

Lee County Port Authority

Component Unit Financial Report



Years Ended September 30, 2014 and 2013





Lee County Port Authority

Lee County, Florida

Table of Contents

Letter of Transmittal	ii
Independent Auditors' Report.....	iv
Management's Discussion and Analysis (unaudited).....	1
Financial Statements:	
Statements of Net Position- September 30, 2014 and 2013.....	10
Statements of Revenues, Expenses, and Changes in Net Position for the years ended September 30, 2014 and 2013.....	11
Statements of Cash Flows for the years ended September 30, 2014 and 2013.....	12
Notes to the Financial Statements.....	14
Supplemental Schedule (unaudited):	
Airline Market Share and Passenger Information.....	31
Additional Reports:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32



Direct Dial: (239) 590-4400

Fax: (239) 590-4533

February 11, 2015

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

Dear Friends:

RICHARD WM. WESCH
PORT AUTHORITY ATTORNEY

We are pleased to present the Lee County Port Authority's (LCPA) financial statements for the fiscal year ending September 30, 2014. As a result of increased passenger and airline activity, our overall financial results were positive, and the cost of doing business to our airline partners has decreased.

BOARD OF
PORT COMMISSIONERS

For the fiscal year, total passengers at Southwest Florida International Airport (RSW) were 7,885,557, an increase of 3.65 percent compared with the same period last year. According to the U.S. Department of Transportation, overall domestic and international passenger traffic for the same period was up by 3.4 percent. Total operating revenues were \$91.5 million, an increase over the prior year of \$2.7 million. This was mainly due to higher passenger volumes, which resulted in increased spending in our parking lot, rental car concessions, facility use fees, and restaurants. Operating expenses were \$89.1 million, an increase of \$2.0 million for the same period. Increases in this category were directly related to personnel, contractual services, and maintenance items. Our cost-per-enplaned passenger was \$6.39, which is favorable for airports of our size.

BRIAN HAMMAN

LARRY KIKER

FRANK MANN

JOHN E. MANNING

CECIL L. PENDERGRASS

In the past year, major projects completed include the Apron and Taxiway expansion and improvements to the consolidated rental car facility at RSW. Continuing projects include the design of the Parallel Runway, a new Air Traffic Control Tower and TRACON, Skyplex Boulevard, and upgrades to the Flight Information Display, Closed Circuit Television, and the Baggage Handling System.

LCPA was recognized during the year for several notable awards. The Federal Aviation Administration (FAA) Southern Region Airports Division honored RSW with its 2013 *Air Carrier Airport Safety Award*. At the same time, the FAA recognized Page Field with its 2013 General Aviation Airport Safety Award. The Florida Department of Transportation (FDOT) honored RSW with the 2014 Commercial Service Airport Project for its Apron Expansion and Associated Taxiways project. The FAA Office of Civil Rights recognized RSW with the 2014 Disadvantaged Business Enterprise Advocate Partner Award. The Aircraft Rescue & Fire Fighting (ARFF) Station at RSW earned the Leadership in Energy & Environmental Design (LEED) Gold Certification by the U.S. Green Building Council and Green Building Certification Institute.

SOUTHWEST FLORIDA INTERNATIONAL AIRPORT

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

February 11, 2015

Page Two

For the second year in a row, Base Operations at Page Field received recognition for being rated in the top 30 percent of fixed-base operators in an international survey conducted by Aviation International News.

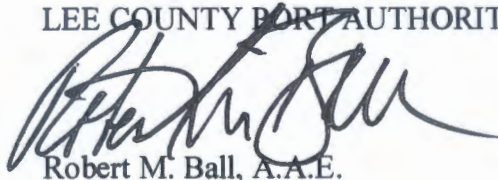
From an air-service perspective, new markets over the past year included Dulles and Latrobe, while an expansion of existing markets included Chicago-O'Hare, Cleveland, Kansas City, Milwaukee, New York-JFK, St. Louis, and Washington, D.C. LCPA also received exciting news that we will be getting our first ever Caribbean nonstop destination, San Juan-Puerto Rico, commencing May 2015.

The Port Authority remains committed to the success of Page Field General Aviation Airport. Total fuel gallons sold during the year were approximately 1.35 million gallons, a 2% increase over the previous year. Projects during the year included the completion of Perimeter Road, and the continuation of design efforts to rehabilitate runways 5/23 and 13/31 and the associated taxiway systems.

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

Sincerely,

LEE COUNTY PORT AUTHORITY

A handwritten signature in black ink, appearing to read "Robert M. Ball", is written over the printed name.

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

INDEPENDENT AUDITORS' REPORT

Honorable Board of County Commissioners
Lee County, Florida

and

Honorable Board of Port Commissioners
Lee County Port Authority

Report on the Financial Statements

We have audited the accompanying financial statements of the Lee County Port Authority (Authority), a blended component unit of Lee County, Florida, as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Honorable Board of County Commissioners
Lee County, Florida

and

Honorable Board of Port Commissioners
Lee County Port Authority

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2014, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the Authority and do not purport to, and do not, present fairly the financial position of Lee County, Florida as of September 30, 2014, the changes in financial position, or, where applicable, its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The letter of transmittal and the Airline Market Share and Passenger Information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The letter of transmittal and the Airline Market Share and Passenger Information have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Honorable Board of County Commissioners
Lee County, Florida

and

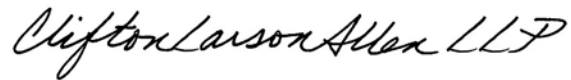
Honorable Board of Port Commissioners
Lee County Port Authority

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 11, 2015, 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 result 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* in considering the Authority's internal control over financial reporting and compliance.

Other Matter

The 2013 financial statements of the Authority were audited by other auditors whose report dated February 19, 2014 expressed an unmodified opinion on those statements.



CliftonLarsonAllen LLP

Fort Myers, Florida
February 11, 2015

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, 2014 and 2013. The information here should be considered in conjunction with the financial statements, notes and supplementary information found in this report.

Financial Highlights and Summary

Table 1 reflects a summary of net position for 2014, 2013, and 2012.

<u>Table 1</u>			
Summary of Net Position			
September 30, 2014, 2013, and 2012			
(000's)			
	<u>2014</u>	<u>2013</u>	<u>2012</u>
Current and other assets	\$202,157	\$204,444	\$205,860
Capital assets	<u>680,190</u>	<u>677,936</u>	<u>662,542</u>
Total assets	<u>882,347</u>	<u>882,380</u>	<u>868,402</u>
Deferred outflows of resources	<u>9,033</u>	<u>9,847</u>	<u>10,710</u>
Current liabilities	45,388	41,092	30,578
Non-current liabilities	<u>323,073</u>	<u>342,158</u>	<u>351,223</u>
Total liabilities	<u>368,461</u>	<u>383,250</u>	<u>381,801</u>
Net position:			
Net investment in capital assets	389,706	372,493	353,539
Restricted	39,646	44,810	50,865
Unrestricted	<u>93,567</u>	<u>91,674</u>	<u>92,907</u>
Total net position	<u>\$522,919</u>	<u>\$508,977</u>	<u>\$497,311</u>

Summary of Net Position Analysis

In 2014, total assets decreased (\$33,000). Total deferred outflows of resources decreased by (\$814,000) due to amortization of the loss on refundings. In 2014, total liabilities decreased (\$14,789,000). This decrease was primarily due to a combination of a decrease in contracts and accounts payable of (\$4,348,000), a decrease of (\$703,000) in refunds and rebates payable, a decrease in bond and note payables of (\$12,919,000), and an increase in other postemployment benefits ("OPEB") of \$3,040,000.

