles, software, and infrastructure assets. Infrastructure assets are defined as public domain capital assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, runways, and similar assets that are immovable and of value only to the government unit. The threshold for capitalizing capital assets is \$1,000. The threshold for capitalizing software and infrastructure is \$100,000. Capital assets are recorded at cost, or estimated historical cost. Contributed assets are recorded at estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011 and 2010

The ranges of the useful lives are as follows:

<u>Assets</u>	<u>Years</u>
Buildings	30-50
Improvements other than buildings	6-50
Machinery & equipment	3-35
Computer equipment	3-10
Furniture	4-20
Vehicles & rolling stock	3-10
Software	3-5
Infrastructure	20-50

Intangible Assets

On December 21, 1995, the Port Authority purchased the assets of Fort Myers Jet Center, Inc. for \$1.6 million and has classified as goodwill the excess of cost over the fair market value of assets acquired. The Port Authority is amortizing the goodwill over twenty years.

Unamortized Premiums, Bond Discounts, and Issuance Costs

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

Unamortized Bond Gains or Losses

Gains or losses from debt refundings are reported in the accompanying financial statements as a deduction to bonds payable and are charged to operations using the effective-interest method by amortizing the gain or loss over the shorter of the life of the old bond or the life of the new bond.

Compensated Absences

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

Authority. All unused time is bought back annually by the Port Authority.

The Port Authority also maintains a separate vacation policy for 33 members of the Southwest Florida Professional Fire Fighters, Local Chapter 1826, IAFF, Inc. Under this policy, the employees are able to accumulate earned but unused vacation and sick pay benefits, which will be paid to employees upon separation from service if certain criteria are met.

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

Net Assets

Net assets are categorized as invested in capital assets (net of related debt), restricted and unrestricted. Restriction of net assets indicates amounts that are limited for a specific purpose. Restricted for debt service is used to segregate resources accumulated for current or future debt service payments.

Use of Estimates

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE II. RECEIVABLES

At September 30, 2011 and 2010, accounts receivable consisted of the following (dollars in thousands):

		<u>Gross Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>
2011	Unrestricted	\$4,018	(\$250)	\$3,768
	Restricted	<u>2,126</u>		<u>2,126</u>
	Total	<u>\$6,144</u>	<u>(\$250)</u>	<u>\$5,894</u>
2010	Unrestricted	\$4,927	(\$250)	\$4,677
	Restricted	<u>2,032</u>		<u>2,032</u>
	Total	<u>\$6,959</u>	<u>(\$250)</u>	<u>\$6,709</u>

NOTE III. RESTRICTED ASSETS

At September 30, 2011 and 2010, restricted assets consisted of the following (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Cash and equity in pooled cash and investments	\$38,328	\$34,730
Cash and cash equivalents with fiscal agent	11,538	17,323
Investments	26,211	26,274
Receivables (net):		
Accounts	2,126	2,032
Accrued interest	<u>51</u>	<u>-</u>
Total	<u>\$78,254</u>	<u>\$80,359</u>

NOTE IV. CASH, EQUITY IN POOLED CASH AND INVESTMENTS, AND INVESTMENTS

As of September 30, 2011 and 2010, the Port Authority had the following deposits, investments, and maturities (amounts in thousands):

<u>Investment</u>	<u>Maturities</u>	<u>2011 Fair Value</u>	<u>Call Date</u>	<u>Call Frequency</u>	<u>Rating</u>
Cash on hand	N/A	\$ 37			N/A
Cash with fiscal agent	N/A	11,538			N/A
Demand deposits	N/A	36,188			N/A
SBA-Local Government Surplus Funds					
Trust Fund Investment Pool-					
Florida PRIME	38 days	102,860			AAAm
Fund B Surplus Funds Trust Fund	4.82 years	368			Unrated
Federal Home Loan Mortgage					
Corporation Discount Note	03/06/2012	9,999	N/A	N/A	N/A
Federal Home Loan Bank	02/22/2012	26,211	N/A	N/A	AA+
Total		<u>\$187,201</u>			

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011 and 2010

<u>Investment</u>	<u>Maturities</u>	<u>2010</u> Fair Value	<u>Call Date</u>	<u>Call Frequency</u>	<u>Rating</u>
Cash on hand	N/A	\$ 62			N/A
Cash with fiscal agent	N/A	17,323			N/A
Demand deposits	N/A	55,807			N/A
SBA-Local Government Surplus Funds					
Trust Fund Investment Pool-					
Florida PRIME	52 days	30,693			AAAm
Fund B Surplus Funds Trust Fund	7.49 years	433			Unrated
Repurchase Agreement	N/A	33,143			Unrated
Federal Home Loan Mortgage					
Corporation Discount Note	02/11/2011	26,274	N/A	N/A	N/A
U.S Treasury Bill	02/17/2011	19,989	N/A	N/A	N/A
Total		<u>\$183,724</u>			

Fund B contains the securities that have problems with payment defaults, paid slower than expected or have significant credit risk. Interest income is not paid and distributed to Fund B participants; however, periodic liquidity has been made available. Fund B is accounted for as a fluctuating NAV pool; the fair value factor as of September 30, 2011 was .7568386.

