Lee County Port Authority

Component Unit Financial Report

Years Ended September 30, 2009 and 2008

Lee County Port Authority

Lee County, Florida

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LEE COUNTY PORT AUTHORITY

Direct Dial: (239) 590-4400
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March 1, 2010

Dear Friends:

I am pleased to present the Lee County Port Authority's financial results for the fiscal year ending September 30, 2009. Despite some very difficult global, regional, and local economic challenges, our financial results remained upbeat and our Airports resilient.

For the year, total passengers were 7,457,133, a decrease of 3.09% or 238,065 passengers when compared with the previous year. Operating expenses before depreciation were $62.2 million, a decrease of $3.8 million. The major decreases in this category were contractual services, materials and supplies, and insurance. During the year, it became apparent that operating revenues were declining below budgeted projections. To offset the decline in revenues, the Port Authority set a goal of reducing our operating expenses by 10% and implementing a hiring freeze. From a budgetary perspective, year-end results show that we effectively reduced our operating budget by 12.5% or $3.7 million. Total revenues were $84.7 million, a decrease of $6.3 million. The majority of decreases were in User Fees and concessions. The net effect of these factors has resulted in a cost-per-enplaned passenger of $7.19, which is $.30 less than the previous year. These factors have resulted in the Airlines combined receiving a refund on the fees paid of $748,000. In addition, the Airlines combined received $2.4 million, which represents their share on net revenues for fiscal year 2009.

The Port Authority continues to plan for future growth with ongoing projects such as the conceptual design of the Parallel Runway, design of the RSW Apron Expansion, RSW Limited Site Preparation and the design and construction of a new ARFF Facility. All projects and schedules are contingent on funding availability.

Notable awards in 2009 included, "Environmental Excellence Award" for the airport's mitigation park, presented by the Florida Airports Council ("Council"), along with other notable industry awards presented by the Council. The airport received two second-place awards for "Newsletters/Internal or E-mail" and "Special Events for the Berlin Airlift." Additionally, this past year saw new and expanded service to Montreal, New York–LaGuardia, Denver, Kansas City, and Düsseldorf.

Turning our focus on Page Field General Aviation Airport, the construction of the terminal apron has been completed and the design of the Page Field General Aviation Terminal is also complete. The Port Authority has received bids for the new General Aviation Terminal and anticipates that during the spring of 2010, construction for this project will commence.

SOUTHWEST FLORIDA INTERNATIONAL AIRPORT
11000 Terminal Access Road, Suite 8671 · Fort Myers, Florida 33913-8899
www.flylcpa.com

We are pleased with the results of the past fiscal year and feel fortunate to have the support of our residents, business community, and airline partners in these challenging economic times. We look forward to serving our customers at Southwest Florida International Airport and Page Field General Aviation Airport in the upcoming year.

Sincerely,

LEE COUNTY PORT AUTHORITY

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

KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602

Independent Auditor's Report

The Board of County Commissioners
Lee County, Florida
and
The Board of Port Commissioners of the
Lee County Port Authority:

We have audited the accompanying basic financial statements of the Lee County Port Authority (a blended component unit of Lee County, Florida), as of and for the years ended September 30, 2009 and 2008, 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 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Lee County Port Authority's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lee County Port Authority as of September 30, 2009, and the changes in financial position, and cash flows thereof for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2010 on our consideration of the Lee County Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 1 through 8 is not a required part of the basic financial statements but is supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of 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 audit was conducted for the purpose of forming an opinion on the Lee County Port Authority's basic financial statements. The letter of transmittal and the supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The letter of transmittal and the supplemental schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

March 1, 2010
Certified Public Accountants

LEE COUNTY PORT AUTHORITY

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Management's Discussion and Analysis

(unaudited)

This discussion and analysis is intended to serve as an introduction to the Lee County Port Authority's (Port) financial statements for fiscal years ending September 30, 2009 and 2008. 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 2009, 2008, and 2007.

Table 1
Summary of Net Assets
September 30, 2009, 2008 and 2007
(000's)

	2009	2008	2007
Current and other assets	$193,440	$177,673	$165,281
Capital Assets	696,031	698,942	703,012
Total assets	889,471	876,615	868,293
Current liabilities	40,310	35,239	38,250
Non-current liabilities	364,041	372,619	381,136
Total liabilities	404,351	407,858	419,386
Net assets:			
Invested in capital assets, net of related debt	350,005	348,639	343,304
Restricted	43,782	37,452	27,891
Unrestricted	91,333	82,666	77,712
Total net assets	$485,120	$468,757	$448,907

Summary of Net Assets Analysis

In 2009, total assets increased $12,856,000. This increase was primarily due to an increase in cash and cash equivalents of $1,398,000, an increase in current investments of $20,401,000, a net decrease in accounts receivable of $4,975,000, a decrease of $701,000 in prepaids and a decrease in capital assets of $2,911,000. In 2009, total liabilities decreased $3,507,000. This decrease was primarily due to an increase in contracts and accounts payable of $1,928,000, an increase in accrued liabilities of $3,429,000, offset by a decrease in airlines refunds and rebates of $1,339,000 and a decrease in bonds payable of $8,091,000.