In 2013, total assets increased \$13,978,000. This increase was primarily due to a combination of an increase in capital assets of \$15,776,000, an increase of \$15,517,000 in construction work in progress, and an increase of \$15,899,000 in accumulated depreciation. In 2013, total deferred outflows of resources decreased by \$863,000 due to amortization of the loss on refundings. In 2013, total liabilities increased \$1,449,000. This increase was primarily due to a combination of an increase in contracts and accounts payable of \$7,907,000, an increase of \$1,746,000 in refunds and rebates payable, a decrease in bond and note payables of \$11,871,000, and an increase in other postemployment benefits ("OPEB") of \$3,446,000.

Lee County Port Authority
September 30, 2014

Table 2 reflects a summary of revenues, expenses, and changes in net position for 2014, 2013 and 2012.

Table 2
Summary of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2014, 2013 and 2012
(000's)

	<u>2014</u>	<u>2013</u>	2012 <u>as restated</u>
<i>Revenues, net:</i>			
User fees	\$50,300	\$50,000	\$47,283
Rental cars	19,181	18,716	16,660
Parking	12,860	11,971	11,513
Other, net	<u>9,138</u>	<u>8,125</u>	<u>8,758</u>
Total revenues, net	<u>91,479</u>	<u>88,812</u>	<u>84,214</u>
<i>Expenses:</i>			
Salaries, wages and benefits	33,122	32,168	31,649
Contractual services, materials and supplies, Utilities, Repairs and Maintenance	31,739	31,370	26,568
Depreciation	20,633	19,715	19,568
Other	<u>3,659</u>	<u>3,875</u>	<u>3,362</u>
Total expenses	<u>89,153</u>	<u>87,128</u>	<u>81,147</u>
Operating income	<u>2,236</u>	<u>1,684</u>	<u>3,067</u>
<i>Non-operating revenues (expenses):</i>			
Investment earnings	231	425	530
Interest expense	(16,465)	(16,852)	(17,277)
Passenger facility charges	15,771	15,197	14,775
Other revenues (expenses)	<u>(26)</u>	<u>170</u>	<u>106</u>
Total non-operating revenues (expenses)	<u>(489)</u>	<u>(1,060)</u>	<u>(1,866)</u>
Income before capital contributions	1,837	624	1,201
Capital contributions	12,105	11,042	7,173
Special item-loss on discontinued project	<u>0</u>	<u>0</u>	<u>(16,946)</u>
Increase (decrease) in net position	13,942	11,666	(8,572)
Beginning net position, as restated	<u>508,977</u>	<u>497,311</u>	<u>505,883</u>
Ending net position	<u>\$522,919</u>	<u>\$508,977</u>	<u>\$497,311</u>

Summary of Revenues and Expenses Analysis

In 2014, operating income totaled \$2,236,000, an increase of \$552,000, which was a combination of an increase of total net revenues of \$2,667,000 and an increase of \$2,025,000 in operating expenses. The increase in total net revenues was primarily due to an increase of \$889,000 in parking fees, an increase of \$465,000 in car rental income and an increase of \$385,000 in rental facility charges (due to an increase in passengers of 3.65 percent). The increase in operating expenses was mainly due to an increase of \$954,000 in salaries and benefits (mainly due to a three percent pay plan adjustment for all employees and an increase in retirement and health costs), and an increase of \$591,000 in repair and maintenance.

In 2013, operating income totaled \$1,684,000, a decrease of \$1,383,000, which was a combination of an increase of total net revenues of \$4,598,000 and an increase of \$5,981,000 in operating expenses. The increase in total net revenues was primarily due to an increase of \$2,717,000 in user fees and an increase of \$2,056,000 in car rental income (due to an increase in passengers), and an increase of \$1,386,000 in rebates (due to an increase in airline

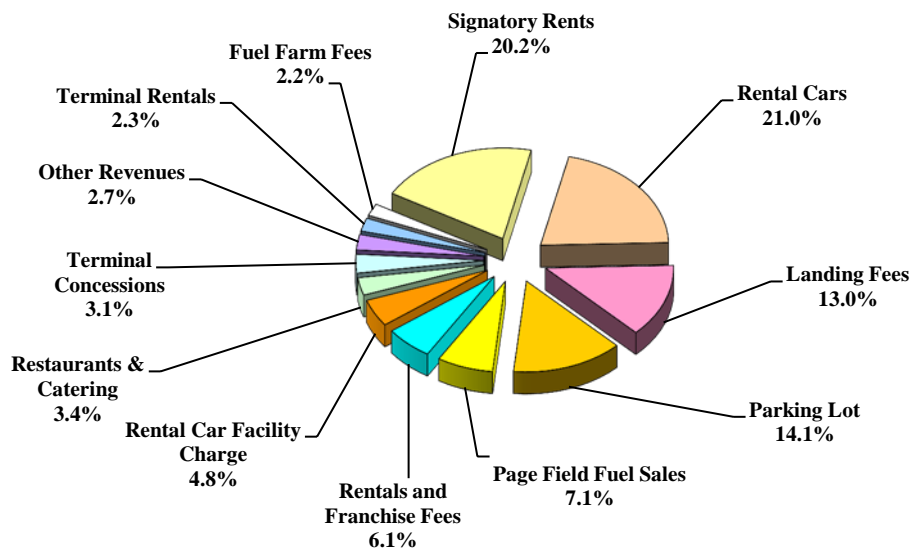
Lee County Port Authority
September 30, 2014

revenue sharing). The increase in operating expenses was mainly due to an increase of \$4,658,000 in contractual services (mainly due to \$2,982,000 in remediation/land clearing and \$454,000 carpet replacement and other miscellaneous contracted service increases).

In 2014, capital contributions totaled \$12,105,000, an increase of \$1,063,000. Major grants received this year include \$4,710,000 for the apron expansion, \$2,801,000 for the flight information displays and \$2,069,000 for upgrades to the baggage handling system. In 2013, capital contributions totaled \$11,042,000, an increase of \$3,869,000. Major grants received this year include \$6,343,000 for the apron expansion and \$1,281,000 for the Page Field south road alignment.

The following charts summarize the Net Revenues and Expenses for fiscal year 2014.

