Lee County Port Authority

A Component Unit of Lee County, Florida

Component Unit Financial Report

For the Fiscal Years Ended September 30, 2003 and 2002

Lee County Port Authority

Financial Statements

Years Ended September 30, 2003 and 2002

Lee County Port Authority
Lee County, Florida

Table of Contents

This page intentionally left blank.

Lee County Port Authority

Direct Dial: (239) 768-4300
Fax: (239) 768-4447

February 10, 2004

Dear Friends:

I am pleased to present the Lee County Port Authority's financial results for the fiscal year ending September 30, 2003.

Fiscal year 2003, the Airport's 20th anniversary, was another record breaking year regarding passenger growth. Total passenger traffic was 5,705,832, exceeding the prior year's total by 13.72 percent. According to the Air Transport Association, overall passenger traffic for the same period was down over 3 percent. Total operating revenues were $42.8 million, an increase of $5.9 million. Total expenses before depreciation were $31.4 million, an increase of $4.3 million. These measures resulted in a combined refund to our participating airlines of over $4.3 million and an average cost per enplaned passenger of $2.62, the lowest in the Airport's history.

In March 2003, a $52 million budget increase was approved for the Midfield Terminal Complex, bringing the total budget for the project to $438 million. The increase was primarily due to passenger and screening requirements mandated by the Transportation Security Administration. Modifications to the terminal included a 27,000-square-foot in-line baggage system and the relocation of security check points. The increase is being paid for using additional state and federal funding, passenger facility charges, rental car charges and other available discretionary funding. The project, which includes a 750,000-square-foot terminal with 28 aircraft gates on three concourses, a 12,000-foot parallel taxiway, a three-story parking garage, large surface parking areas and access roads including a two-level terminal roadway system, remains on schedule and is expected to be complete in 2005.

The Port Authority also remains committed to the success of Page Field General Aviation Airport. Recently completed and ongoing projects include new T-hangars, a bulk hangar, ramp expansions, entrance road improvements and leases such as Page Field Commons and the Page Field Medical Village. Page Field was recently honored by the Florida Department of Transportation as the 2002 General Aviation Airport of the Year. We are extremely proud of our efforts to transform Page Field from a financially troubled, deteriorating airfield into a thriving, prosperous general aviation facility.

We are pleased with the results of the past fiscal year and are dedicated to providing a high level of safety and service to area residents and visitors.

Sincerely,

LEE COUNTY PORT AUTHORITY

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

RMB:BRS/amf

SOUTHWEST FLORIDA INTERNATIONAL AIRPORT
16000 Chamberlin Parkway, Suite 8671 - Fort Myers, Florida 33913-8899
http://www.swfia.com

This page intentionally left blank.

KPMG LLP
Suite 1600
111 North Orange Avenue
P.O. Box 3031
Orlando, FL 32802

Independent Auditors' Report

To the Board of Port Commissioners
of Lee County, Florida:

We have audited the accompanying financial statements of the Lee County Port Authority (a blended component unit) of Lee County, Florida (County) as of and for the years ended September 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Lee County Port Authority's management. Our responsibility is to express our opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2003 and 2002, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 1 through 6 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries 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 audits were conducted for the purpose of forming an opinion on the Lee County Port Authority's financial statements. The information included in the supplemental schedules is presented for purposes of additional analysis and is not a required part of the financial statements of the Lee County Port Authority. Such additional information has not been subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

KPMG LLP

January 23, 2004

This page intentionally left blank.

Management's Discussion and Analysis
(unaudited)

This discussion and analysis is intended to serve as an introduction to the Lee County Port Authority's financial statements for fiscal years ending September 30, 2003 and 2002. 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 2003, 2002, and 2001.

Table 1
Summary of Net Assets
September 30, 2003, 2002 and 2001
(000's)

	2003	2002	2001
Current and other assets	$339,896	$374,583	$376,546
Capital assets	383,627	277,605	252,814
Total assets	723,523	652,188	629,360
Current liabilities	44,312	15,839	7,447
Non-current liabilities	409,240	412,547	419,674
Total liabilities	453,552	428,386	427,121
Net assets:			
Invested in capital assets, net of related debt	172,322	105,362	86,978
Restricted	56,670	82,258	88,685
Unrestricted	40,979	36,182	26,576
Total net assets	$269,971	$223,802	$202,239

Summary of Net Assets Analysis

Total assets increased by $71.3 million and $22.8 million in 2003 and 2002, respectively. These increases are primarily the result of the Midfield Terminal Complex construction which has increased construction in progress by $108 million and $27 million and decreased investments by $43 million and $3 million in 2003 and 2002, respectively.

In 2003, total liabilities increased $25.2 million. This increase was a result of increased contracts and accounts payable associated with the Midfield Terminal Complex construction. Total liabilities in 2002 increased $1.3 million due to an increase of $2.7 million in arbitrage obligations, an increase of $1.8 million in retainage for the Midfield Terminal Complex, and a decrease of $2.8 million in long-term debt as the result of two refunding issues.

Table 2 reflects a summary of revenues, expenses, and changes in net assets for 2003, 2002 and 2001.