In 2008, total assets increased $8,322,000. This increase was primarily due to an increase in cash and cash equivalents of $14,977,000, a net decrease in accounts receivable of $1,309,000, and a decrease in capital assets of $4,070,000. In 2008, total liabilities decreased $11,528,000. This decrease was primarily due to a decrease in contracts and accounts payable of $4,333,000, an increase in accrued liabilities of $2,420,000, a decrease in refunds and rebates of $1,357,000 and a decrease in bonds payable of $7,626,000.

Table 2 reflects a summary of revenues, expenses, and changes in net assets for 2009, 2008 and 2007.

Table 2
Summary of Revenues, Expenses, and Changes in Net Assets
For the Years Ended September 30, 2009, 2008 and 2007
(000's)

	2009	2008	2007
Revenues, net:			
User fees	$45,515	$48,445	$42,858
Rental cars	16,831	16,567	16,255
Parking	12,057	13,673	14,788
Other, net	9,225	7,811	10,650
Total revenues, net	83,628	86,496	84,551
Expenses:			
Salaries, wages and benefits	31,734	29,940	26,056
Contractual services, materials and supplies, Utilities, Repairs and Maintenance	26,213	30,349	28,653
Depreciation and amortization	19,339	20,077	17,446
Other	4,271	5,749	6,128
Total expenses	81,557	86,115	78,283
Operating income	2,071	381	6,268
Non-operating revenues (expenses):			
Investment earnings	829	3,384	6,712
Interest expense	(21,782)	(22,341)	(22,703)
Passenger facility charges	14,942	15,478	16,858
Other revenues (expenses)	408	493	715
Total non-operating revenues (expenses)	(5,603)	(2,986)	1,582
Income (loss) before capital contributions	(3,532)	(2,605)	7,850
Capital contributions	19,895	22,455	29,719
Increase in net assets	16,363	19,850	37,569
Beginning net assets	468,757	448,907	411,338
Ending net assets	$485,120	$468,757	$448,907

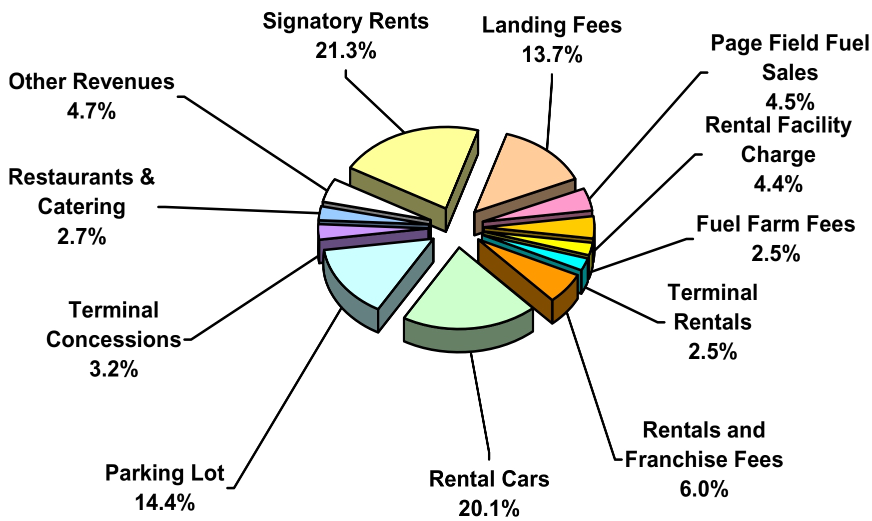
Summary of Revenues and Expenses Analysis

In 2009, operating income totaled $2,071,000, an increase of $1,690,000, which was a combination of a decrease of $2,868,000 in total net revenues and a decrease of $4,558,000 in operating expenses. The decrease to total net revenues was primarily due to a decrease of $5,811,000 in signatory airline rents, an increase of $5,237,000 in landing fees, (due to the nature of the new airline use agreement), a decrease of $2,446,000 in aviation fuel sales, (due to less aviation fuel sold at Page Field and at a decreased cost), a decrease of $1,616,000 in parking lot revenues, (due to less activity) and a decrease in Airline Rebates of $1,565,000, (due to the new airline use agreement). Operating expenses decreased in 2009, mainly due to a decrease of $4,078,000 in contractual services, (primarily due to a mid year 10% reduction in department operating budgets), a decrease of $1,500,000 in insurance (due to the lower negotiated rates) and a $1,794,000 increase in personnel costs (due to the Airport OPEB liability).