Credit Risk

The Port Authority adheres to the Board's Investment Policy ("the Policy"), which limits credit risk by restricting authorized investments to the following: Direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government; United States Government sponsored Corporation/ Instrumentalities; United States Government Agencies; The Florida Local Government Surplus Funds Trust Fund; interest-bearing time deposits or savings accounts in banks organized under the laws of Florida, in national banks organized under the laws of the United States and doing business and situated in Florida; securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided their portfolio is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations; repurchase agreements with any primary brokers/dealers collateralized by direct obligations

of United States, or United States government sponsored corporation/ instrumentalities or United States government agencies; bonds, notes or obligations of any state of the United States, any municipality, political subdivision, agency or authority of Florida that is exempt from federal income taxation and that is rated by any nationally recognized rating agency for municipal bonds in any of the two highest classifications; SEC registered, no-load money market mutual funds whose portfolios consist of tax-exempt securities and repurchase agreements, whose shares of the mutual fund must be rated in the highest category by a nationally recognized rating service; Florida Local Government Investment Trust ("FLGIT"); and SEC registered money market mutual funds with average portfolio maturities under 120 days, whose portfolios consist of United States Government securities and repurchase agreements secured by such securities.

The Policy requires that collateral for overnight and term repurchase agreements must maintain a minimum price of 101 percent on United States Treasuries and 102 percent on Agencies and Instrumentalities not to exceed five (5) years, and must be "marked to market" on a weekly basis. The Policy also requires that the obligations of any state or municipality be rated by at least one of the nationally recognized rating agencies in any one of the two (2) highest classifications, and that investments in money market mutual funds must be rated in the highest category by a nationally recognized rating service. All credit ratings

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011 and 2010

indicated in the previous table are Standard & Poor's (S&P) ratings.

Custodial Credit Risk

The Policy requires that bank deposits be secured as provided by Chapter 280, *Florida Statutes*, and that the banks must be fully insured by the Federal Deposit Insurance Corporation ("FDIC") or the Federal Savings and Loan Insurance Corporation ("FSLIC") and approved by the State Treasurer as a public depository. At September 30, 2011, all of the Port Authority's bank deposits were in qualified public depositories.

Interest Rate Risk

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

Concentration of Credit Risk

The Policy establishes limitations on portfolio composition for the County in whole in order to control concentration of credit risk. The Policy allows 100 percent of the portfolio to be invested in United States Treasuries/Agencies, 40 percent to be invested in Local Government Surplus Funds, 20 percent to be invested in repurchase agreements, 65 percent to be invested in money market mutual funds (no individual fund family can exceed 30 percent of the overall portfolio), 30 percent to be invested in Certificates of Deposits, and 5 percent to be invested in FLGIT. No more than 25 percent of the total portfolio can be invested with one investment company.

The County's total investment portfolio at September 30, 2011 and 2010, was \$1,028,089,000 and \$1,075,693,000, respectively. The portion of the Port Authority's portfolio invested in Federal instrumentalities is detailed as follows, at September 30, 2011 and 2010:

<u>2011</u>	Percent of Total Portfolio
<u>Issuer</u>	
Federal Home Loan Mortgage Corporation	0.97%
Federal Home Loan Bank	<u>2.55%</u>
Total Federal Instrumentalities	<u>3.52%</u>

<u>2010</u>	Percent of Total Portfolio
<u>Issuer</u>	
Federal Home Loan Mortgage Corporation	<u>2.44%</u>

Reconciliation of cash and cash equivalents, and investments from the schedule of deposits and investments to the financial statements:

<u>2011</u>	
Current:	
Cash and cash equivalents	\$100,649
Investments	10,475
Restricted:	
Cash with fiscal agent	11,538
Non-current:	
Restricted:	
Cash and cash equivalents	38,328
Investments	<u>26,211</u>
Total	<u>\$187,201</u>

<u>2010</u>	
Current:	
Cash and cash equivalents	\$84,802
Investments	20,595
Restricted:	
Cash with fiscal agent	17,323
Cash and cash equivalents	8
Non-current:	
Restricted:	
Cash and cash equivalents	34,722
Investments	<u>26,274</u>
Total	<u>\$183,724</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE V. CAPITAL ASSETS