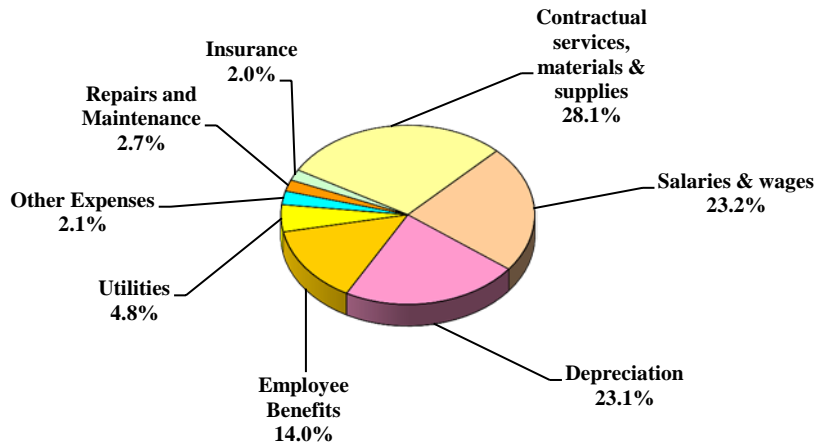
Operating Revenues for Fiscal Year 2014



<u>Operating Revenues</u>	<u>2014</u>	<u>2013</u>	<u>2014</u> <u>Percent of</u> <u>Total</u>	<u>Increase/</u> <u>(Decrease)</u> <u>from 2013</u>	<u>% Increase/</u> <u>(Decrease)</u> <u>from 2013</u>
Signatory Rents	\$18,513,000	\$19,126,000	20.2%	(\$613,000)	(3.2%)
Rental Cars	19,182,000	18,716,000	21.0%	466,000	2.5%
Landing Fees	11,900,000	12,034,000	13.0%	(134,000)	(1.1%)
Parking Lot	12,859,000	11,971,000	14.1%	888,000	7.4%
Page Field Fuel Sales	6,499,000	6,471,000	7.1%	28,000	0.4%
Rentals & Franchise Fees	5,536,000	5,288,000	6.1%	248,000	4.7%
Rental Car Facility Charge	4,445,000	4,060,000	4.8%	385,000	9.5%
Restaurants & Catering	3,065,000	2,782,000	3.4%	283,000	10.2%
Terminal Concessions	2,859,000	2,743,000	3.1%	116,000	4.2%
Other Revenues	2,499,000	1,967,000	2.7%	532,000	27.0%
Terminal Rentals	2,142,000	1,834,000	2.3%	308,000	16.8%
Fuel Farm Fees	1,980,000	1,820,000	2.2%	160,000	8.8%
Total Net Operating Revenues	\$91,479,000	\$88,812,000	100.0%	\$2,667,000	3.0%

Lee County Port Authority
September 30, 2014

Operating Expenses for Fiscal Year 2014



<u>Operating Expenses</u>	<u>2014</u>	<u>2013</u>	2014 Percent of <u>Total</u>	Increase/ (Decrease) <u>from 2012</u>	% Increase/ (Decrease) <u>from 2012</u>
Contractual services, materials & supplies	\$25,060,000	\$25,292,000	28.1%	(\$232,000)	-0.9%
Salaries & wages	20,669,000	20,055,000	23.2%	614,000	3.1%
Depreciation	20,633,000	19,715,000	23.1%	918,000	4.7%
Employee benefits	12,453,000	12,113,000	14.0%	340,000	2.8%
Utilities	4,276,000	4,266,000	4.8%	10,000	0.2%
Other expenses	1,902,000	2,142,000	2.1%	(240,000)	-11.2%
Repairs and maintenance	2,403,000	1,812,000	2.7%	591,000	32.6%
Insurance	1,757,000	1,733,000	2.0%	24,000	1.4%
Total Operating Expenses	\$89,153,000	\$87,128,000	100%	\$2,025,000	2.3%

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. In September 2012, an amendment to the September 2010 Application was approved and increased that application by \$4,612,000. In June 2013, the FAA approved Application #8 for \$20,555,000. As a result, the total collection authority is \$321,622,000 with an estimated expiration date of January 1, 2020.

Capital Assets

Capital assets, net of \$20,630,000 of depreciation expense, increased by \$2,254,000 in 2014. Major capital spending in 2014 included \$8,584,000 for apron expansion, \$4,393,000 for replacement of the flight information displays and \$1,201,000 for the continued conceptual design of the parallel runway.

Lee County Port Authority
September 30, 2014

Capital assets, net of \$19,712,000 of depreciation expense, increased by \$15,394,000 in 2013. Major capital spending in 2013 included \$22,680,000 for apron expansion, \$3,878,000 in rental car facility improvements and \$1,729,000 for the continued conceptual design of the parallel runway.

Table 3 reflects a summary of capital assets for 2014, 2013, and 2012.

Table 3
Capital Assets
September 30, 2014, 2013 and 2012
(000's)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land	\$132,659	\$132,659	\$132,776
Easements & Right of Ways	45	45	45
Construction in progress	21,217	45,502	29,985
Buildings	348,678	343,359	336,717
Improvements	22,853	22,299	18,999
Equipment	48,720	48,296	48,740
Software	3,133	2,999	2,999
Artwork	291	291	715
Infrastructure	<u>336,006</u>	<u>297,495</u>	<u>290,676</u>
Subtotal	913,602	892,945	861,652
Less accumulated depreciation	<u>(233,412)</u>	<u>(215,009)</u>	<u>(199,110)</u>
Total	<u>\$680,190</u>	<u>\$677,936</u>	<u>\$662,542</u>

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

Debt Administration

As of September 30, 2014, the Port had \$316,982,000 in outstanding debt, a decrease of \$12,045,000.

Table 4
Outstanding Debt
September 30, 2014, 2013 and 2012
(000's)

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Series 2005 Airport Revenue Refunding Bonds	\$37,500	\$37,540	\$37,585
Series 2010A Airport Revenue Refunding Bonds	95,640	103,880	111,730
Series 2011A Airport Revenue Refunding Bonds	174,260	174,450	174,450
2004 Line of Credit Note	3,042	3,437	3,812
Series 2010 Passenger Facility Charge Loan	<u>6,540</u>	<u>9,720</u>	<u>12,840</u>
Total	<u>\$316,982</u>	<u>\$329,027</u>	<u>\$340,417</u>

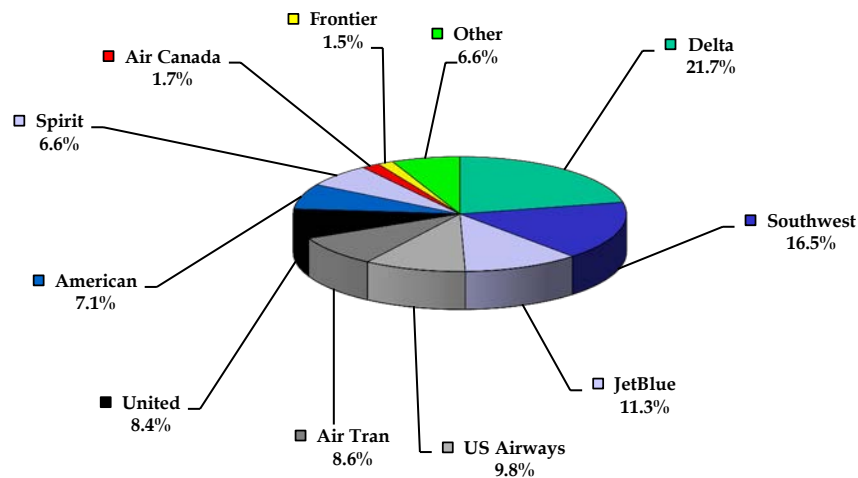
See additional information on the Port's debt in note VI to the financial statements.

Airport Activities

The total passenger count for fiscal year 2014 was 7,885,000, an increase of 3.64 percent over prior year. Below is a summary of new and increased airline service to Southwest Florida International Airport over the past year.

- Air Berlin; operated a fourth weekly flight to Düsseldorf, Germany
- Air Canada; increased seat capacity to Toronto and added a second weekly flight to Toronto
- Frontier: New weekly service to Cleveland, Washington D.C.-Dulles and Wilmington/New Castle
- JetBlue; inaugurated seasonal daily nonstop service to Hartford
- Spirit; kept their weekly service to Chicago-O'Hare and Detroit year round (previous years pulled it during the summer).
- Southwest; new seasonal service to Albany, Denver and Kansas City, kept weekly nonstop service to Kansas City over the summer.
- United; inaugurated new seasonal daily nonstop service to Denver

The following chart exhibits the Total Passenger Market Share for the Top Ten Airlines operating at Southwest Florida International Airport during Fiscal Year 2014.