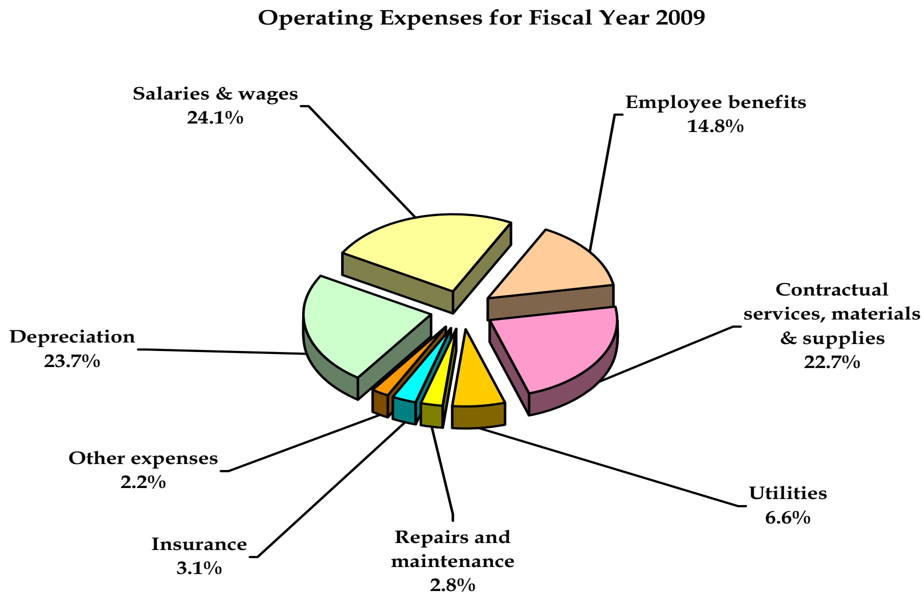
In 2008, operating income totaled $381,000, primarily due to a decrease of $5,887,000, which was a combination of an increase of $1,945,000 in total net revenues and an increase of $7,832,000 in operating expenses. The increase to total net revenues was primarily due to an increase of $3,817,000 in signatory airline rents, (due to an increase in the terminal square foot rate), an increase of $1,960,000 in landing fees, (due to an increase in the landing fee), an increase of $2,909,000 in rebates paid to signatory airlines, (due to working capital being adequately funded), and a decrease of $1,115,000 in parking lot revenues (due to less activity). Operating expenses increased in 2008, mainly due to a $3,884,000 increase in personnel costs, (due to the OPEB liability and rising health costs), an increase of $1,710,000 in contractual services, (due to an increase in fuel costs and management fees for the parking lot and baggage handling system), and an increase in depreciation of $2,631,000.

The following charts summarize the Net Revenues and Expense for fiscal year 2009.

Operating Revenues for Fiscal Year 2009



Operating Revenues	2009	2008	2009 Percent of Total	Increase/ (Decrease) from 2008	% Increase/ (Decrease) from 2008
Signatory Rents	$17,817,000	$23,628,000	21.3%	($5,811,000)	-24.6%
Landing Fees	11,430,000	6,195,000	13.7%	5,235,000	84.5%
Page Field Fuel Sales	3,739,000	6,184,000	4.5%	(2,445,000)	-39.5%
Rental Car Facility Charge	3,670,000	3,857,000	4.4%	(187,000)	-4.9%
Fuel Farm Fees	2,129,000	1,709,000	2.5%	420,000	24.6%
Terminal Rentals	2,085,000	1,524,000	2.5%	561,000	36.8%
Rentals & Franchise Fees	5,029,000	4,540,000	6.0%	489,000	10.8%
Rental Cars	16,831,000	16,568,000	20.1%	263,000	1.6%
Parking Lot	12,057,000	13,673,000	14.4%	(1,616,000)	-11.8%
Terminal Concessions	2,642,000	2,753,000	3.2%	(111,000)	-4.0%
Restaurants & Catering	2,282,000	2,483,000	2.7%	(201,000)	-8.1%
Other Revenues	3,917,000	3,382,000	4.7%	535,000	15.8%
Total Net Operating Revenues	$83,628,000	$86,496,000	100.0%	($2,868,000)	-3.3%



Operating Expenses	2009	2008	2009 Percent of Total	Increase/ (Decrease) from 2008	% Increase/ (Decrease) from 2008
Salaries & wages	$19,642,000	$19,387,000	24.1%	255,000	1.3%
Employee benefits	12,092,000	10,553,000	14.8%	1,539,000	14.6%
Contractual services, materials & supplies	18,533,000	22,610,000	22.7%	(4,077,000)	-18.0%
Utilities	5,412,000	5,277,000	6.6%	135,000	2.6%
Repairs and maintenance	2,268,000	2,462,000	2.8%	(194,000)	-7.9%
Insurance	2,504,000	4,005,000	3.1%	(1,501,000)	-37.5%
Other expenses	1,767,000	1,744,000	2.2%	23,000	1.3%
Depreciation	19,339,000	20,077,000	23.7%	(738,000)	-3.7%
Total Operating Expenses	$81,557,000	$86,115,000	100%	(4,558,000)	-5.3%

Capital Assets

Capital assets decreased by $2,911,000 in 2009. Major capital spending in 2009 included $1,225,000 in site preparation, $1,669,000 in enhancements to the baggage handling system, $2,719,000 for conceptual design of the parallel runway, $1,724,000 for design of a new fire station and $6,106,000 for construction of a general aviation apron.

Capital assets decreased by $4,070,000 in 2008. Major capital spending in 2008 include $9,500,000 in land purchases for right-of-way for the I75 to Southwest Florida International Airport Access Roadway System, $3,183,000 on the conceptual design for the parallel runway, and $633,000 on the design of the General Aviation terminal complex.

Table 3 reflects a summary of capital assets for 2009, 2008, and 2007.

Table 3
Capital Assets
September 30, 2009, 2008 and 2007
(000's)

	2009	2008	2007
Land	$139,808	$139,368	$127,152
Construction in progress	19,172	11,858	62,696
Software in progress		136	
Building	328,787	328,797	328,739
Improvements	17,948	17,948	17,874
Equipment	45,412	44,472	30,784
Software	2,878	2,670	2,670
Infrastructure	288,360	280,821	240,839
Subtotal	842,365	826,070	810,754
Less accumulated depreciation and amortization	(146,334)	(127,128)	(107,742)
Total	$696,031	$698,942	$703,012

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

Debt Administration

As of September 30, 2009, the Port had $377,977,000 in outstanding debt, a decrease of $8,820,000. In July 2004, the Airport entered into a $10,000,000 Line Of Credit Agreement with SunTrust bank to fund various Page Field projects. As of September 30, 2009, the total outstanding amount on this line was $4,832,000.