Increases and decreases in capital asset activity include transfers. Capital asset activity for the fiscal years ended September 30, 2011 and 2010, was as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Fiscal Year 2011</i>				
Capital assets not being depreciated:				
Land	\$ 142,800	\$ -	\$ -	\$ 142,800
Easement & Right of Ways	45	2	-	47
Construction in progress	23,034	21,521	(15,477)	29,078
Artwork	50	663	-	713
Total capital assets not being depreciated	<u>165,929</u>	<u>22,186</u>	<u>(15,477)</u>	<u>172,638</u>
Capital assets being depreciated:				
Buildings	328,769	8,522	(69)	337,222
Improvements other than buildings	17,948	1,139	-	19,087
Machinery and equipment	47,683	5,795	(4,528)	48,950
Software	2,999	-	-	2,999
Infrastructure	288,437	2,087	(760)	289,764
Total capital assets being depreciated	<u>685,836</u>	<u>17,543</u>	<u>(5,357)</u>	<u>698,022</u>
Less accumulated depreciation for:				
Buildings	43,287	6,712	(69)	49,930
Improvements other than buildings	7,540	1,093	-	8,633
Machinery and equipment	21,860	3,160	(3,962)	21,058
Software	2,662	173	-	2,835
Infrastructure	90,370	8,568	(664)	98,274
Total accumulated depreciation	<u>165,719</u>	<u>19,706</u>	<u>(4,695)</u>	<u>180,730</u>
Total capital assets being depreciated, net	<u>520,117</u>	<u>(2,163)</u>	<u>(662)</u>	<u>517,292</u>
Capital assets, net	<u>\$ 686,046</u>	<u>\$ 20,023</u>	<u>\$ (16,139)</u>	<u>\$ 689,930</u>
<i>Fiscal Year 2010</i>				
Capital assets not being depreciated:				
Land	\$ 139,808	\$ 3,084	\$ (92)	\$ 142,800
Easement & Right of Ways	-	45	-	45
Construction in progress	19,172	8,874	(5,012)	23,034
Artwork	-	50	-	50
Total capital assets not being depreciated	<u>158,980</u>	<u>12,053</u>	<u>(5,104)</u>	<u>165,929</u>
Capital assets being depreciated:				
Buildings	328,787	-	(18)	328,769
Improvements other than buildings	17,948	-	-	17,948
Machinery and equipment	45,412	2,537	(266)	47,683
Software	2,878	121	-	2,999
Infrastructure	288,360	77	-	288,437
Total capital assets being depreciated	<u>683,385</u>	<u>2,735</u>	<u>(284)</u>	<u>685,836</u>
Less accumulated depreciation for:				
Buildings	36,541	6,746	-	43,287
Improvements other than buildings	6,453	1,087	-	7,540
Machinery and equipment	18,937	3,166	(243)	21,860
Software	2,114	548	-	2,662
Infrastructure	82,289	8,081	-	90,370
Total accumulated depreciation	<u>146,334</u>	<u>19,628</u>	<u>(243)</u>	<u>165,719</u>
Total capital assets being depreciated, net	<u>537,051</u>	<u>(16,893)</u>	<u>(41)</u>	<u>520,117</u>
Capital assets, net	<u>\$ 696,031</u>	<u>\$ (4,840)</u>	<u>\$ (5,145)</u>	<u>\$ 686,046</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2011 and 2010

NOTE V. CAPITAL ASSETS (continued)

Interest costs related to construction are capitalized. In addition, earnings from the investment of tax-exempt bond proceeds earmarked for construction are offset against interest subject to capitalization. Net interest expense capitalized for the years ended September 30, 2011 and September 30, 2010, was \$331,000 and \$50,000, respectively.

Minimum Future Rentals

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

At September 30, 2011, minimum future rentals of operating leases were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Amount</u>
2012	\$ 38,331
2013	38,184
2014	25,484
2015	23,979
2016	3,557
Later years	<u>41,520</u>
Total minimum future revenue	<u>\$171,055</u>

For the years ended September 30, 2011 and 2010, \$5,407,000 and \$5,399,000, respectively, of contingent rentals were included in rentals, concessions, and rental car revenues on the accompanying Statements of Revenues, Expenses, and Changes in Net Assets.