Table 2
Summary of Revenues, Expenses, and Changes in Net Assets
For the Years Ended September 30, 2003, 2002 and 2001
(000's)

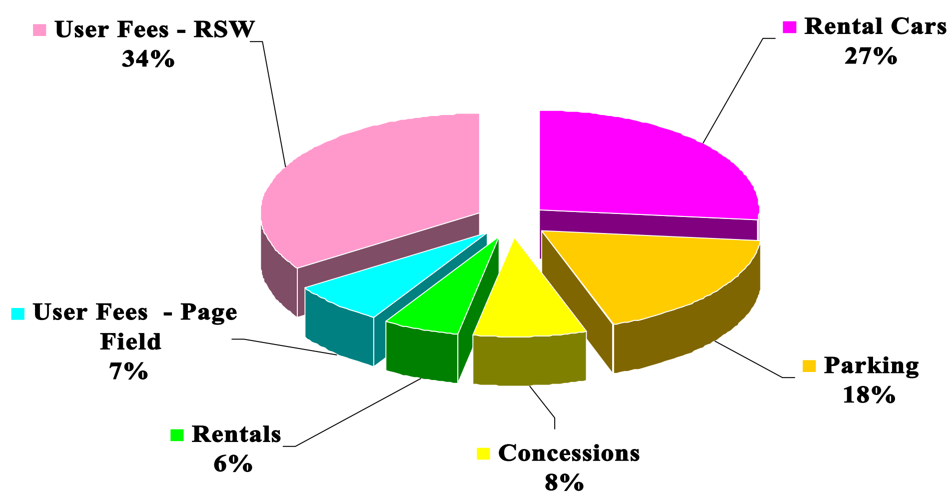
	2003	2002	2001
Revenues:			
User fees	$17,605	$14,830	$16,451
Rental cars	11,451	10,223	10,014
Parking	7,770	6,949	6,730
Other	5,986	4,916	4,199
Total revenues	42,812	36,918	37,394
Expenses:			
Salaries, wages and benefits	15,343	14,025	13,111
Contractual services, materials and supplies, repairs and maintenance, utilities	13,013	11,146	11,977
Other	17,132	9,004	8,145
Total expenses	45,488	34,175	33,233
Operating income	(2,676)	2,743	4,161
Non-operating revenues (expenses):			
Interest revenue	643	1,983	5,538
Interest expense	(4,690)	(4,943)	(6,041)
Passenger facility charges	7,930	6,488	7,236
Other revenues (expenses)	14	189	(228)
Total non-operating	3,897	3,717	6,505
Income before capital contributions	1,221	6,460	10,666
Capital contributions	44,948	15,103	10,361
Increase in net assets	46,169	21,563	21,027
Beginning net assets	223,802	202,239	181,212
Ending net assets	$269,971	$223,802	$202,239

Summary of Revenues and Expenses Analysis

Total income before capital contributions in 2003 was $1.2 million, a decrease of $5.2 million from 2002. Total operating revenues increased by $5.9 million. This can be attributed to rental facility charges of $3 million, a $1.4 million increase in rental car revenues, and a $0.9 million increase in parking lot revenues. The rental car facility charge is a $1.00 day rental car charge implemented to offset the cost of the consolidated rental car facility. Increases in rental car revenues were due to increased passenger traffic. The increase in parking lot revenues was due to increased passengers and a new rate structure implemented in December 2002. Total operating expenses increased by $11.3 million in 2003. Increases in this category were in salaries and benefits, due to new positions and rising health costs, insurance, due to increased premiums, miscellaneous repair and maintenance items, and accelerated depreciation on the existing terminal complex.

Total income before capital contributions in 2002 was $6.5 million, a decrease of $4.2 million from 2001. This can be attributed to the following three factors: a decrease of $1.6 million in user fees, a decrease of $3.6 million in interest revenue and a decrease of $1.0 million in interest expense.

The following chart shows the 2003 major sources of revenue as a percentage of total revenues:



Capital Assets

Table 3 reflects a summary of capital assets compared to prior years.

Table 3
Capital Assets
September 30, 2003, 2002 and 2001
(000's)

	2003	2002	2001
Land	$127,208	$119,085	$119,085
Construction in progress	183,961	75,739	50,324
Building	57,583	57,508	54,273
Improvements	7,150	7,073	5,068
Equipment	15,986	15,201	14,901
Infrastructure	79,720	77,062	76,421
Subtotal	471,608	351,668	320,072
Less accumulated depreciation	(87,981)	(74,063)	(67,258)
Total	$383,627	$277,605	$252,814

Capital assets increased by $106.0 million and $24.8 million in 2003 and 2002, respectively. Significant capital expenditures for 2003 included $108.7 million for the Midfield Terminal Complex and $4.1 million of various Page Field projects, including terminal building improvements and new hangars. Significant capital expenditures for 2002 included $27.3 million for the Midfield Terminal Complex and $2.2 million for various Page Field projects.

Debt Administration

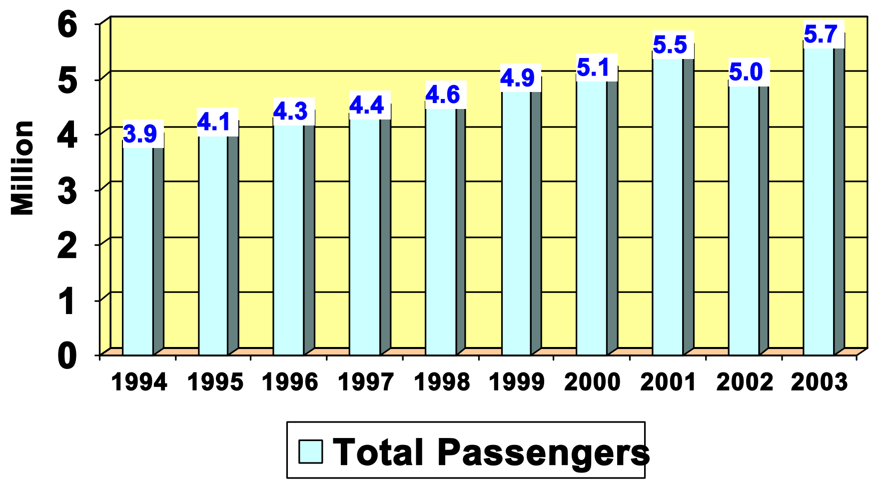
As of September 30, 2003, the Lee County Port Authority had $410.4 million in outstanding debt. This is a decrease of $6.6 million due to principal payments. No new debt was issued in fiscal year 2003.