<u>Airline</u>	<u>FY 2014 Market Share</u>	<u>FY 2013 Market Share</u>	<u>% Change</u>
Delta	21.7%	22.5%	-3.5%
Southwest	16.5%	10.3%	60.2%
JetBlue	11.3%	11.5%	-1.7%
US Airways	9.8%	10.1%	-3.0%
AirTran	8.6%	16.2%	-46.7%
United	8.4%	8.4%	0.0%
American	7.1%	6.7%	6.0%
Spirit	6.6%	5.8%	13.8%
Air Canada	1.7%	1.6%	6.3%
Frontier	1.5%	0.8%	87.5%

Airline Rates and Charges

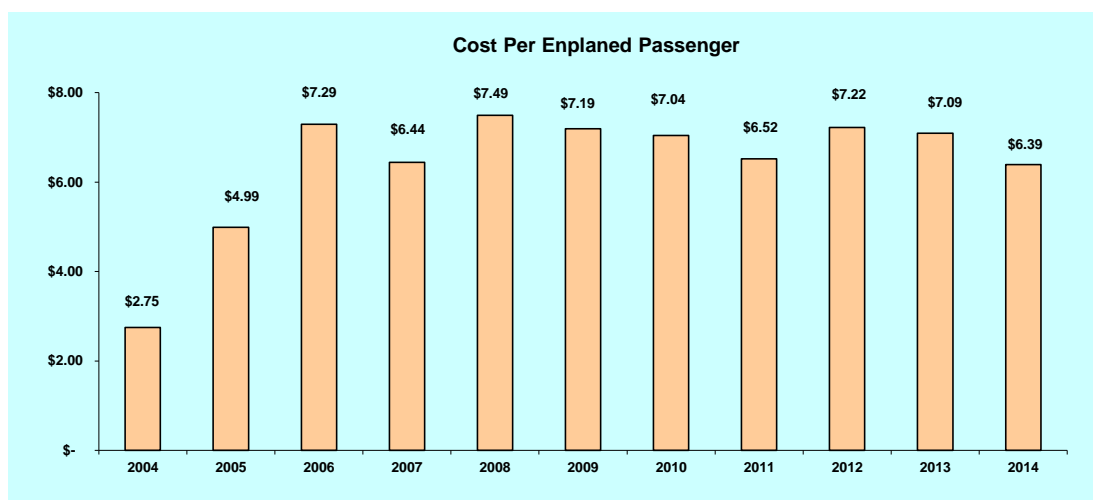
The Port Authority negotiated a new airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred as Signatory Airlines) with the key terms of the agreement approved by the Board in May, 2008. The Agreement commenced on October 1, 2008, with a five-year term,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

The new agreement, commonly referred to as a hybrid compensatory agreement, has a revenue sharing component. In any year in which there are net remaining revenues generated at the Airport, and all requirements of the Bond Resolution have been satisfied, the net remaining revenues shall be divided between the 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 2014, the Signatory Airlines paid the Port Authority \$23,025,000. This amount is net of refunds of \$613,000 and revenue sharing of \$3,815,000.

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.



Economic Factors and Next Year's Budget Rates

The following were factors considered when the 2015 budget was prepared:

- The total number of passengers is projected to be 7,788,038, an increase of .49 percent over the 2014 budget.
- The total operating budget is \$112.2 million, an increase of 3.64 percent or \$3.9 million over the 2013 budget.
- Increases in revenues were primarily attributed to an increase in passenger activity.
- Increases in personnel were a result of an average merit increase of 3 percent for all employees, 5 new full time positions, an increase in the Airport's contribution to the Florida Retirement System and increases in employee health coverage.
- Operating expenses include increases in contracted services, repair and maintenance items while savings were realized in utilities and property insurance.
- The budgeted rates for 2015 include \$2.68 for the landing fee and a terminal rental rate of \$96.41.

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.

Financíal Statement



Lee County Port Authority
Lee County, Florida
STATEMENTS OF NET POSITION
As of September 30, 2014 and 2013
(amounts expressed in thousands)

	2014	2013
ASSETS		
Current assets:		
Cash and equity in pooled cash and investments	\$ 109,003	\$ 105,848
Investments	10,000	10,184
Restricted assets	26,502	16,700
Receivables:		
Accounts (net)	3,640	4,392
Grants	4,337	2,606
Due from other funds	-	1
Inventories	216	175
Other	1,113	1,029
Total current assets	154,811	140,935
Noncurrent assets:		
Restricted assets	47,346	63,509
Capital assets (net)	680,190	677,936
Total noncurrent assets	727,536	741,445
Total assets	882,347	882,380
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of debt	9,033	9,847
Total deferred outflows of resources	9,033	9,847
LIABILITIES		
Current liabilities:		
Contracts and accounts payable	10,343	14,690
Accrued liabilities	832	808
Refunds and rebates	4,427	5,130
Due to Board of County Commissioners	14	87
Due to other governments	478	468
Customer deposits	643	944
Unearned revenues	906	710
Compensated absences	1,243	1,160
Current liabilities payable from restricted assets		
Accrued liabilities	8,020	8,230
Notes payable	9,582	395
Revenue bonds payable	8,900	8,470
Total current liabilities	45,388	41,092
Noncurrent liabilities:		
Compensated absences	446	438
Notes payable	-	12,762
Revenue bonds payable	301,872	311,216
Due to Board of County Commissioners	61	88
Accrued liabilities	20,694	17,654
Total noncurrent liabilities	323,073	342,158
Total liabilities	368,461	383,250
NET POSITION		
Net investment in capital assets	389,706	372,493
Restricted for:		
Capital projects	30,244	35,838
Debt service	8,902	8,472
Renewal and replacement	500	500
Unrestricted	93,567	91,674
Total net position	\$ 522,919	\$ 508,977

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 POSITION

For the Years Ended September 30, 2014 and 2013

(amounts expressed in thousands)

	2014	2013
OPERATING REVENUES		
User fees	\$ 50,300	\$ 50,000
Rentals	5,536	5,288
Concessions	7,165	6,628
Parking revenues	12,860	11,971
Rental car revenues	19,181	18,716
Miscellaneous	252	141
Total operating revenues	<u>95,294</u>	<u>92,744</u>
Less: rebates	<u>(3,815)</u>	<u>(3,932)</u>
Net operating revenues	<u>91,479</u>	<u>88,812</u>
OPERATING EXPENSES		
Salaries and wages	20,669	20,055
Employee benefits	12,453	12,113
Contractual services, materials and supplies	25,060	25,292
Utilities	4,276	4,266
Repairs and maintenance	2,403	1,812
Insurance	1,757	1,733
Other	1,905	2,145
Depreciation	20,630	19,712
Total operating expenses	<u>89,153</u>	<u>87,128</u>
Operating income	<u>2,326</u>	<u>1,684</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings	231	425
Interest expense	(16,465)	(16,852)
Grants	327	331
Loss on disposal of capital assets	(356)	(165)
Passenger facility charges	15,771	15,197
Other revenues	4	5
Other expenses	(1)	(1)
Total non-operating revenues (expenses)	<u>(489)</u>	<u>(1,060)</u>
Income before capital contributions	1,837	624
Capital contributions	12,105	11,042
Change in net position	<u>13,942</u>	<u>11,666</u>
Total net position - beginning	508,977	497,311
Total net position - ending	<u>\$ 522,919</u>	<u>\$ 508,977</u>