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

NOTE VI. LONG-TERM DEBT

Revenue Bonds

Revenue bonds payable at September 30, 2011 and 2010, consisted of the following:

- Series 1998 Passenger Facility Charge Revenue and Refunding Bonds, for \$52,225,000 at interest rates ranging from 3.6 percent to 5 percent (effective interest rate of 5.21 percent), collateralized by a lien on and a pledge of the passenger facility charge revenues. The outstanding balance at September 30, 2010 is \$21,335,000. The 1998 bonds were fully refunded on October 19, 2010, as noted below under *Debt Refundings*.
- Series 2000A (AMT) Airport Revenue Bonds, for \$291,155,000 at interest rates ranging from 5.4 percent to 6.125 percent (effective interest rate of 6.16 percent), collateralized by a lien on and a pledge of the net revenues of the Southwest Florida International Airport (SWFIA). The outstanding balance at September 30, 2010 was \$172,575,000. The 2000A bonds were fully refunded on August 30, 2011, as noted below under *Debt Refundings*.
- Series 2002 Airport Revenue Refunding Bonds, for \$37,065,000 at interest rates ranging from 2.0 percent to 5.0 percent (effective interest rate of 5.59 percent), collateralized by a lien on and a pledge of the net revenues of the SWIA. The outstanding balance at September 30, 2010 was \$6,580,000. The 2002 bonds matured on October 1, 2010.
- Series 2005 Airport Revenue Refunding Bonds, for \$37,805,000 at interest rates ranging from 3.5 percent to 5 percent (effective interest rate of 5.642 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2011 and 2010, was \$37,625,000 and \$37,665,000, respectively.

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- Series 2010A Airport Revenue Refunding Bonds, for \$119,350,000 at interest rates ranging from 3 percent to 5.5 percent (effective interest rate of 5.48 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2011 and 2010 was \$119,350,000.
- Series 2011A (AMT) Airport Revenue Refunding Bonds, for \$174,450,000 at interest rates ranging from 3 percent to 5.63 percent (effective interest rate of 5.64 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2011 and 2010 was \$174,450,000 and \$0, respectively.

The total revenue bonds payable at September 30, 2011 and 2010, were \$331,425,000 and \$357,505,000, respectively.

The annual debt service requirements for revenue bonds at September 30, 2011, were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$7,660	\$13,107	\$20,767
2013	7,895	16,655	24,550
2014	8,470	16,249	24,719
2015	8,900	15,819	24,719
2016	9,330	15,366	24,696
2017-2021	54,215	69,054	123,269
2022-2026	71,275	53,061	124,336
2027-2031	93,885	30,942	124,827
2032-2036	<u>69,795</u>	<u>5,495</u>	<u>75,290</u>
Total	<u>\$331,425</u>	<u>\$235,748</u>	<u>\$567,173</u>

The following is a summary of bond activity of the Port Authority for the years ended September 30, 2011 and 2010 (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Beginning balance	\$357,505	\$373,145
Additions	174,450	119,350
Reductions	<u>(200,530)</u>	<u>(134,990)</u>
Bonds payable at end of fiscal year	331,425	357,505
Plus unamortized premium (discount)	4,791	2,738
Less unamortized refunding loss	<u>(11,591)</u>	<u>(8,166)</u>
Bonds payable at end of fiscal year, net	<u>\$324,625</u>	<u>\$352,077</u>

Bond Resolutions

The Airport Revenue Bonds, Series 2000A (AMT), Airport Revenue Refunding Bonds, Series 2002, Airport Revenue Refunding Bonds, Series 2005, the Airport Revenue Refunding Bonds, Series 2010A, and the Airport Revenue Refunding Bonds, Series 2011A (AMT) are collateralized by a lien on and a pledge of the net revenues from the operation of SWFIA.

The Port Authority has agreed to maintain such fees and rates to provide revenues sufficient to pay all current expenses of SWFIA and the greater of 125 percent of the principal and interest payments due in the next succeeding fiscal year or 100 percent of the principal and interest payments due in the next succeeding fiscal year plus any other required payments under the bond resolutions.

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

- Revenue bonds:
- Airport Revenue Bonds, Series 2000A
 - Airport Revenue Refunding Bonds, Series 2005
 - Airport Revenue Refunding Bonds, Series 2010A
 - Airport Revenue Refunding Bonds, Series 2011A (AMT)

Debt Refundings

On October 19, 2010, the Port Authority issued Passenger Facility Charge Refunding Revenue Note, Series 2010A, in the amount of \$18,790,000 at an interest rate of 1.91 percent maturing on October 1 in the years 2011 through 2016. Proceeds of the loan were used to currently refund \$18,715,000 of outstanding Passenger Facility Charge Revenue and

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Refunding Bonds, Series 1998, at an interest rate of 5 percent on current interest-paying bonds maturing on October 1 in years 2011 through 2016.

The current refunding resulted in a reduction of additional future debt service requirements by \$2,073,000, which resulted in an economic gain (the difference between the present values of the old debt and new debt service requirements) of \$1,958,000.