Table 4
Outstanding Debt
September 30, 2003, 2002 and 2001
(000's)

	2003	2002	2001
Series 2002 Airport Revenue Refunding Bond	$36,465	$37,065	
Series 2002 Airport Revenue Refunding Note	4,256	8,400	
Series 2000A Airport Revenues Bonds	291,155	291,155	$291,155
Series 2000 B Airport Revenue Bonds	36,180	36,180	36,180
Series 1998 Passenger Facility Bonds	42,350	44,270	46,115
Series 1992A Airport Revenue Bonds			36,995
Series 1992B Airport Revenue Bonds			12,020
Total	$410,406	$417,070	$422,465

Airport Activities

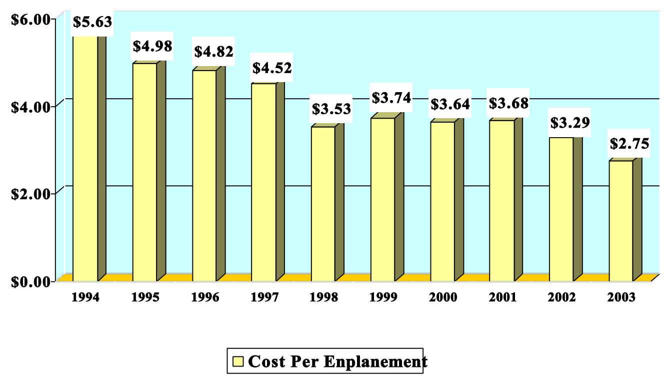
Total passengers for fiscal year 2003 were 5.7 million, nearly a 14 percent increase over the prior year. According to the Air Transport Association, traffic nationally was down 3.2 percent for the same period. New airlines to the airport included Frontier, USA3000, Song, Chautauqua and Condor. Increased service from existing airlines included US Airways, Delta, JetBlue, American and Northwest. Below is a 10 year passenger growth chart for the Southwest Florida International Airport.



Airline Rates and Charges

In 1998, the Airport amended its Airport Use Agreement with ten airlines, known collectively as the Participating Airlines. The Agreement with the airlines uses a residual rate setting methodology. Each year actual revenues and expenses are compared to budget. Differences between actual and budget are returned annually to the airlines in a form of a refund. The Authority has the ability under the Agreement to adjust airline rates and charges at any time throughout the year to ensure adherence to all financial covenants in its bond resolutions. No such adjustments were required during 2003. In fiscal year 2003, the Airlines collectively shared a refund of $4,332,000. In addition, the Airlines collectively received $480,000, their pro rata share of the annual debt service coverage.

It is typical for the airline industry to measure their 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.



Midfield Terminal Complex Update

Construction for the Midfield Terminal Complex commenced in March 2002. The project, which includes a 785,000 square foot terminal with 28 aircraft gates on three concourses, a 12,000 foot parallel taxiway, a three story parking garage, large surface parking areas, access roads, including a two level terminal roadway system and other improvements, is expected to be complete by March 2005. Total costs to date for the project is $162.8 million.

In March 2003, the Board of County Commissioners approved a $52 million budget increase for the Midfield Terminal Complex bringing the total budget to $437.8 million. The original design of the project was based on pre-9/11 security regulations. As a result of passenger and screening requirements mandated by the Transportation Security Administration (TSA), modifications to the new terminal were necessary. These changes included the construction of a new 27,000 square foot in-line baggage system, the relocation and enlargement of passenger screening check points, the relocation of certain concession areas and to provide additional TSA and administrative space. It is important to note that the increase in the project is being done without the issuance of new debt. This increase is being funded by additional federal and state grants, passenger facility charges (PFC's), rental car facility charges and other discretionary funding.

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, 16000 Chamberlin Parkway, Suite 8671, Fort Myers, Florida, 33913.

Financial Statements

LEE COUNTY PORT AUTHORITY
Lee County, Florida
STATEMENTS OF NET ASSETS
As of September 30, 2003 and 2002
(amounts expressed in thousands)

	2003	2002
ASSETS		
Current assets:		
Cash and cash equivalents	$44,478	$36,939
Investments	341	342
Restricted assets	32,983	7,946
Receivables (net):		
Accounts	2,013	2,451
Grants	4,525	2,620
Accrued interest	3	3
Due from other governments	3	193
Inventories	251	260
Other	1,187	955
Total current assets	85,784	51,709
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	34,980	27,904
Investments	224,792	283,745
Receivables (net):		
Accounts	1,278	899
Grants	12,336	2,996
Accrued interest	8,138	9,620
Restricted assets used to pay current liabilities payable from restricted assets	(32,983)	(7,946)
Capital assets (net)	383,627	277,605
Intangible assets	225	42
Unamortized bond costs	5,346	5,614
Total noncurrent assets	637,739	600,479
Total assets	$723,523	$652,188

LEE COUNTY PORT AUTHORITY
Lee County, Florida
STATEMENTS OF NET ASSETS
As of September 30, 2003 and 2002
(amounts expressed in thousands)

	2003	2002
LIABILITIES		
Current liabilities:		
Contracts and accounts payable	$4,873	$3,525
Accrued liabilities	462	546
Refunds and rebates	4,807	3,073
Due to other governments	277	97
Customer deposits	224	182
Deferred revenues	293	262
Compensated absences	393	208
Total current liabilities	11,329	7,893
Current liabilities payable from restricted assets:		
Contracts and accounts payable	29,084	4,142
Due to other governments		10
Notes	3,899	3,794
Total current liabilities payable from restricted assets	32,983	7,946
Noncurrent liabilities:		
Compensated absences	274	272
Notes payable	357	4,606
Revenue bonds payable	398,532	400,418
Other	10,077	7,251
Total noncurrent liabilities	409,240	412,547
Total liabilities	453,552	428,386
NET ASSETS		
Invested in capital assets, net of related debt	172,322	105,362
Restricted for:		
Capital Projects	29,403	37,808
Debt service	26,724	43,594
Renewal and Replacement	543	856
Unrestricted	40,979	36,182
Total Net Assets	$269,971	$223,802