Table 4
Outstanding Debt
September 30, 2009, 2008 and 2007
(000's)

	2009	2008	2007
Series 2002 Airport Revenue Refunding Bonds	$12,895	$18,980	$24,800
Series 2005 Airport Revenue Refunding Bonds	37,700	37,740	37,775
2004 Line of Credit Note	4,832	5,137	5,432
Series 2000A Airport Revenue Bonds	291,155	291,155	291,155
Series 1998 Passenger Facility Bonds	31,395	33,785	36,070
Total	$377,977	$386,797	$395,232

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

Passenger Facility Charges

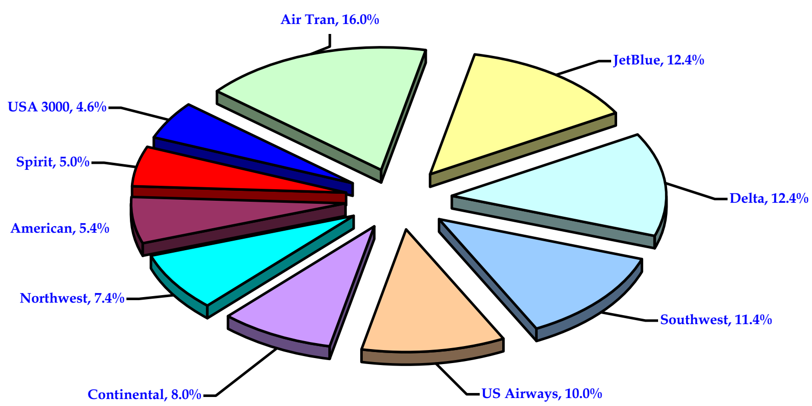
In November 1992, the Port received approval from the Federal Aviation Administration to impose a Passenger Facility Charge (PFC) of $3.00 per eligible enplaned passenger. In 1998, the Port issued PFC Revenue Bonds for $52,225,000 to fund eligible capital improvements and land acquisition. In November 2003, the Port was granted authority to raise the PFC level from $3.00 to $4.50. In November 2006, the Port's PFC application was approved to apply $7,000,000 in PFC's toward the runway rehabilitation project. In addition, on April 18, 2007, the FAA approved an amendment to a previously approved application. This amendment was $25,676,000 for additional modifications to the new terminal. The Airport has a total collection authority of $246,663,000 with an estimated collection date of February 2015.

Airport Activities

The total passenger count for fiscal year 2009 was 7,457,133, a decrease of approximately three percent over the prior year. Below is a summary of increased airline service to Southwest Florida International Airport over the past year.

- Air Canada inaugurated weekly service to Montreal, Canada.
- Delta inaugurated weekly service to New York-LaGuardia.
- Frontier inaugurated weekly service to Denver.
- Midwest inaugurated weekly service to Kansas City.
- United Express inaugurated weekly service to Washington D.C.-Dulles.
- Air Berlin operated four weekly flights to Düsseldorf for the summer.

The following chart exhibits the Total Passenger Market Share for the Top Ten Airlines operating at Southwest Florida International Airport during Fiscal Year 2009.



Airline	FY 2009 Market Share	FY 2008 Market Share	% Change
Air Tran	16.0%	12.3%	30.1%
JetBlue	12.4%	11.7%	6.0%
Delta	12.4%	12.2%	1.6%
Southwest	11.4%	10.2%	11.8%
US Airways	10.0%	9.6%	4.2%
Continental	8.0%	8.8%	-9.1%
Northwest	7.4%	7.0%	5.7%
American	5.4%	6.2%	-12.9%
Spirit	5.0%	5.7%	-12.3%
USA 3000	4.6%	6.4%	-28.1%

Airline Rates and Charges

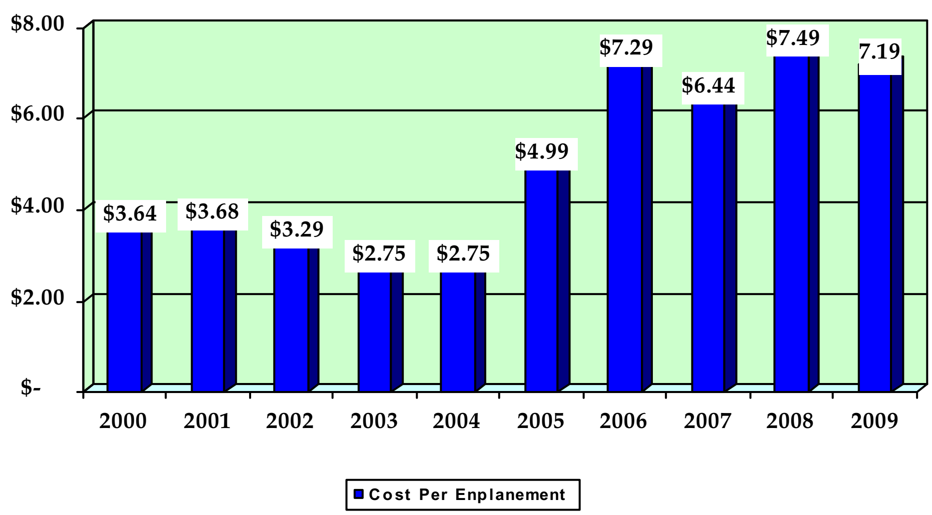
The Port Authority negotiated a new airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred as Signatory Airlines) with the key terms of the agreement approved by the Board in May 2008. The new Agreement commenced on October 1, 2008 with a five-year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