On August 30, 2011, the Port Authority issued Airport Revenue Refunding Bonds, Series 2011A (AMT), in the amount of \$174,450,000 at interest rates ranging from 3 percent to 5.63 percent maturing on October 1 in the years 2013 through 2032. Proceeds on the bond were used to currently refund \$172,575,000 of outstanding Airport Revenue Bonds, Series 2000A (AMT), at interest rates ranging from 5.75 percent to 6 percent on current interest paying bonds maturing on October 1 in years 2023 through 2032.

The current refunding resulted in a reduction of additional future debt service requirements by \$19,814,000, which resulted in an economic gain (the difference between the present values of the old debt and new debt service requirements) of \$13,651,000.

Defeased Bonds

In prior years, the Port Authority defeased certain revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Port Authority's financial statements.

The amount of defeased bonds outstanding at September 30, 2011 and 2010, consisted of the following (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Airport Revenue Bonds, Series 1980	\$ -	\$ 3,380
Airport Revenue Bonds, Series 1983	-	2,505
Airport Revenue Bonds, Series 2000B	-	36,180
Airport Revenue Bonds, Series 2000A	<u>172,575</u>	<u>118,580</u>
Total outstanding	<u>\$172,575</u>	<u>\$160,645</u>

Notes Payable

Line of Credit

The Port Authority has entered into a \$10,000,000 line of credit with a commercial bank to finance certain airport-related capital projects at an interest rate of 117 percent of London Interbank Offered Rates ("LIBOR"). Effective January 1, 2006, a more favorable interest rate was negotiated of 67 percent of LIBOR plus 73 basis points, which was .88 percent as of September 30, 2011. To date, the Port Authority has drawn \$10,000,000 from the line of credit. Principal is payable semi-annually beginning June 1, 2006 and interest is payable monthly on the unpaid balance until final maturity on December 1, 2020. The line of credit is collateralized by a lien on and a pledge of the net revenues of Page Field General Aviation Airport. The outstanding balance at September 30, 2011 and 2010, was \$4,167,000 and \$4,507,000, respectively. The available balance at September 30, 2011 and 2010, was \$5,833,000 and \$5,493,000, respectively.

The annual debt service requirements for the Port's variable rate note payable at September 30, 2011, based on the variable interest rate in effect on that date, were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$355	\$36	\$391
2013	375	33	408
2014	395	30	425
2015	415	26	441
2016	435	22	457
2017-2021	<u>2,192</u>	<u>50</u>	<u>2,242</u>
Total	<u>\$4,167</u>	<u>\$197</u>	<u>\$4,364</u>

The following is a summary of variable rate note payable activity of the Port Authority for the years ended September 30, 2011 and 2010 (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Beginning balance	\$4,507	\$4,832
Additions (Deletions)	<u>(340)</u>	<u>(325)</u>
Variable debt payable at end of fiscal year	<u>\$4,167</u>	<u>\$4,507</u>

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PFC Note Payable

The Port Authority has entered into an \$18,790,000 loan agreement with a commercial bank to refund its Passenger Facility Charge Revenue and Refunding Bonds, Series 1998, as disclosed above under *Debt Refundings*. The loan is collateralized by a lien on and a pledge of the passenger facility charge revenues. Interest is payable semi-annually at an interest rate of 1.91 percent. Principal is payable annually starting on October 1, 2011, and maturing on October 1, 2016. The outstanding balance was \$15,900,000 at September 30, 2011.

The annual debt service requirements for the Port's PFC note payable at September 30, 2011 were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ -	\$151	\$ 151
2013	3,060	274	3,334
2014	3,120	215	3,335
2015	3,180	155	3,335
2016	3,240	94	3,334
2017	<u>3,300</u>	<u>31</u>	<u>3,331</u>
Total	<u>\$15,900</u>	<u>\$920</u>	<u>\$16,820</u>

Operating Leases

The Port Authority is not currently committed to any operating leases with terms in excess of one year. All terms are month to month; thereby there are no future minimum rental payments as of September 30, 2011. The total rental expense for all operating leases, including those with terms of less than one year, for the years ended September 30, 2011 and 2010, were \$147,000 and \$412,000, respectively.

Compensated Absences

The following is a summary of compensated absences activity for the Port Authority for the years ended September 30, 2011 and 2010 (dollars in thousands):

	<u>2011</u>	<u>2010</u>
Beginning balance	\$1,389	\$1,121
Additions	2,088	2,532
Reductions	<u>(2,065)</u>	<u>(2,264)</u>
Compensated absences payable at end of fiscal year	<u>\$1,412</u>	<u>\$1,389</u>

Of the \$1,412,000 balance at September 30, 2011, \$981,000 is due within one year.