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 FUND NET ASSETS

For the Years Ended September 30, 2003 and 2002

(amounts expressed in thousands)

	2003	2002
OPERATING REVENUES		
User fees	$17,605	$14,830
Rentals	2,403	2,069
Concessions	3,533	3,347
Parking Revenues	7,770	6,949
Rental Car Revenues	11,451	10,223
Miscellaneous	530	421
Total operating revenues	43,292	37,839
Less: Rebates	480	921
Net operating revenues	42,812	36,918
OPERATING EXPENSES		
Salaries and wages	11,600	10,576
Employee benefits	3,743	3,449
Contractual services, materials and supplies	9,751	8,255
Utilities	2,072	1,865
Repairs and maintenance	1,190	1,026
Insurance	1,061	716
Other	2,012	1,290
Depreciation and amortization	14,059	6,998
Total operating expenses	45,488	34,175
Operating income	(2,676)	2,743
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	643	1,983
Interest expense	(4,690)	(4,943)
Grants	36	619
Gain (loss) on disposal of capital assets	(32)	88
Loss on discontinued projects		(402)
Passenger facility charges	7,930	6,488
Other revenues	18	1
Other expenses	(8)	(117)
Total non-operating revenues (expenses)	3,897	3,717
Income before capital contributions	1,221	6,460
Capital contributions	44,948	15,103
Change in net assets	46,169	21,563
Total net assets- beginning	223,802	202,239
Total net assets - ending	$269,971	$223,802

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, 2003 and 2002

(amounts expressed in thousands)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$45,206	$36,206
Cash received from customer deposits	43	57
Other cash receipts	18	1
Payments to suppliers	(14,008)	(12,888)
Payments to employees	(13,412)	(12,441)
Payment for County services used	(1,667)	(1,470)
Net cash provided by operating activities	16,180	9,465
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received		461
Net cash provided by noncapital financing activities	0	461
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt		45,846
Capital contributions	33,740	11,395
Proceeds from passenger facilities charges	7,551	6,488
Additions to capital assets	(92,631)	(26,956)
Principal paid on bonds, loans, and leases	(6,664)	(13,870)
Interest paid on bonds, loans, and leases	(23,066)	(23,753)
Transfer to refunding escrow agent		(37,968)
Proceeds from sale of capital assets	2	91
Net cash used in capital and related financing activities	(81,068)	(38,727)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	58,953	12,207
Interest on investments	20,550	22,909
Net cash provided by investing activities	79,503	35,116
Net increase in cash and cash equivalents	14,615	6,315
Cash and equivalents at beginning of year	64,843	58,528
Cash and equivalents at end of year	$79,458	$64,843
Classified as:		
Current assets	$44,478	$36,939
Restricted assets	34,980	27,904
Totals	$79,458	$64,843
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Increase (decrease) in fair value of investments	($939)	$257

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, 2003 and 2002
(amounts expressed in thousands)

	2003	2002
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	($2,676)	$2,743
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	14,059	6,998
Other revenues	18	1
Other expenses	(8)	
(Increase) decrease in accounts receivable	438	(281)
(Increase) decrease in due from other governments	190	(190)
Decrease in inventories	9	37
(Increase) in other assets	(232)	(347)
Increase (decrease) in contracts and accounts payable	1,348	(718)
Increase (decrease) in accrued liabilities	(84)	18
Increase in refunds and rebates	1,734	878
Increase in due to other governments	170	65
(Decrease) in due to County		(6)
Increase in customer deposits	42	57
Increase in deferred revenues	31	158
Increase in compensated absences	187	71
Increase (decrease) in other liabilities	954	(19)
Total adjustments	18,856	6,722
Net cash provided by operating activities	$16,180	$9,465

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Lee County (the County) is a political subdivision of the State of Florida. It is governed by an elected Board of County Commissioners (the Board), which is governed by state statutes and regulations. The Lee County Port Authority is a blended component unit of the County and is reported as an enterprise fund in the countywide primary government financial statements. In 1987, the Board authorized the creation of the Lee County Port Authority (the Port Authority) transferring the management and administration of the 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 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 332.03, Florida Statutes, Lee County resolution Number 87-8-9, and subsequently, Lee County Ordinance Number 90-02, as amended.

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, 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 enterprise fund accounting 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 balance sheet, and the reported fund equity (total reported assets less total reported liabilities) provides an indication of the economic net worth of the Port Authority.

The operating statement 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.

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. Pursuant to Governmental Accounting Standards Board Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Port Authority has elected not to apply accounting standards issued after November 30, 1989, by the Financial Accounting Standards Board.

The County has implemented Governmental Accounting Standards Board Statements Number 33, *Accounting and Financial Reporting for Non-exchange Transactions,* Number 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* (GASB 34), Number 37, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments: Omnibus- an amendment of GASB Statements No. 21 and No. 34,* Number 38, *Certain Financial Statement Note Disclosures*, and Interpretation Number 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.*

Assets, Liabilities, and Net Assets

Cash and Investments

The Port Authority shows all investments at fair value, with the exception of repurchase agreements and the Local Government Surplus Funds Investment Pool Trust Fund (State Board of Administration), an external 2A7 - like investment pool. All fair valuations are based on quoted market prices. The repurchase agreements and Local Government Surplus Funds Investment Pool Trust Fund's shares 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 is the same as the value of the pool shares.

The Port Authority considers highly liquid investments, including those held as restricted assets, with original maturities of three months or less when purchased to be cash equivalents.