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, 2014 and 2013
(amounts expressed in thousands)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$ 91,531	\$ 90,942
Cash received from customer deposits	67	124
Cash returned from customer deposits	(367)	(37)
Other cash receipts	4	5
Payments to suppliers	(35,437)	(34,593)
Payments to employees	(29,998)	(28,443)
Net cash provided by operating activities	25,800	27,998
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	376	328
Net cash provided by noncapital financing activities	376	328
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	10,100	11,407
Proceeds from passenger facilities charges	15,889	15,312
Additions to capital assets	(27,354)	(27,841)
Principal paid on bonds, loans, and leases	(12,072)	(11,417)
Interest paid on bonds, loans, and leases	(16,463)	(16,932)
Proceeds from sale of capital assets	28	97
Net cash used in capital and related financing activities	(29,872)	(29,374)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	25,000	34,996
Purchase of investments	(24,990)	(34,987)
Interest on investments	413	559
Net cash provided by investing activities	423	568
Net decrease in cash and cash equivalents	(3,273)	(480)
Cash and equivalents at beginning of year	158,962	159,442
Cash and equivalents at end of year	\$ 155,689	\$ 158,962
Classified as:		
Current assets		
Cash and equity in pooled cash and investments	\$ 109,003	\$ 105,848
Restricted assets	26,502	16,700
Non-current assets		
Restricted assets	20,184	36,414
Totals	\$ 155,689	\$ 158,962

Lee County Port Authority
Lee County, Florida
STATEMENTS OF CASH FLOWS (Continued)
For the Years Ended September 30, 2014 and 2013
(amounts expressed in thousands)

	2014	2013
Reconciliation of operating income to net cash provided		
by operating activities:		
Operating income	\$ 2,326	\$ 1,684
Adjustments to reconcile operating income to net cash provided		
by operating activities:		
Depreciation	20,630	19,712
Other revenues	4	5
Loss on sale of capital assets	-	183
Decrease in accounts receivable	560	314
(Decrease) increase in due from Board of County Commissioners	1	(1)
Decrease in due from other governments	-	2
Increase in inventories	(41)	(2)
Increase in other assets	(54)	(2)
Increase in contracts and accounts payable	118	465
Increase in accrued liabilities	3,035	3,496
Increase (decrease) in refunds and rebates	(703)	1,746
Increase (decrease) in due to Board of County Commissioners	(73)	41
Increase in due to other governments	10	93
Decrease in customer deposits	(300)	(107)
Increase in unearned revenues	196	264
Increase in compensated absences	91	102
Total adjustments	23,474	26,311
Net cash provided by operating activities	\$ 25,800	\$ 27,995
 NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributions of capital assets	\$ 225	\$ 29
Donations of capital assets	-	(18)
Purchase of capital assets on account	5,348	-
Increase (decrease) in fair value of investments	(38)	55

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, 2014 and 2013

NOTE I. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

Reporting Entity

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

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

Fund Accounting

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

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

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

Measurement Focus

The Port Authority is accounted for on an “economic resources” measurement focus. Accordingly, all assets, deferred outflows of resources, and liabilities are included on the Statements of Net Position, and the reported fund net position (total reported assets plus total reported deferred outflows of resources less total reported liabilities less total reported deferred inflows of resources) provides an indication of the economic net worth of the Port Authority. The Statements of Revenues, Expenses, and Changes in Net Position report increases (revenues) and decreases (expenses) in total economic net worth.

Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

measurements made, regardless of the measurement focus applied.

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

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position

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 investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Throughout this year, and as of September 30, 2014, Florida PRIME contained certain floating and adjustable rate securities. These investments represented 30.9% of Florida PRIME's portfolio at September 30, 2014.

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. Management uses an estimate of five percent of the average accounts receivable balance plus any amounts to be submitted to the Board of County Commissioners for write-off due to known uncollectible amounts to derive the allowance.

Inventory

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

Capital Assets

Capital assets include 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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

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.

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

Unamortized Bond Premiums and Discounts

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

Deferred Outflows of Resources

Deferred outflows of resources represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The Port Authority has one item that qualifies for reporting in this category, which is the deferred charge on refunding that results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is expensed through amortization using the effective-interest method over the shorter of the life of the old bond or the life of the new bond.

Unearned Revenues

Unearned revenues represent revenues collected in advance of services performed and will be recognized when the services are rendered.

Compensated Absences

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

The Port Authority also maintains a separate vacation policy for 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 Position

Net position is categorized as net investment in capital assets, restricted, and unrestricted. Restricted net position indicates amounts that have constraints on their use externally imposed by creditors, through debt covenants, by grantors, or by law. Restricted for debt service is used to segregate resources accumulated for current or future debt service payments.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

User Fees

User fees are generated from airlines' signatory and non-signatory leases with the Port Authority and include landing fees and rents. Also in this category are gross fuel sales from Page Field.

Rentals and Franchise Fees

Revenues from this category include rental car revenues paid to the Airport, gross parking lot revenues, and terminal concession payments to the Airport.

Capital Contributions

Capital contributions consist mainly of grants from Federal and State agencies. As these grants are subject to annual approved appropriations by the

Federal and State agencies, they are recognized as revenue when both the expenditures are incurred and the appropriations are approved by the Federal State agencies.

Use of Estimates

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE II. RECEIVABLES

At September 30, 2014 and 2013, 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>
2014	Unrestricted	\$3,890	(\$250)	\$3,640
	Restricted	<u>2,164</u>	<u>-</u>	<u>2,164</u>
	Total	<u>\$6,054</u>	<u>(\$250)</u>	<u>\$5,804</u>
2013	Unrestricted	\$5,273	(\$881)	\$4,392
	Restricted	<u>2,090</u>	<u>-</u>	<u>2,090</u>
	Total	<u>\$7,363</u>	<u>(\$881)</u>	<u>\$6,482</u>

NOTE III. RESTRICTED ASSETS

At September 30, 2014 and 2013, restricted assets consisted of the following (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Cash and equity in pooled cash and investments	\$29,766	\$36,414
Cash and cash equivalents with fiscal agent	16,920	16,700
Investments	24,998	25,005
Receivables (net):		
Accounts	<u>2,164</u>	<u>2,090</u>
Total	<u>\$73,848</u>	<u>\$80,209</u>

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

As of September 30, 2014 and 2013, the Port Authority had the following deposits, investments, and maturities (dollars in thousands):

<u>Investment</u>	<u>Maturities</u>	<u>2014 Fair Value</u>	<u>Call Date</u>	<u>Call Frequency</u>	<u>Rating</u>
Cash on hand	N/A	\$ 44			N/A
Cash with fiscal agent	N/A	16,920			N/A
Demand deposits	N/A	37,777			N/A
SBA-Local Government Surplus Funds Trust Fund Investment Pool-					
Florida PRIME*	39 days	100,954			AAAM
Federal Home Loan Bank	09/30/16	9,994	12/30/14	Qtr	AA+
Federal Home Loan Bank	03/20/15	24,998			AA+
Total		<u>\$ 190,687</u>			

*\$705 of the SBA Local Government Surplus Funds Trust Fund Investment Pool is included within the Board's investment pool account and represents funding for the October 1, 2014 Port Authority payroll.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

<u>Investment</u>	<u>Maturities</u>	<u>2013 Fair Value</u>	<u>Call Date</u>	<u>Call Frequency</u>	<u>Rating</u>
Cash on hand	N/A	\$ 130			N/A
Cash with fiscal agent	N/A	16,700			N/A
Demand deposits	N/A	37,305			N/A
SBA-Local Government Surplus Funds					
Trust Fund Investment Pool-					
Florida PRIME	44 days	104,804			AAAm
Fund B Surplus Funds Trust Fund	4.04 years	207			Unrated
Federal Home Loan Bank	09/18/14	10,000			AA+
Federal Home Loan Bank	03/27/14	25,005			AA+
Total		<u>\$194,151</u>			