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NOTE VII: SEGMENT INFORMATION

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

	Southwest Florida International Airport		Page Field General Aviation Airport	
	2011	2010	2011	2010
<i><u>Condensed Statements of Net Assets</u></i>				
Assets				
Current assets	\$ 91,222	\$ 89,444	\$ 7,645	\$ 10,062
Restricted assets	45,448	48,287	-	-
Capital assets	613,759	621,835	55,824	46,274
Other assets	3,830	4,026	-	16
Total assets	<u>754,259</u>	<u>763,592</u>	<u>63,469</u>	<u>56,352</u>
Liabilities				
Current liabilities	17,992	22,251	1,556	2,690
Current liabilities payable from restricted assets	11,182	14,379	355	-
Noncurrent liabilities	328,348	324,988	5,012	4,334
Total liabilities	<u>357,522</u>	<u>361,618</u>	<u>6,923</u>	<u>7,024</u>
Net assets				
Invested in capital assets, net of related debt	314,095	317,205	50,644	41,553
Restricted	14,997	13,868	-	-
Unrestricted	67,645	70,901	5,902	7,775
Total net assets	<u>\$ 396,737</u>	<u>\$ 401,974</u>	<u>\$ 56,546</u>	<u>\$ 49,328</u>

Condensed Statements of Revenues, Expenses, and Changes in Net Assets

Operating revenues				
User fees	\$ 41,399	\$ 43,102	\$ 5,439	\$ 4,428
Rentals	3,027	2,697	2,352	2,533
Concessions	35,701	35,014	53	46
Miscellaneous	124	202	7	63
Less: Rebates	(4,361)	(5,402)	-	-
Total operating revenues	<u>75,890</u>	<u>75,613</u>	<u>7,851</u>	<u>7,070</u>
Operating expenses				
Depreciation	17,759	17,705	1,950	1,927
Other operating expenses	52,590	51,491	7,786	6,732
Total operating expenses	<u>70,349</u>	<u>69,196</u>	<u>9,736</u>	<u>8,659</u>
Operating income (loss)	<u>5,541</u>	<u>6,417</u>	<u>(1,885)</u>	<u>(1,589)</u>

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NOTE VII: SEGMENT INFORMATION (continued)

	Southwest Florida International Airport		Page Field General Aviation Airport	
	2011	2010	2011	2010
<i>Condensed Statements of Revenues, Expenses, and Changes in Net Assets (continued)</i>				
Non-operating revenues (expenses)				
Investment earnings	329	494	24	19
Interest expense	(18,592)	(19,670)	10	(37)
Other non-operating	331	409	(70)	22
Total non-operating revenues (expenses)	<u>(17,932)</u>	<u>(18,767)</u>	<u>(36)</u>	<u>4</u>
Loss before capital contributions	(12,391)	(12,350)	(1,921)	(1,585)
Capital Contributions	7,200	385	7,030	1,439
Transfers	(46)	3,330	2,109	5,476
Change in net assets	(5,237)	(8,635)	7,218	5,330
Beginning net assets	401,974	410,609	49,328	43,998
Ending net assets	<u>\$ 396,737</u>	<u>\$ 401,974</u>	<u>\$ 56,546</u>	<u>\$ 49,328</u>

Condensed Statements of Cash Flows

Net cash provided (used) by:				
Operating activities	\$ 28,588	\$ 28,755	\$ 308	\$ 241
Noncapital financing activities	(1,546)	(811)	2,109	5,476
Capital and related financing activities	(28,770)	(28,121)	(4,759)	(1,344)
Investing activities	341	651	24	19
Net increase	<u>(1,387)</u>	<u>474</u>	<u>(2,318)</u>	<u>4,392</u>
Beginning cash and cash equivalents	103,426	102,952	9,197	4,805
Ending cash and cash equivalents	<u>\$ 102,039</u>	<u>\$ 103,426</u>	<u>\$ 6,879</u>	<u>\$ 9,197</u>

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

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NOTE VIII. RETIREMENT PLAN

Plan Description and Provisions

The Port Authority participates in the Florida Retirement System ("FRS"), a cost-sharing, multiple-employer, public employee retirement system, which covers substantially all of the full-time and part-time employees. The FRS is contributory and is administered by the State of Florida.

Benefits under the Pension Plan vest after six years of service for members who joined FRS prior to July 1, 2011, and vest after eight years for members who first joined FRS on or after July 1, 2011. Employees who joined FRS prior to July 1, 2011, and retire at or after age 62 with six years of credited service, or with 30 years of service regardless of age, are entitled to an annual retirement benefit, payable monthly for life. Employees who joined FRS on or after July 1, 2011, and retire at or after age 65 with eight years of credited service, or 33 years of service regardless of age, are entitled to received an annual retirement benefit, payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by Chapters 112 and 121, *Florida Statutes*. The FRS offers several other plan and/or investment options that may be elected by the employee. Each offers specific contribution and benefit options. The FRS plan documents should be referenced for complete details of these options and benefits.