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 allowance for doubtful accounts.

Inventory

Inventory, consisting primarily of materials and supplies, 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, plant, equipment, 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 property, plant and equipment, and infrastructure are $750 and $100,000, respectively. 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:

Assets	Years
Buildings	30-50
Improvements other than buildings	6-50
Equipment	3-35
Furniture	4-20
Vehicles & rolling stock	3-10
Infrastructure	20-50

Certain estimated useful lives of capital assets associated with the Port Authority have been adjusted due to their expected decrease in planned service utility in 2005. The additional depreciation associated with the change in asset lives is $7,236,000.

Intangible Asset

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. Software, if material, is classified as an intangible asset and is amortized over its useful life.

Unamortized Discounts and Issuance Costs

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 discount.

Unamortized Losses

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 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 will be bought back annually by the Port Authority.

The Port Authority also maintains a separate policy for 27 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. Invested in capital assets (net of related debt) excludes the portion of debt related to unspent proceeds. 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.

Reclassifications

Certain amounts in the fiscal year 2002 financial statements have been reclassified to conform to current year presentation.

NOTE II. CASH AND INVESTMENTS

Deposits

All Port Authority depositories are banks or savings institutions designated by the State Treasurer as qualified public depositories. Chapter 280, Florida Statutes "Florida Security for Public Deposits Act" provides procedures for public depositories to insure public monies in banks and savings and loans are collateralized with the Treasurer as an agent for the public entities.

Financial institutions qualifying as public depositories shall deposit with the Treasurer eligible collateral having a market value equal to or in excess of the average daily balance times the depository collateral - pledging level required pursuant to Chapter 280 as computed and reported monthly or 25 percent of the average monthly balance, whichever is greater. The Public Deposit Security Trust Fund has a procedure to allocate and recover losses in the event of a default or insolvency. When public deposits are made in accordance with Chapter 280, no public depositor shall be liable for any loss thereof. Chapter 280 defines deposits as time deposit accounts, demand deposit accounts, and certificates of deposit. At September 30, 2003 and 2002, the bank balance of the Port Authority's deposits was $214,465 and $119,184, respectively.

Investments

The Port Authority's investments are made in accordance with the provisions of Section 218.415, Florida Statutes "Investment of Local Government Surplus Funds", Lee County Ordinance 93 - 08 "Authorizing the Investment of Surplus Public Funds in Shares of Investment Funds Created by the Florida Local Government Investment Trust; and Providing an Effective Date", Lee County Ordinance 01-08 "Establishing County Investment Policy Relating to the Duties of the Clerk of Courts; Providing for Investment Procedures and an Effective Date", and the Board of County Commissioners' Administrative Code 3 - 13 "Investment Policy for the Board of County Commissioners". Authorized investments include U.S. Government obligations, passbook savings accounts, tax - exempt state and municipal securities, certificates of deposit, repurchase agreements, bankers' acceptances, money market mutual funds, Local Government Surplus Funds Investment Pool Trust Fund (State Board of Administration), the Florida Local Government Investment Trust, and any other investments authorized by Chapter 218. Management believes there were no violations to this policy during the fiscal years ended September 30, 2003 and 2002.

Investments that are insured or registered, or securities held by the Port Authority or its agent in the Port Authority's name at September 30, 2003 and 2002, consisted of the following (dollars in thousands):

	Fair Value	
	2003	2002
U.S. Government Agencies and Instrumentalities	$28,444	$29,393
Overnight Repurchase Agreements		24,000
Flex Repurchase Agreement	198,706	257,649
Total	$227,150	$311,042

The Local Government Surplus Funds Investment Pool Trust Fund is not categorized as it is not evidenced by securities that exist in physical or book entry form. These investments consisted of the following (dollars in thousands):

	Fair Value	
	2003	2002
Local Government Surplus Funds Investment Pool Trust Fund	$76,652	$37,701

The Port Authority invests funds throughout the year with the Local Government Surplus Funds Investment Pool Trust Fund (SBA), which is administered by the State Board of Administration, under the regulatory oversight of the State of Florida. The Port Authority's investment in the SBA represented approximately 0.5 percent of the SBA's total investments.

The total of investments at September 30, 2003 and 2002 were as follows (dollars in thousands):

	Fair Value	
	2003	2002
Total of investments	$303,802	$348,743

There were no losses during the period due to default by counterparties to investment transactions, and the Port Authority had no other types of investments during the period other than those enumerated above. The market value of securities underlying repurchase agreements met the required level during the year.

Reconciliation of Cash and Investments to the Financial Statements (dollars in thousands):

Cash and Investments:

	2003	2002
Change funds and petty cash	$22	$22
Cash on hand	553	46
Carrying value of deposits	214	119
Investments previously disclosed	303,802	348,743
Total cash and investments	$304,591	$348,930

Cash and Investments per the Statements of Net Assets:

	2003	2002
Current:		
Cash and cash equivalents	$44,478	$36,939
Investments	341	342
Restricted:		
Cash and cash equivalents	34,980	27,904
Investments	224,792	283,745
Total cash and investments	$304,591	$348,930

NOTE III. RECEIVABLES

At September 30, 2003 and 2002, accounts receivable consisted of the following (dollars in thousands):

		Gross Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
2003	Unrestricted	$2,284	($271)	$2,013
	Restricted	1,278		1,278
	Total	$3,562	($271)	$3,291
2002	Unrestricted	$2,767	($316)	$2,451
	Restricted	899		899
	Total	$3,666	($316)	$3,350

NOTE IV. RESTRICTED NET ASSETS AND LIABILITIES

Restricted net assets of the Port Authority represent monies required to be restricted for debt service, renewal and replacement, and capital improvements and construction under the terms of outstanding bond agreements, resolutions, and other contractual agreements.