Credit Risk

The Port Authority adheres to the Board's Investment Policy ("the Policy"), which limits credit risk by restricting authorized investments to the following: Direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government; United States Government sponsored Corporation/ Instrumentalities; United States Government Agencies; The Florida Local Government Surplus Funds Trust Fund; interest-bearing time deposits or savings accounts in banks organized under the laws of Florida, in national banks organized under the laws of the United States and doing business and situated in Florida; securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided their portfolio is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations; repurchase agreements with any primary brokers/dealers collateralized by direct obligations of United States, or United States government sponsored corporation/ instrumentalities or United States government agencies; bonds, notes or obligations of any state of the United States, any municipality, political subdivision, agency or authority of Florida that is exempt from federal income taxation and that is rated by any nationally recognized rating agency for municipal bonds in any of the two highest classifications; SEC registered, no-load money market mutual funds whose portfolios

consist of tax-exempt securities and repurchase agreements, whose shares of the mutual fund must be rated in the highest category by a nationally recognized rating service; Florida Local Government Investment Trust ("FLGIT"); and SEC registered money market mutual funds with average portfolio maturities under 120 days, whose portfolios consist of United States Government securities and repurchase agreements secured by such securities.

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

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, 2014, all of the Port Authority's bank deposits were in qualified public depositories.

Interest Rate Risk

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

Concentration of Credit Risk

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

The County's total investment portfolio at September 30, 2014 and 2013, was \$931,424,000 and \$933,249,000, respectively. The portion of the Port Authority's portfolio invested in Federal instrumentalities is detailed as follows, at September 30, 2014 and 2013:

<u>2014</u>	Percent of Total Portfolio
Issuer	
Federal Home Loan Bank	3.76 %

<u>2013</u>	Percent of Total Portfolio
Issuer	
Federal Home Loan Bank	3.75 %

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

<u>2014</u>	
Current:	
Cash and cash equivalents	\$109,003
Investments	10,000
Restricted:	
Cash with fiscal agent	16,920
Cash and cash equivalents	9,582
Non-current:	
Restricted:	
Cash and cash equivalents	20,184
Investments	24,998
Total	<u>\$190,687</u>

<u>2013</u>	
Current:	
Cash and cash equivalents	\$105,848
Investments	10,184
Restricted:	
Cash with fiscal agent	16,700
Non-current:	
Restricted:	
Cash and cash equivalents	36,414
Investments	25,005
Total	<u>\$194,151</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE V. CAPITAL ASSETS

Increases and decreases in capital asset activity include transfers. Capital asset activity for the fiscal years ended September 30, 2014 and 2013, was as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Fiscal Year 2014</i>				
Capital assets not being depreciated:				
Land	\$ 132,659	\$ -	\$ -	\$ 132,659
Easement & Right of Ways	45	-	-	45
Construction in progress	45,502	21,931	(46,216)	21,217
Artwork	291	-	-	291
Total capital assets not being depreciated	<u>178,497</u>	<u>21,931</u>	<u>(46,216)</u>	<u>154,212</u>
Capital assets being depreciated:				
Buildings	343,359	6,398	(1,079)	348,678
Improvements other than buildings	22,299	582	(28)	22,853
Machinery and equipment	48,296	1,692	(1,268)	48,720
Software	2,999	134	-	3,133
Infrastructure	297,495	39,925	(1,414)	336,006
Total capital assets being depreciated	<u>714,448</u>	<u>48,731</u>	<u>(3,789)</u>	<u>759,390</u>
Less accumulated depreciation for:				
Buildings	63,424	7,022	(25)	70,421
Improvements other than buildings	10,742	1,386	(24)	12,104
Machinery and equipment	23,109	3,264	(1,082)	25,291
Software	2,966	31	-	2,997
Infrastructure	114,768	8,927	(1,096)	122,599
Total accumulated depreciation	<u>215,009</u>	<u>20,630</u>	<u>(2,227)</u>	<u>233,412</u>
Total capital assets being depreciated, net	<u>499,439</u>	<u>28,101</u>	<u>(1,562)</u>	<u>525,978</u>
Capital assets, net	<u>\$ 677,936</u>	<u>\$ 50,032</u>	<u>\$ (47,778)</u>	<u>\$ 680,190</u>
<i>Fiscal Year 2013</i>				
Capital assets not being depreciated:				
Land	\$ 132,776	\$ -	\$ (117)	\$ 132,659
Easement & Right of Ways	45	-	-	45
Construction in progress	29,985	34,085	(18,568)	45,502
Artwork	715	-	(424)	291
Total capital assets not being depreciated	<u>163,521</u>	<u>34,085</u>	<u>(19,109)</u>	<u>178,497</u>
Capital assets being depreciated:				
Buildings	336,717	6,733	(91)	343,359
Improvements other than buildings	18,999	3,818	(518)	22,299
Machinery and equipment	48,740	3,058	(3,502)	48,296
Software	2,999	-	-	2,999
Infrastructure	290,676	7,097	(278)	297,495
Total capital assets being depreciated	<u>698,131</u>	<u>20,706</u>	<u>(4,389)</u>	<u>714,448</u>
Less accumulated depreciation for:				
Buildings	56,518	6,997	(91)	63,424
Improvements other than buildings	9,726	1,525	(509)	10,742
Machinery and equipment	23,328	3,119	(3,338)	23,109
Software	2,901	65	-	2,966
Infrastructure	106,637	8,409	(278)	114,768
Total accumulated depreciation	<u>199,110</u>	<u>20,115</u>	<u>(4,216)</u>	<u>215,009</u>
Total capital assets being depreciated, net	<u>499,021</u>	<u>591</u>	<u>(173)</u>	<u>499,439</u>
Capital assets, net	<u>\$ 662,542</u>	<u>\$ 34,676</u>	<u>\$ (19,282)</u>	<u>\$ 677,936</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

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, 2014 and September 30, 2013, was \$156,000 and \$265,000, respectively.

The total depreciation/amortization expense does not agree with the related disclosed accumulated depreciation because of amortization not in the Capital Assets Note and asset transfers. Asset transfers may occur between Governmental Activities and Business-Type Activities. The related accumulated depreciation for the asset transfer is reported in the Increase and/or Decrease columns on the Note V. Capital Assets; therefore, the increase in accumulated depreciation is different from the depreciation expense.

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, 2014, minimum future rentals of operating leases were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Amount</u>
2015	\$46,682
2016	45,861
2017	45,872
2018	28,352
2019	9,906
Later years	<u>63,329</u>
Total minimum future revenue	<u>\$240,002</u>

For the years ended September 30, 2014 and 2013, \$7,399,000 and \$6,412,000, respectively, of contingent rentals were included in rentals, concessions, and rental car revenues on the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

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

NOTE VI. LONG-TERM DEBT

Revenue Bonds

Revenue bonds payable at September 30, 2014 and 2013 consisted of the following:

- 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 5.493 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2014 and 2013, was \$37,500,000 and \$37,540,000, respectively.
- 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 5.255 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2014 and 2013 was \$95,640,000 and \$103,880,000, respectively.
- 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 5.528 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2014 and 2013 was \$174,260,000 and \$174,450,000.