The new agreement, commonly referred to as a hybrid compensatory agreement, has a revenue sharing component. In any year in which there are net remaining revenues generated at the Airport, and all requirements of the Bond Resolution have been satisfied, the net remaining revenues shall be divided between the Authority (60%) and the Signatory Airlines (40%). The agreement provides for better flexibility as there is no MII 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. During the first year of the agreement (Fiscal year 2009), the signatory airlines paid the Port Authority $25,375,901. This amount is net of refunds of $747,826 and revenue sharing of $2,367,380.

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.



Financial Contact

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

Financial Statements

LEE COUNTY PORT AUTHORITY
Lee County, Florida
STATEMENTS OF NET ASSETS
As of September 30, 2009 and 2008
(amounts expressed in thousands)

	2009	2008
ASSETS		
Current assets:		
Cash and equity in pooled cash and investments	$77,229	$81,706
Investments	20,713	0
Restricted assets	19,441	19,272
Receivables (net):		
Accounts	4,246	5,209
Grants	3,069	7,192
Accrued interest		56
Due from other governments	2	7
Inventories	610	790
Other	975	1,677
Total current assets	126,285	115,909
Noncurrent assets:		
Restricted assets	63,174	57,539
Capital assets (net)	696,031	698,942
Intangible assets	19	22
Unamortized bond costs	3,962	4,203
Total noncurrent assets	763,186	760,706
Total assets	889,471	876,615
LIABILITIES		
Current liabilities:		
Contracts and accounts payable	7,445	5,517
Accrued liabilities	7,520	3,920
Refunds and rebates	3,115	4,454
Due to Board of County Commissioners	8	118
Due to other governments	315	297
Customer deposits	903	508
Deferred revenues	856	530
Compensated absences	731	743
Notes payable	325	305
Current liabilities payable from restricted assets		
Accrued liabilities	10,586	10,757
Revenue bonds payable	8,506	8,090
Total current liabilities	40,310	35,239
Noncurrent liabilities:		
Compensated absences	390	328
Notes payable	4,507	4,832
Revenue bonds payable	358,951	367,458
Due to Board of County Commissioners	193	
Other		1
Total noncurrent liabilities	364,041	372,619
Total liabilities	404,351	407,858
NET ASSETS		
Invested in capital assets, net of related debt	350,005	348,639
Restricted for:		
Capital Projects	34,423	28,432
Debt service	8,860	8,521
Renewal and Replacement	499	499
Unrestricted	91,333	82,666
Total Net Assets	$485,120	$468,757

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

LEE COUNTY PORT AUTHORITY

Lee County, Florida

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Years Ended September 30, 2009 and 2008

(amounts expressed in thousands)

	2009	2008
OPERATING REVENUES		
User fees	$45,515	$48,445
Rentals	5,029	4,539
Concessions	6,334	6,947
Parking Revenues	12,057	13,673
Rental Car Revenues	16,831	16,567
Miscellaneous	229	257
Total operating revenues	85,995	90,428
Less: Rebates	(2,367)	(3,932)
Net operating revenues	83,628	86,496
OPERATING EXPENSES		
Salaries and wages	19,642	19,387
Employee benefits	12,092	10,553
Contractual services, materials and supplies	18,533	22,610
Utilities	5,412	5,277
Repairs and maintenance	2,268	2,462
Insurance	2,504	4,005
Other	1,767	1,744
Depreciation and amortization	19,339	20,077
Total operating expenses	81,557	86,115
Operating income	2,071	381
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings	829	3,384
Interest expense	(21,782)	(22,341)
Grants	386	338
Gain on disposal of capital assets	21	21
Passenger facility charges	14,942	15,478
Other revenues	7	148
Other expenses	(6)	(14)
Total non-operating revenues (expenses)	(5,603)	(2,986)
Loss before capital contributions	(3,532)	(2,605)
Capital contributions	19,895	22,455
Change in net assets	16,363	19,850
Total net assets- beginning	468,757	448,907
Total net assets - ending	$485,120	$468,757

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, 2009 and 2008

(amounts expressed in thousands)

	2009	2008
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$83,561	$85,815
Cash received from customer deposits	395	(247)
Other cash receipts	7	27
Payments to suppliers	(29,016)	(39,455)
Payments to employees	(28,067)	(27,427)
Net cash provided by operating activities	26,880	18,713
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	390	296
Net cash provided by noncapital financing activities	390	296
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	24,014	23,073
Proceeds from passenger facilities charges	14,849	15,763
Additions to capital assets	(14,854)	(16,121)
Principal paid on bonds, loans, and leases	(8,837)	(8,435)
Interest paid on bonds, loans, and leases	(21,421)	(21,877)
Proceeds from sale of capital assets	23	33
Net cash used in capital and related financing activities	(6,226)	(7,564)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	26,895	52,512
Purchase of investments	(46,982)	(52,854)
Interest on investments	441	4,064
Net cash provided (used in) by investing activities	(19,646)	3,722
Net increase in cash and cash equivalents	1,398	15,167
Cash and equivalents at beginning of year	130,030	114,863
Cash and equivalents at end of year	$131,428	$130,030
Classified as:		
Current assets		
Cash and equivalent	$77,229	$81,706
Restricted assets	19,441	19,272
Non-current assets		
Restricted assets	34,758	29,052
Totals	$131,428	$130,030
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Non-cash capital asset transfer	$193	
Decrease in fair value of investments	(30)	($210)