Net assets restricted for debt service are for the payment of bond principal, interest, and bond reserve requirements. Net assets restricted for renewal and replacement are for the payment of unusual or extraordinary maintenance or repairs. Additionally, net assets are restricted for capital improvements and construction. Net assets were restricted for the following purposes at September 30, 2003 and 2002 (dollars in thousands):

	2003	2002
Debt service	$26,724	$43,594
Renewal and replacement	543	856
Capital improvements and construction	29,403	37,808
Total	$56,670	$82,258

NOTE V. CAPITAL ASSETS

Capital asset activity for the fiscal years ended September 30, 2003 and 2002, was as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Fiscal Year 2003				
Capital assets not being depreciated:				
Land	$119,085	$8,123		$127,208
Construction in progress	75,739	119,522	($11,300)	183,961
Total capital assets not being depreciated	194,824	127,645	(11,300)	311,169
Capital assets being depreciated:				
Buildings	57,508	75		57,583
Improvements other than buildings	7,073	77		7,150
Machinery and equipment	15,201	934	(149)	15,986
Infrastructure	77,062	2,658		79,720
Total capital assets being depreciated	156,844	3,744	(149)	160,439
Less accumulated depreciation for:				
Buildings	21,114	8,391		29,505
Improvements other than buildings	2,865	1,041		3,906
Machinery and equipment	8,516	1,295	(115)	9,696
Infrastructure	41,568	3,306		44,874
Total accumulated depreciation	74,063	14,033	(115)	87,981
Total capital assets being depreciated, net	82,781	(10,289)	(34)	72,458
Fiscal Year 2003 capital assets, net	$277,605	$117,356	($11,334)	$383,627
Fiscal Year 2002				
Capital assets not being depreciated:				
Land	$119,085			$119,085
Construction in progress	50,324	$31,683	($6,268)	75,739
Total capital assets not being depreciated	169,409	31,683	(6,268)	194,824
Capital assets being depreciated:				
Buildings	54,273	3,235		57,508
Improvements other than buildings	5,068	2,005		7,073
Machinery and equipment	14,901	494	(194)	15,201
Infrastructure	76,421	641		77,062
Total capital assets being depreciated	150,663	6,375	(194)	156,844
Less accumulated depreciation for:				
Buildings	19,312	1,802		21,114
Improvements other than buildings	2,601	264		2,865
Machinery and equipment	7,419	1,287	(190)	8,516
Infrastructure	37,926	3,642		41,568
Total accumulated depreciation	67,258	6,995	(190)	74,063
Total capital assets being depreciated, net	83,405	(620)	(4)	82,781
Fiscal Year 2002 capital assets, net	$252,814	$31,063	($6,272)	$277,605

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 also capitalized. Net interest expense capitalized for the years ended September 30, 2003 and September 30, 2002, was $2,727,494 and $1,693,603, 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, 2003, minimum future rentals of operating leases were as follows (dollars in thousands):

	Fiscal Year(s)	Amount
	2004	$13,427
	2005	13,558
	2006	13,679
	2007	4,582
	2008	4,651
Total minimum future revenue		$49,897

The minimum future rentals are only for current terminal contracts. Since the contracts expire at the earlier of the expiration of the lease or the opening of the Midfield Terminal, which is estimated to be March 2005, no future minimum rental revenues are expected to be received on the existing contracts after that time. As of September 30, 2003, no contracts for the Midfield Terminal project (Note XII) have been executed.

For the years ended September 30, 2003 and 2002, rental revenue included $3,741,693 and $3,811,703, respectively, in contingent rentals.

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, 2003 and 2002, 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, 2003 and 2002, was $42,350,000 and $44,270,000, respectively.

- 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 Lee County Port Authority. The outstanding balance at September 30, 2003 and 2002, was $291,155,000 and $291,155,000, respectively.

- Series 2000B (Non-AMT) Airport Revenue Bonds, for $36,180,000 at an interest rate of 5.75 percent (effective interest rate of 6.1 percent), collateralized by a lien on and a pledge of the net revenues of the Lee County Port Authority. The outstanding balance at September 30, 2003 and 2002, was $36,180,000 and $36,180,000, respectively.

- 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 Lee County Port Authority. The outstanding balance at September 30, 2003 and 2002, was $36,465,000 and $37,065,000, respectively.

The total revenue bonds payable at September 30, 2003 and 2002, were $406,150,000 and $408,670,000, respectively.

The annual debt service requirements for revenue bonds at September 30, 2003, were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2004		$11,399	$11,399
2005	$2,620	22,746	25,366
2006	7,500	22,532	30,032
2007	7,825	22,226	30,051
2008	8,105	21,901	30,006
2009-2013	46,690	103,604	150,294
2014-2018	61,395	88,964	150,359
2019-2023	63,260	70,743	134,003
2024-2028	78,745	50,724	129,469
2029-2033	105,095	23,534	128,629
2034-2038	24,915	716	25,631
Total	$406,150	$439,089	$845,239

The following is a summary of bond transactions of the Port Authority for the years ended September 30, 2003 and 2002 (dollars in thousands):

	2003	2002
Beginning balance	$408,670	$422,465
Additions		37,065
Reductions	(2,520)	(50,860)
Bonds payable at end of fiscal year	406,150	408,670
Less unamortized discount	(5,111)	(5,240)
Less unamortized accounting loss	(2,507)	(3,012)
Bonds payable at end of fiscal year, net	$398,532	$400,418

Bond Resolutions

The Airport Revenue Bonds, Series 2000A (AMT), Airport Revenue Bonds, Series 2000B (non-AMT), and Airport Revenue Refunding Bonds, Series 2002 are collateralized by a lien on and a pledge of the net revenues from the operation of the Airports.