The total revenue bonds payable at September 30, 2014 and 2013, were \$307,400,000 and \$315,870,000, respectively.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

The annual debt service requirements for revenue bonds at September 30, 2014, were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	8,900	15,818	24,718
2016	9,330	15,365	24,695
2017	9,800	14,891	24,691
2018	10,280	14,399	24,679
2019	10,780	13,856	24,636
2020-2024	63,470	60,073	123,543
2025-2029	84,640	40,409	125,049
2030-2034	<u>110,200</u>	<u>14,925</u>	<u>125,125</u>
Total	<u>\$307,400</u>	<u>\$189,736</u>	<u>\$497,136</u>

The following is a summary of bond activity of the Port Authority for the years ended September 30, 2014 and 2013 (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Beginning balance	\$315,870	\$323,765
Additions	-	-
Reductions	<u>(8,470)</u>	<u>(7,895)</u>
Bonds payable at end of fiscal year	307,400	315,870
Plus unamortized premium	<u>3,372</u>	<u>3,816</u>
Bonds payable at end of fiscal year, net	<u>\$310,772</u>	<u>\$319,686</u>

Bond Resolutions

The Airport Revenue 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 Refunding Bonds, Series 2005
- Airport Revenue Refunding Bonds, Series 2010A
- Airport Revenue Refunding Bonds, Series 2011A (AMT)

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 .83519 percent as of September 30, 2014. 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, 2014 and 2013, was \$3,042,000 and \$3,437,000, respectively. The available balance at September 30, 2014 and 2013, was \$6,958,000 and \$6,563,000, respectively.

The annual debt service requirements for the Port's variable rate note payable at September 30, 2014, 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>
2015	\$3,042	\$6	\$3,048

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

The following is a summary of variable rate note payable activity of the Port Authority for the years ended September 30, 2014 and 2013 (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Beginning balance	\$3,437	\$3,812
Additions (Reductions)	<u>(395)</u>	<u>(375)</u>
Variable debt payable at end of fiscal year	<u>\$3,042</u>	<u>\$3,437</u>

PFC Note Payable

The Port Authority entered into an \$18,790,000 loan agreement with a commercial bank to refund its Passenger Facility Charge Revenue and Refunding Bonds, Series 1998. 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 with an early redemption on December 1, 2014, therefore the entire amount was classified as current. The outstanding balance at September 30, 2014 and 2013, was \$6,540,000 and \$9,720,000, respectively. The total principal and interest remaining to be paid out on the commercial bank loan for the Port Authority Series 2010 Passenger Facility Charges Revenue bank loan is \$6,561,000. Principal and interest for the current year and pledged revenues collected for Passenger Facility Charges debt were \$3,365,000 and \$15,821,000, respectively.

The annual debt service requirements for the Port's PFC note payable at September 30, 2014 were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	3,240	94	3,334
2017	<u>3,300</u>	<u>31</u>	<u>3,331</u>
Total	<u>\$6,540</u>	<u>\$125</u>	<u>\$6,665</u>

	<u>2014</u>	<u>2013</u>
Beginning balance	\$9,720	\$12,840
Additions (Reductions)	<u>(3,180)</u>	<u>(3,120)</u>
Variable debt payable at end of fiscal year	<u>\$6,540</u>	<u>\$ 9,720</u>

Operating Leases

The Port Authority is currently committed to various operating leases with terms in excess of one year. The future minimum rental payments as of September 30, 2014 were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Amount</u>
2015	\$86
2016	33
2017	18
2018	16
2019	<u>4</u>
Total	<u>\$157</u>

The total rental expense for all operating leases, including those with terms of less than one year, for the years ended September 30, 2014 and 2013, was \$88,000 and \$184,000, respectively.

Compensated Absences

The following is a summary of compensated absences activity for the Port Authority for the years ended September 30, 2014 and 2013 (dollars in thousands):

	<u>2014</u>	<u>2013</u>
Beginning balance	\$1,598	\$1,495
Additions	2,574	2,467
Reductions	<u>(2,483)</u>	<u>(2,364)</u>
Compensated absences payable at end of fiscal year	<u>\$1,689</u>	<u>\$1,598</u>

Of the \$1,689,000 balance at September 30, 2014, \$1,243,000 is due within one year.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

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	
	2014	2013	2014	2013
<i><u>Condensed Statements of Net Position</u></i>				
Assets				
Current assets	\$ 95,105	\$ 90,312	\$ 5,074	\$ 7,648
Restricted assets	43,799	51,010	-	-
Capital assets	621,862	613,722	53,191	53,681
Total assets	<u>760,766</u>	<u>755,044</u>	<u>58,265</u>	<u>61,329</u>
Deferred outflows of resources				
Deferred charge on refunding	9,014	9,808	-	-
Total deferred outflows of resources	<u>9,014</u>	<u>9,808</u>	<u>-</u>	<u>-</u>
Liabilities				
Current liabilities	18,429	23,532	3,582	737
Current liabilities payable from restricted assets	19,229	16,775	-	395
Noncurrent liabilities	321,199	327,784	1,874	4,653
Total liabilities	<u>358,857</u>	<u>368,091</u>	<u>5,456</u>	<u>5,785</u>
Net position				
Net investment in capital assets	341,095	322,040	49,992	49,878
Restricted	9,598	17,967	-	-
Unrestricted	60,230	56,754	2,817	5,666
Total net position	<u>\$ 410,923</u>	<u>\$ 396,761</u>	<u>\$ 52,809</u>	<u>\$ 55,544</u>

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

Operating revenues				
User fees	\$ 43,590	\$ 43,330	\$ 6,710	\$ 6,670
Rentals	3,078	2,880	2,458	2,407
Concessions	39,120	37,223	85	92
Miscellaneous	244	134	9	7
Less: Rebates	(3,815)	(3,932)	-	-
Total operating revenues	<u>82,217</u>	<u>79,635</u>	<u>9,262</u>	<u>9,176</u>
Operating expenses				
Depreciation	18,214	17,298	2,419	2,416
Other operating expenses	57,275	54,741	9,721	9,331
Total operating expenses	<u>75,489</u>	<u>72,039</u>	<u>12,140</u>	<u>11,747</u>
Operating income (loss)	<u>6,728</u>	<u>7,596</u>	<u>(2,878)</u>	<u>(2,571)</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE VII: SEGMENT INFORMATION (continued)

	Southwest Florida International Airport		Page Field General Aviation Airport	
	2014	2013	2014	2013
<i>Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued)</i>				
Non-operating revenues (expenses)				
Investment earnings	\$ 141	\$ 263	\$ 7	\$ 16
Interest expense	(16,320)	(16,672)	(26)	(24)
Other non-operating	(36)	208	(3)	(54)
Total non-operating revenues (expenses)	<u>(16,215)</u>	<u>(16,201)</u>	<u>(22)</u>	<u>(62)</u>
Loss before capital contributions	(9,487)	(8,605)	(2,900)	(2,633)
Capital contributions	11,915	9,729	165	1,298
Transfers	11,734	17,136	-	-
Change in net position	<u>14,162</u>	<u>18,260</u>	<u>(2,735)</u>	<u>(1,335)</u>
Beginning net position	396,761	378,501	55,544	56,879
Ending net position	<u>\$ 410,923</u>	<u>\$ 396,761</u>	<u>\$ 52,809</u>	<u>\$ 55,544</u>

Condensed Statements of Cash Flows

Net cash provided (used) by:				
Operating activities	\$ 27,468	\$ 30,728	\$ (242)	\$ (278)
Noncapital financing activities	6,353	15,744	59	0
Capital and related financing activities	(38,443)	(41,069)	(2,382)	(414)
Investing activities	147	110	7	17
Net increase (decrease)	<u>(4,475)</u>	<u>5,513</u>	<u>(2,558)</u>	<u>(675)</u>
Beginning cash and cash equivalents	106,214	100,701	7,272	7,947
Ending cash and cash equivalents	<u>\$ 101,739</u>	<u>\$ 106,214</u>	<u>\$ 4,714</u>	<u>\$ 7,272</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.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

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 receive 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 5.18 percent and 14.90 percent of gross salaries for fiscal year 2014. For fiscal years ended September 30, 2014, 2013, and 2012, the Port Authority contributed 100 percent of the required contributions. These contributions aggregated \$2.3 million, \$1.7 million, and \$1.5 million, respectively, which represents 11 percent, 9 percent, and 8 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 \$3,040,000 and \$3,446,000 for 2014 and 2013, respectively, are based on the Port Authority’s

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

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, 2014 and 2013, the Other Postemployment Benefits liability totaled \$20,694,000 and \$17,654,000, respectively, and is based on the Port Authority's percentage of employees relative to the County as a whole. It is included in accrued liabilities on the accompanying Statements of Net Position.