A 3 percent employee contribution is required as of July 1, 2011. Pension costs for the Port Authority as required and defined by State statute ranged between 4.91 percent and 14.10 percent of gross salaries for fiscal year 2011. For fiscal years ended September 30, 2011, 2010, and 2009, the Port Authority contributed 100 percent of the required contributions. These contributions aggregated \$2.5 million, \$2.6 million, and \$2.5 million, respectively, which represents 12 percent, 13 percent, and 13 percent of covered payroll.

The Deferred Retirement Option Program ("DROP") is a program that provides an alternative method of payment of retirement benefits for a specified and limited period for members of FRS, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for an employer. The participation in the plan does not change conditions of employment. When the DROP period ends, a maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increases).

A copy of the FRS's annual report can be obtained by writing to the Florida Department of Management Services - Division of Retirement, PO Box 9000, Tallahassee, Florida 32315-9000, or by calling (850) 488-5706.

Other Postemployment Benefits

The Port Authority provides post-retirement health care benefits, through participation in the County's self-funded insurance plan, to all employees who retire from the Port Authority. In accordance with Chapter 110.123, *Florida Statutes*, the Port Authority is required to provide group health care at cost to all retirees. For employees hired on or before January 01, 2008, the Port Authority currently pays 50 percent of the portion of the premium for the retiree to participate in the Plan. This policy was discontinued on January 01, 2008; therefore, the Port Authority does not currently subsidize any portion of the premium for employees hired after that date. The County has the authority to establish and amend the benefit provisions of the plan. The County follows the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Expenses related to these benefits totaling \$2,942,000 and \$1,695,000 for 2011 and 2010,

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respectively, are based on the Port Authority's percentage of employees relative to the County as a whole, multiplied by the County's total postemployment benefit expense. For fiscal years ended September 30, 2011 and 2010, the Other Post Employment Benefits liability totaled \$11,561,000, and \$8,619,000 respectively, and is included in accrued liabilities on the accompanying Statements of Net Assets.

NOTE IX. RISK MANAGEMENT

The Port Authority has been a member of Public Risk Management of Florida ("PRM"), a local government liability risk pool, since it was established in 1989. During that time, all property and casualty insurance lines were purchased through PRM. Following the move to the new terminal, the Port Authority, with the assistance of its insurance consultant and broker, concluded that there was a potential for an improved overall insurance program that would provide substantial savings. The Port Authority subsequently terminated its membership with PRM effective March 31, 2009.

The Port Authority then directed its broker, Arthur J. Gallagher, to solicit quotations on property and casualty coverage for the next renewal period. All lines of insurance costs for 2011 and 2010 were \$1,725,000 and \$1,817,000 respectively.

The Port Authority participates in the County's self-insurance program for group medical and group dental coverage. Funding for this program is generated by charges to the operating departments based on management's annual estimates of claim loss funding and administration/operating costs. For the fiscal years ended September 30, 2011 and 2010, the Port Authority was charged \$4,740,000 and \$4,385,000, respectively, for the insurance program.

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

NOTE X. COMMITMENTS AND CONTINGENCIES

At September 30, 2011 and 2010, the Port Authority had in process various construction contracts totaling \$47,103,000 and \$43,613,000, respectively. Costs incurred on these contracts as of September 30, 2011 and 2010, totaled \$40,435,000 and \$19,483,000 respectively, including retainage payable of \$1,305,000 and \$241,000, respectively.

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

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

NOTE XI. PASSENGER FACILITY CHARGE

In November 1992, the Port received approval from the Federal Aviation Administration ("FAA") to impose a Passenger Facility Charge ("PFC") of \$3.00 per eligible enplaned passenger. In 1998, the Port issued PFC Revenue Bonds for \$52,225,000 to fund eligible capital improvements and land acquisition. In November 2003, the Port was granted authority to raise the PFC level from \$3.00 to \$4.50. In September 2010, the FAA approved a PFC Application for \$51,877,000. Projects in the application were all for the Southwest Florida International Airport and include design and construction of a new Fire and Rescue Station, various fire rescue equipment,

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design and construction of taxiways and apron, design and permitting of the parallel runway, passenger terminal improvements, enhancements to the mitigation park, and master planning and noise studies.

In June 2011, an amendment to Application # 6 was approved and reduced that application by 2,086,000. As a result, the total collection authority is \$296,455,000 with an estimated expiration date of May 1, 2018.