The Port Authority has agreed to maintain such fees and rates to provide revenues sufficient to pay all current expenses of the Airports 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 Passenger Facility Charge Revenue and Refunding Bonds, Series 1998, are payable from and collateralized by a lien on and a pledge of the passenger facility charge (PFC) revenues. PFC revenues consist of all monies received by the Port Authority from PFC's and all interest earned on such monies. PFC's are discussed in Note X.

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:
- Passenger Facility Charge Revenue and Refunding Bonds, Series 1998
- Airport Revenue Bonds, Series 2000A
- Airport Revenue Bonds, Series 2000B
- Airport Revenue Refunding Bonds, Series 2002

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, 2003 and 2002, consisted of the following (dollars in thousands):

	2003	2002
Airport Revenue Bonds, Series 1980	$18,715	$20,610
Airport Revenue Bonds, Series 1983	13,545	14,860
Airport Revenue Bonds, Series 1992A		36,995
Total outstanding	$32,260	$72,465

Note Payable

The Port Authority entered into a loan agreement with SunTrust Bank to borrow $8,400,000 to refinance the Taxable Airport Revenue Bonds, Series 1992B at an interest rate of 2.65 percent. The principal is payable in monthly installments maturing in fiscal year 2005. The loan is collateralized by a lien on and a pledge of the net revenues of the Lee County Port Authority. The outstanding balance at September 30, 2003 and 2002, was $4,255,973 and $8,400,000, respectively.

The annual debt service requirements for the note payable at September 30, 2003, were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2004	3,899	61	3,960
2005	357	1	358
Total	$4,256	$62	$4,318

The following is a summary of note transactions of the Port Authority for the years ended September 30, 2003 and 2002 (dollars in thousands):

	2003	2002
Beginning balance	$8,400	$0
Additions		8,400
Reductions	(4,144)	
Note payable at end of fiscal year	$4,256	$8,400

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, 2003, were as follows (dollars in thousands):

Fiscal Year	Amount
2004	$104
2005	85
2006	66
2007	66
2008	66
Total minimum payments required	$ 387

The total rental expense for all operating leases, including those with terms of less than one year, for the years ended September 30, 2003 and 2002, were $104,964 and $126,672, respectively.

Compensated Absences

The following is a summary of compensated absences transactions for the Port Authority for the years ended September 30, 2003 and 2002 (dollars in thousands):

	2003	2002
Beginning balance	$480	$409
Additions	1,360	1,047
Reductions	(1,173)	(976)
Compensated absences payable at end of fiscal year	$667	$480

NOTE VII. 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 noncontributory and is totally administered by the State of Florida. Benefits under the plan vest after six years of service. Employees who retire at or after age 62, with six years of credited service, are entitled to 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.

Pension costs for the Port Authority as required and defined by State statute ranged between 6 percent and 19 percent of gross salaries for fiscal years 2003 and 2002. For the fiscal years ended September 30, 2003, 2002, and 2001, the Port Authority contributed 100 percent of the required contributions. These contributions aggregated $1.1 million, $1.1 million, and $1.2 million, respectively, which represents 9 percent, 10 percent, and 12 percent of covered payroll.

A copy of the FRS's June 30, 2002, annual report can be obtained by writing to the Division of Retirement, 2639 North Monroe Street, Building C, Tallahassee, Florida 32399 - 1560, or by calling (850) 488 - 5706.

NOTE VIII. RISK MANAGEMENT

The Port Authority is a member of Public Risk Management of Florida (PRM), a local government liability risk pool. PRM administers insurance activities relating to property, crime, general, automobile, and public officials' liability, workers' compensation, and vehicle physical damage. PRM absorbs losses up to a specified amount annually and purchases excess and other specific coverages from third - party carriers.

PRM assesses each member its pro - rata share of the estimated amount required to meet current year losses and operating expenses. If total member assessments (premiums) do not produce sufficient funds to meet its obligations, PRM can make additional assessments within predetermined limits. For the fiscal years ended September 30, 2003 and 2002, the Port Authority was assessed $684,108 and $479,050, respectively. There were no additional assessments for fiscal years 2003 and 2002. In years prior to fiscal year 1988, the Port Authority, through Lee County, was self - insured for the coverages obtained through PRM.

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, 2003 and 2002, the Port Authority was charged $1,647,670 and $1,409,256, 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; injuries to employees; and natural disasters. Insurance coverage for such losses is purchased from third - party carriers. For the fiscal years ended September 30, 2003 and 2002, the Port Authority paid $377,264 and $237,253, respectively, to third-party carriers. Settled claims have not exceeded insurance coverage in any of the past three years.

NOTE IX. COMMITMENTS AND CONTINGENCIES

At September 30, 2003 and 2002, the Port Authority had in process various construction contracts totaling $363,948,000 and $89,015,000, respectively. Costs on these contracts as of September 30, 2003 and 2002, totaled $131,039,000 and $43,275,000, respectively, including retainage payable of $8,411,000 and $1,809,000, 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) can be offset by any negative arbitrage (non-liability). These rebates amount to $9,124,000 and constitute a liability of the Port Authority, which are reported as other liabilities.

NOTE X. PASSENGER FACILITY CHARGE

On August 31, 1992, the Federal Aviation Administration (FAA) approved the imposition of a $3.00 passenger facility charge (PFC) per enplaned passenger to begin on November 1, 1992, and to end at the earlier of October 31, 2022, or the collection of $244,799,000 in passenger facility charges and interest. The funds are restricted for use on projects approved by the FAA. The funds are collected by the airlines when the tickets are sold and remitted to the Port Authority net of a collection fee, which is currently eight cents ($.08) per passenger facility charge, remitted. Amounts shown as revenue are net of the collection allowance.

On August 14, 2003, the FAA approved an amendment to the original application and increased the PFC collection from $3.00 to $4.50 per passenger, effective November 1, 2003. The total collection also increased from $244,799,000 to $260,837,206, with an estimated collection date of April 1, 2017.