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, 2009 and 2008

(amounts expressed in thousands)

	2009	2008
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$2,071	$381
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	19,339	20,077
Other revenues	7	158
Decrease in accounts receivable	945	449
(Increase) decrease in due from other governments	4	(4)
Decrease in inventories	179	64
Decrease in other assets	701	812
Increase (decrease) in contracts and accounts payable	694	(4,334)
Increase in accrued liabilities	3,600	2,419
Decrease in refunds and rebates	(1,338)	(1,358)
Increase (decrease) in due to Board of County Commissioners	(110)	105
Increase in due to other governments	18	41
Increase (decrease) in customer deposits	395	(247)
Increase in deferred revenues	326	227
Increase in compensated absences	50	52
Decrease in other liabilities	(1)	(129)
Total adjustments	24,809	18,332
Net cash provided by operating activities	$26,880	$18,713

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 an enterprise fund to report its activities.

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

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

Measurement Focus

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

Basis of Accounting

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

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.

Assets, Liabilities, and Net Assets

Cash and Equity in Pooled Cash and Investments

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

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

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

Investments

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

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

Accounts Receivable

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

Inventory

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

The ranges of the useful lives are as follows:

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

Intangible Assets

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

Unamortized Premiums, Bond Discounts, and Issuance Costs

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

Unamortized Bond Gains or Losses

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

Compensated Absences

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

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

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

Net Assets

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

Use of Estimates

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

NOTE II. RECEIVABLES

At September 30, 2009 and 2008, accounts receivable consisted of the following (dollars in thousands):

		Gross Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
2009	Unrestricted	$4,496	($250)	$4,246
	Restricted	1,984		1,984
	Total	$6,480	($250)	$6,230
2008	Unrestricted	$5,459	($250)	$5,209
	Restricted	1,872		1,872
	Total	$7,331	($250)	$7,081

NOTE III. RESTRICTED ASSETS

At September 30, 2009 and 2008, restricted assets consisted of the following (dollars in thousands):

	2009	2008
Cash and equity in pooled cash and investments	$34,758	$29,052
Cash and cash equivalents with fiscal agent	19,441	19,272
Investments	26,264	26,575
Receivables (net):		
Accounts	1,984	1,872
Accrued interest	168	40
Total	$82,615	$76,811

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

As of September 30, 2009 and 2008, the Port Authority had the following deposits, investments, and maturities (amounts in thousands):

2009

Investment	Maturities	Fair Value	Call Date	Call Frequency	Rating
Cash on hand	N/A	$38			N/A
Cash with fiscal agent	N/A	19,441			N/A
Demand deposits	N/A	34,387			N/A
SBA-Local Government Surplus Funds Trust Fund Investment Pool-Florida PRIME	33 days	77,869			AAAm
Fund B Surplus Funds Trust Fund	6.69 years	435			Unrated
Federal National Mortgage Association Discount Note	07/16/2010	9,982	N/A	N/A	AAA
Federal National Mortgage Association Discount Note	05/03/2010	9,989	N/A	N/A	AAA
Federal Home Loan Bank	02/17/2010	26,264	N/A	N/A	AAA
Total		$178,405			

2008

Investment	Maturities	Fair Value	Call Date	Call Frequency	Rating
Cash on hand	N/A	$403			N/A
Cash with fiscal agent	N/A	19,272			N/A
Demand deposits	N/A	833			N/A
Local Government Surplus Funds Investment Pool	8.5 days	761			AAAm
Fund B Surplus Funds Trust Fund	9.36 years	765			Unrated
Overnight repurchase agreement	1 day	30,000			N/A
Federated US Treasury Cash Reserves	N/A	24,929			AAAm
Goldman Sachs Financial Square Treasury Obligations Fund	N/A	53,067			AAAm
Federal Home Loan Mortgage Corp DN	02/23/2009	26,575	N/A	N/A	Unrated
Total		$156,605			

Fund B Surplus Funds Trust Fund (Fund B) contains the securities that have problems with payment defaults, paid slower than expected or have significant credit risk. Interest income is not paid and distributed to Fund B participants; however, periodic liquidity has been made available. Fund B is accounted for as a fluctuating NAV pool, the fair value factor as of September 30, 2009 was .54915069.

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 (SBA); 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 which are exempt from federal income taxation which are 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.

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, 2009, all of the Port Authority's bank deposits were in qualified public depositories.