NOTE IX. RISK MANAGEMENT

The Port Authority property and casualty insurance lines are written through their broker, Arthur J. Gallagher. All lines of insurance costs for 2014 and 2013 were \$1,757,000 and \$1,733,000, respectively. There have been no significant reductions in insurance coverage that have exceeded the amount of coverage in any of the past three years.

The Port Authority participates in the County's self-insurance program for group medical and group dental coverage. Funding for this program is generated by charges to the operating departments based on management's annual estimates of claim loss funding and administration/operating costs. For the fiscal years ended September 30, 2014 and 2013, the Port Authority was charged \$5,428,000 and \$5,301,000, 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, 2014 and 2013, the Port Authority had in process various construction contracts totaling \$96,644,000 and \$83,764,000, respectively. Costs incurred on these contracts as of September 30, 2014 and 2013, totaled \$76,625,000 and \$64,949,000, respectively, including retainage payable of \$1,169,000 and \$2,866,000, 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, design and construction of taxiways and apron, design and permitting of the parallel runway, passenger terminal improvements, enhancements to the mitigation park, and master planning and noise studies.

In June 2013, the FAA approved Application #8 for \$20,555,000. As a result, the total collection authority is \$321,622,000 with an estimated expiration date of January 1, 2020.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE XII. AIRLINE USE AGREEMENTS

Signatory Airlines

The Port Authority negotiated a new airline use agreement (“Airline Airport Lease & Use Agreement”) with the Participating Airlines (now referred as “Signatory Airlines”) with the key terms of the agreement approved by the Board in May 2008. The Agreement commenced on October 1, 2008 with a five-year term, expiring on September 30, 2013. The Agreement has been extended to September 30, 2018 with the same terms as the original agreement.

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

Refunds/Rebates are generated from settlement with the Airlines and the revenue sharing component of the Airline Airport Lease & Use Agreement.

Terminal premises are leased on an exclusive use, preferential use, and joint use basis. The Authority will lease certain Terminal premises on a common use basis, as may be necessary. It is the intent of the Authority to manage its Terminal facilities in an efficient manner, while also respecting the schedules of its airline parties. Ticket counters, offices, operations areas, and baggage make-up facilities are leased on an exclusive use basis. Gates/holdrooms and aircraft parking positions are leased on a preferential use basis. Baggage claim is leased on a joint use basis, with costs allocated to the Signatory Airlines based on twenty percent (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 years 2014 and 2013, the signatory airlines paid the Port Authority \$23,025,000 and \$25,042,000, respectively. These amounts are net of refunds of \$613,000 and \$1,272,000, respectively, and revenue sharing of \$3,815,000 and \$2,892,000, respectively.

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. At that time, American was a Signatory Airline with an average of four daily flights. The bankruptcy had no effect on the Port Authority and American Airlines remained current on all payments. American Airlines remained a Signatory Airline until the agreement expired in September 2013. In December 2013, American emerged from bankruptcy through a merger with US Airways. In March 2014, American Airlines signed a Signatory Agreement with the Port Authority.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2014 and 2013

NOTE XIII. OTHER

Litigation

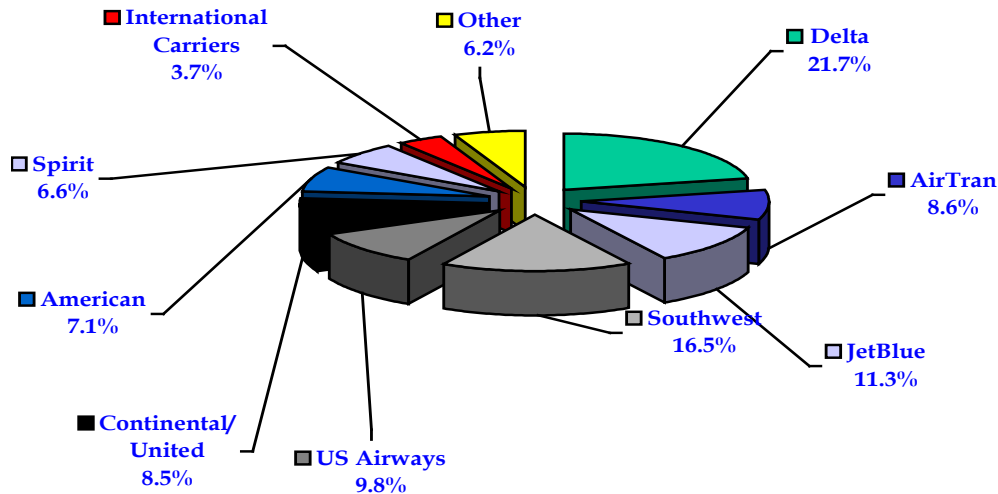
The Port Authority is involved in ongoing litigation arising in the ordinary course of operations. It is the opinion of management and legal counsel that the outcome of this litigation will not materially affect the financial position of the Port Authority.

Subsequent Events

On November 26, 2014 the Port Authority paid the outstanding balance of \$3,042,000 on the Line of Credit and the outstanding balance of \$6,540,000 on the Passenger Facility Charge loan.

LEE COUNTY PORT AUTHORITY
 Airline Market Share and Passenger Information
 For the Fiscal Year Ended September 30, 2014
 (unaudited)

Total passenger traffic is shown below for fiscal year 2014 showing market share for each major airline at Southwest Florida International Airport.



Airline	2014	2013	Change from 2013	% Change from 2013
Delta	1,713,000	1,712,000	1,000	0.06%
Air Tran	681,000	1,233,000	(552,000)	-44.77%
JetBlue	889,000	876,000	13,000	1.48%
Southwest	1,300,000	783,000	517,000	66.03%
US Airways	776,000	766,000	10,000	1.31%
Continental/United	666,000	639,000	27,000	4.23%
American	563,000	508,000	55,000	10.83%
Spirit	517,000	439,000	78,000	17.77%
International Carriers	294,000	264,000	30,000	11.36%
Other*	486,000	388,000	98,000	25.26%
Total	7,885,000	7,608,000	277,000	3.64%

* Represents all domestic carriers with less than a 5% market share.

Additional Reports



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

Honorable Board of County Commissioners
Lee County, Florida

and

Honorable Board of Port Commissioners
Lee County Port Authority

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 2014 financial statements of the Lee County Port Authority (Authority), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise Authority's basic financial statements, and have issued our report thereon dated February 11, 2015.

Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 may exist that have not been identified.

Honorable Board of County Commissioners
Lee County, Florida

and

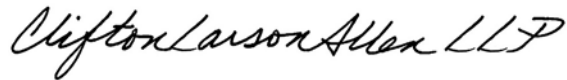
Honorable Board of Port Commissioners
Lee County Port Authority

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Fort Myers, Florida
February 11, 2015