NOTE XI. AIRLINE USE AGREEMENTS

Participating Airlines

The Port Authority currently has long - term leases and a participating use agreement (use agreement) with nine airlines (participating airlines) which expire on December 31, 2008.

Under the use agreement, landing fees are calculated so that the aggregate landing fees of the participating airlines and all other operating revenues of the Port Authority total to at least the sum of operating expenditures, 1.25 times annual debt service, and certain other payments.

Each participating airline pays fees and charges under its use agreement as follows: (a) landing fees; (b) a terminal exclusive use fee based upon the square footage leased; (c) a gate area charged for the use of passenger hold rooms and the aircraft parking apron; (d) a baggage claim area charge; (e) a cargo building use fee based upon the square footage leased; (f) security charges; and (g) overuse charges.

Under the use agreement, on or before October 1 of each year, the Port Authority calculates the landing fee rates and other use fees for the upcoming fiscal year based upon estimates of anticipated operating revenues, operating expenses, debt service, and debt service coverage and advises the participating airlines of such rates and charges. At any time during the fiscal year, the Port Authority may on its own motion, or at the request of the participating airlines, adjust such charges to better approximate the final landing fees and other charges for the fiscal year. Landing fees and other charges are payable by the participating airlines monthly. Within ninety days of the close of the fiscal year, the Port Authority computes the final rates and charges for the fiscal year based upon actual results of activity, operating revenues, operating expenditures, debt service, and debt service coverage and either bills the airlines for any additional charges due or refunds any overpayments.

The use agreement grants each participating airline (a) the preferential, but not exclusive, right to use assigned gate positions and aircraft parking locations at the Airport Terminal Building; (b) the exclusive right to use assigned ticket counters, as well as operations and office space in the Airport Terminal Building; (c) exclusive use of assigned space within the Airline Cargo Building; and (d) the right to use in common with other airlines the baggage claim area.

The use agreement also provides that the participating airlines will cease operations in the existing terminal building and will relocate such operations to the Midfield Terminal building when it is completed and ready for operation. The Midfield Terminal project is more fully discussed in Note XII.

Within ninety days of the fiscal year end, the participating airlines are paid a portion of the debt service coverage (the rebate). Each participating airline is paid a percentage of the rebate based upon the airline's pro - rata share of the fees paid by all participating airlines during the fiscal year.

Under the use agreement, a majority - in - interest (MII) of the participating airlines must approve any capital expenditure in excess of the capital amount (currently $100,000) or capital expenditures which when totaled together in any fiscal year exceed the annual limitation (currently $500,000). An MII must also approve any capital expenditure proposed to be financed in whole or in part with revenue bonds secured by a pledge of general airport revenues. An MII is defined as a majority of the participating airlines which when added together account for more than fifty percent of all fees paid by the participating airlines.

Under these agreements, the participating airlines paid the Port Authority $7,406,002 and $8,380,230, in fiscal years 2003 and 2002, respectively. These amounts are net of refunds and rebates, which were $4,331,641 and $479,955, respectively in fiscal year 2003, and $2,158,002 and $921,254, respectively in fiscal year 2002. Fees paid by Delta Airlines represented 5.5 percent and 6.0 percent of total airport revenues for fiscal years 2003 and 2002, 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 participating airlines. Nonparticipating airlines are assessed fees no less than those paid by the participating airlines and do not share in any rebates.

NOTE XII. MIDFIELD TERMINAL PROJECT

Airport Revenue Bonds, Series 2000A and B, for $327,335,000 were sold on March 2, 2000, and subsequently closed on March 23, 2000, for the Port Authority Midfield Terminal project. The revenue bonds are backed by a lien on and a pledge of the net revenues of the Port Authority.

Construction for the Midfield Terminal Complex commenced in March 2002. The project, which includes a 785,000 square foot terminal with 28 aircraft gates on three concourses, a 12,000 foot parallel taxiway, a three story parking garage, large surface parking areas, access roads including a two level terminal roadway system, and other improvements, is expected to be completed by March 2005.

In March 2003, the Board of County Commissioners approved a $52 million budget increase for the Midfield Terminal project, which included changes for security as well as other changes deemed necessary by the Airlines and the Authority. The original design of the project was based on pre 9/11 security regulations. As a result of passenger and screening requirements mandated by the Transportation Security Administration (TSA), modifications to the new terminal were necessary. These changes included the construction of a new 27,000 square foot in-line baggage system, the relocation and enlargement of passenger screening checkpoints, and the relocation of certain concession areas. The increase is being funded by additional federal and state funding, passenger facility charges, and other available discretionary funds.

LEE COUNTY PORT AUTHORITY
Southwest Florida International Airport
PASSENGER FACILITY CHARGE REVENUE REPORT
For Fiscal Year Ending September 30, 2003
(unaudited)

Total Enplaned Passengers	Eligible Enplaned Passengers	Net PFC Cash Collections	Interest Income	Total PFC Revenue
2,882,773	2,816,747	$7,666,534	$344,880	$8,011,414

Southwest Florida International Airport
ESTIMATED DEBT SERVICE COVERAGE
For Fiscal Year Ending September 30, 2003
(unaudited)

Actual PFC Revenues	Actual 2003 PFC debt service requirements	Actual debt service factor
$8,011,414	$4,063,439	1.97

Southwest Florida International Airport
DEBT SERVICE
SUFFICIENCY CALCULATION
For Fiscal Year Ending September 30, 2003
(unaudited)

Total Approved for Collection	Total Project Costs to Date	Unspent PFC Authority	Projected Aggregate Debt Service	Sufficiency Ratio
$244,799,120	$46,713,870	$198,085,250	$51,720,039	3.83

This page intentionally left blank.