Interest Rate Risk

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

Concentration of Credit Risk

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

The County's total investment portfolio at September 30, 2009 and 2008, was $1,235,105,000 and $1,422,359,000, respectively. The portion of the Port Authority's portfolio invested in Federal instrumentalities is detailed as follows, at September 30, 2009 and 2008:

2009

Issuer	Percent of Total Portfolio
Federal Home Loan Bank	2.13%
Federal National Mortgage Association	1.62%
Total Federal Instrumentalities	3.75%

2008

Issuer	Percent of Total Portfolio
Federal Home Loan Mortgage Corporation	1.87%

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

2009

Current:	
Cash and cash equivalents	$77,229
Investments	20,713
Restricted:	
Cash with fiscal agent	19,441
Non-current:	
Restricted:	
Cash and cash equivalents	34,758
Investments	26,264
Total	$178,405

2008

Current:	
Cash and cash equivalents	$81,706
Restricted:	
Cash with fiscal agent	19,272
Non-current:	
Restricted:	
Cash and cash equivalents	29,052
Investments	26,575
Total	$156,605

NOTE V. CAPITAL ASSETS

Increases and decreases in capital asset activity include transfers. Capital asset activity for the fiscal years ended September 30, 2009 and 2008, was as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Fiscal Year 2009				
Capital assets not being depreciated:				
Land	$139,368	$440		$139,808
Construction in progress	11,858	15,779	($8,465)	19,172
Software in progress	136	52	(188)	-
Total capital assets not being depreciated	151,362	16,271	($8,653)	158,980
Capital assets being depreciated:				
Buildings	328,797		(10)	328,787
Improvements other than buildings	17,948			17,948
Machinery and equipment	44,472	1,085	(145)	45,412
Software	2,670	208		2,878
Infrastructure	280,821	7,539		288,360
Total capital assets being depreciated	674,708	8,832	(155)	683,385
Less accumulated depreciation for:				
Buildings	29,735	6,806		36,541
Improvements other than buildings	5,360	1,093		6,453
Machinery and equipment	16,112	2,955	(130)	18,937
Software	1,569	545		2,114
Infrastructure	74,352	7,937		82,289
Total accumulated depreciation	127,128	19,336	(130)	146,334
Total capital assets being depreciated, net	547,580	(10,504)	(25)	537,051
Capital assets, net	$698,942	$5,767	($8,678)	$696,031
Fiscal Year 2008				
Capital assets not being depreciated:				
Land	$127,152	$12,216		$139,368
Construction in progress	62,696	14,661	($65,499)	11,858
Software in progress		136		136
Total capital assets not being depreciated	189,848	27,013	(65,499)	151,362
Capital assets being depreciated:				
Buildings	328,739	279	(221)	328,797
Improvements other than buildings	17,874	74		17,948
Machinery and equipment	30,784	14,396	(708)	44,472
Software	2,670			2,670
Infrastructure	240,839	39,982		280,821
Total capital assets being depreciated	620,906	54,731	(929)	674,708
Less accumulated depreciation for:				
Buildings	22,935	6,800		29,735
Improvements other than buildings	4,268	1,092		5,360
Machinery and equipment	14,258	2,541	(687)	16,112
Software	1,045	524		1,569
Infrastructure	65,236	9,116		74,352
Total accumulated depreciation	107,742	20,073	(687)	127,128
Total capital assets being depreciated, net	513,164	34,658	(242)	547,580
Capital assets, net	$703,012	$61,671	($65,741)	$698,942

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 off-set against interest subject to capitalization. Net interest expense capitalized for the years ended September 30, 2009 and September 30, 2008, was $130,000 and $105,000, respectively.

Minimum Future Rentals

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

At September 30, 2009, minimum future rentals of operating leases were as follows (dollars in thousands):

Fiscal Year(s)	Amount
2010	$23,325
2011	17,924
2012	17,785
2013	17,708
2014	17,708
Total minimum future revenue	$94,450

For the years ended September 30, 2009 and 2008, $6,099,000 and $8,091,000, respectively, of contingent rentals were included in rentals, concessions, and rental car revenues on the accompanying Statements of Revenues, Expenses, and Changes in Net Assets.

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

NOTE VI. LONG-TERM DEBT

Revenue Bonds

Revenue bonds payable at September 30, 2009 and 2008, 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, 2009 and 2008, was $31,395,000 and $33,785,000, 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 Southwest Florida International Airport (SWFIA). The outstanding balance at September 30, 2009 and 2008, was $291,155,000 and $291,155,000, 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 SWIA. The outstanding balance at September 30, 2009 and 2008, was $12,895,000 and $18,980,000, respectively.

- Series 2005 Airport Revenue Refunding Bonds, for $37,805,000 at interest rates ranging from 3.5 percent to 5 percent (effective interest rate of 5.642 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2009 and 2008, was $37,700,000 and $37,740,000, respectively.

The total revenue bonds payable at September 30, 2009 and 2008, were $373,145,000 and $381,660,000, respectively.

The annual debt service requirements for revenue bonds at September 30, 2009, were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2010	$8,855	$20,980	$29,835
2011	9,240	20,587	29,827
2012	9,865	20,116	29,981
2013	10,415	19,551	29,966
2014	10,995	18,943	29,938
2015-2019	65,120	84,315	149,435
2020-2024	63,160	65,946	129,106
2025-2029	83,735	44,744	128,479
2030-2034	111,760	16,006	127,766
2035-2039	0	0	0
Total	$373,145	$311,188	$684,333

The following is a summary of bond activity of the Port Authority for the years ended September 30, 2009 and 2008 (dollars in thousands):

	2009	2008
Beginning balance	$381,660	$389,800
Additions		
Reductions	(8,515)	(8,140)
Bonds payable at end of fiscal year	373,145	381,660
Less unamortized discount	(2,238)	(2,385)
Less unamortized refunding loss	(3,450)	(3,727)
Bonds payable at end of fiscal year, net	$367,457	$375,548

Bond Resolutions

The Airport Revenue Bonds, Series 2000A (AMT), Airport Revenue Refunding Bonds, Series 2002, and Airport Revenue Refunding Bonds, Series 2005, 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 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 XI.