NOTE XII. AIRLINE USE AGREEMENTS

Signatory Airlines

The Port Authority negotiated a new airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred as Signatory Airlines) with the key terms of the agreement approved by the Board in May 2008. The new Agreement commenced on October 1, 2008 with a five-year term, expiring on September 30, 2013.

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

Terminal premises are leased on an exclusive use, preferential use, and joint use basis. The Authority will lease certain Terminal premises on a common use basis, as may be necessary. It is the intent of the Authority to manage its Terminal facilities in an efficient manner, while also respecting the schedules of its airline parties. Ticket counters, offices, operations areas, and baggage make-up facilities are leased on an exclusive use basis. Gates/holdrooms

and aircraft parking positions are leased on a preferential use basis. Baggage claim is leased on a joint use basis, with costs allocated to the Signatory Airlines based on twenty percent (20%) allocated to all Signatory Airlines equally, and eighty percent (80%) allocated to all Signatory Airlines based on the ratio of each Signatory Airline's annual enplaned passengers at the Airport.

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

In fiscal year 2011, the signatory airlines paid the Port Authority \$22,992,000. These amounts are net of refunds of \$2,680,000 and revenue sharing of \$3,584,000.

Nonparticipating Airlines

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

Airline Bankruptcies

American Airlines declared bankruptcy on November 29, 2011. American Airlines is a Signatory Airline with an average of four daily flights. The Port Authority expects a minimal effect on its operations due to the bankruptcy declaration, and expect no change in the terms of the airline use agreement that expires September 30, 2013.

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NOTE XIII. OTHER

Litigation

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

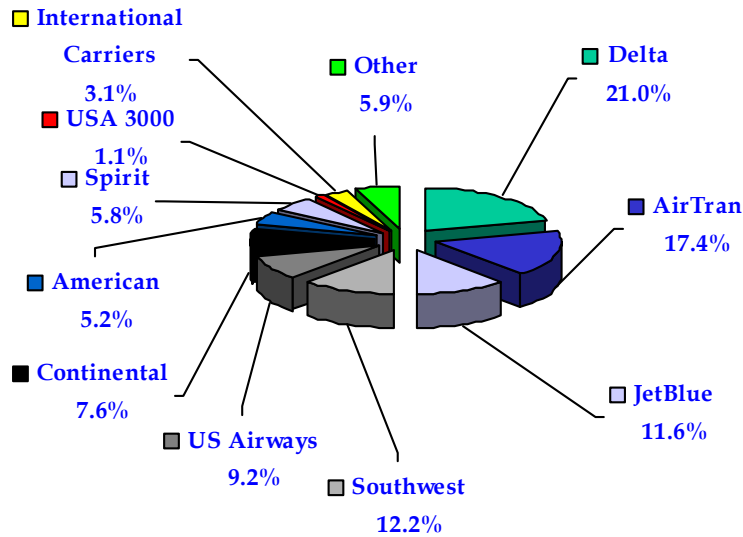
The FDOT has agreed to fund, construct, and provide perpetual maintenance for the direct connection between I-75 and SWFIA. This transaction is anticipated to close in March 2012 and the FDOT estimates construction to begin sometime in 2012. The purchase price of the land was approximately \$10 million. In addition, SWFIA incurred design and permitting costs for the connector road of approximately \$6 million. The FDOT will utilize the resulting plans and permits to expedite the construction.

Subsequent Events

On January 9, 2012, the Board of Port Commissioners approved a deed of release from the Federal Aviation Administration to the Florida Dept of Transportation ("FDOT") of land purchased specifically by the Port Authority for a direct connector road between SWFIA and I-75.

Airline Market Share and Passenger Information

Total passenger traffic is shown below for fiscal year 2011 showing market share for each major airline at Southwest Florida International Airport.



Airline	2011	2010	Change from 2010	% Change from 2010
Delta	1,613,000	1,401,000	212,000	15.13%
Air Tran	1,336,000	1,222,000	114,000	9.33%
Southwest	934,000	840,000	94,000	11.19%
JetBlue	889,000	888,000	1,000	0.11%
US Airways	708,000	731,000	(23,000)	-3.15%
Continental	579,000	607,000	(28,000)	-4.61%
Spirit	443,000	380,000	63,000	16.58%
American	396,000	390,000	6,000	1.54%
Northwest	-	223,000	(223,000)	-100.00%
USA 3000	83,000	120,000	(37,000)	-30.83%
International Carriers	237,000	207,000	30,000	14.49%
Other*	450,000	372,000	78,000	20.97%
Total	7,668,000	7,381,000	287,000	3.89%

* Represents all domestic carriers with less than a 3% market share.