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 Refunding Bonds, Series 2002
- Airport Revenue Refunding Bonds, Series 2005

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, 2009 and 2008, consisted of the following (dollars in thousands):

	2009	2008
Airport Revenue Bonds, Series 1980	$3,380	$6,490
Airport Revenue Bonds, Series 1983	2,505	4,790
Airport Revenue Bonds, Series 2000B	36,180	36,180
Total outstanding	$ 42,065	$47,460

Variable Debt

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 2.40 percent as of September 30, 2009. To date the Port Authority has drawn $10,000,000 from the line of credit. Principal is payable semi-annually beginning June 1, 2006 and interest is payable monthly on the unpaid balance until final maturity on December 1, 2020. The line of credit is collateralized by a lien on and a pledge of the net revenues of Page Field General Aviation Airport. The outstanding balance at September 30, 2009 and 2008, was $4,832,000 and $5,137,000, respectively. The available balance at September 30, 2009 and 2008, was $5,168,000 and $4,863,000, respectively.

The annual debt service requirements for the Port's variable debt at September 30, 2009, were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2010	$325	$238	$563
2011	340	221	561
2012	355	204	559
2013	375	186	561
2014	395	167	562
2015-2019	2,290	516	2,806
2020-2021	752	37	789
Total	$4,832	$1,569	$6,401

The following is a summary of variable debt activity of the Port Authority for the years ended September 30, 2009 and 2008 (dollars in thousands):

	2009	2008
Beginning balance	$5,137	$5,432
Additions (Deletions)	(305)	(295)
Variable debt payable at end of fiscal year	$4,832	$5,137

Operating Leases

The Port Authority is not currently committed to any operating leases with terms in excess of one year. All terms are month to month thereby there are no future minimum rental payments as of September 30, 2009. The total rental expense for all operating leases, including those with terms of less than one year, for the years ended September 30, 2009 and 2008, were $411,000 and $607,000, respectively.

Compensated Absences

The following is a summary of compensated absences activity for the Port Authority for the years ended September 30, 2009 and 2008 (dollars in thousands):

	2009	2008
Beginning balance	$1,071	$1,019
Additions	2,207	2,171
Reductions	(2,157)	(2,119)
Compensated absences payable at end of fiscal year	$1,121	$1,071

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	
	2009	2008	2009	2008
Condensed Statements of Net Assets				
Assets				
Current assets	$87,597	$83,790	$5,097	$4,483
Restricted assets	50,553	50,924		
Capital assets	633,329	649,197	45,437	40,399
Other assets	3,849	4,066	19	22
Total assets	775,328	787,977	50,553	44,904
Liabilities				
Current liabilities	17,454	14,971	1,855	1,584
Current liabilities payable from restricted assets	16,687	17,085		
Noncurrent liabilities	330,578	336,546	4,700	4,832
Total liabilities	364,719	368,602	6,555	6,416
Net assets				
Invested in capital assets, net of related debt	323,374	337,493	40,605	35,261
Restricted	13,540	13,298		
Unrestricted	73,695	68,584	3,393	3,227
Total net assets	$410,609	$419,375	$43,998	$38,488
Condensed Statements of Revenues, Expenses, and Changes in Net Assets				
Operating revenues				
User fees	$41,618	$42,112	$3,897	$6,333
Rentals	2,496	2,088	2,533	2,451
Concessions	35,171	37,131	51	56
Miscellaneous	227	255	2	2
Less: Rebates	(2,367)	(3,932)		
Total operating revenues	77,145	77,654	6,483	8,842
Operating expenses				
Depreciation	17,607	18,566	1,732	1,511
Other operating expenses	55,383	57,056	6,325	8,679
Total operating expenses	72,990	75,622	8,057	10,190
Operating income (loss)	4,155	2,032	(1,574)	(1,348)

NOTE VII: SEGMENT INFORMATION (continued)

	Southwest Florida International Airport		Page Field General Aviation Airport	
	2009	2008	2009	2008
Condensed Statements of Revenues, Expenses, and Changes in Net Assets (continued)				
Non-operating revenues (expenses)				
Investment earnings	703	2,684	2	62
Interest expense	(20,100)	(20,544)	(64)	(146)
Other non-operating	399	490		
Total non-operating revenues (expenses)	(18,998)	(17,370)	(62)	(84)
Loss before capital contributions	(14,843)	(15,338)	(1,636)	(1,432)
Capital Contributions	6,936	8,577	7,146	2,365
Transfers	(859)	56,847		
Change in net assets	(8,766)	50,086	5,510	933
Beginning net assets	419,375	369,289	38,488	37,555
Ending net assets	$410,609	$419,375	$43,998	$38,488
Condensed Statements of Cash Flows				
Net cash provided (used) by:				
Operating activities	$26,083	$22,114	$736	($571)
Noncapital financing activities	(2,029)	486		
Capital and related financing activities	(15,444)	(16,067)	373	2,235
Investing activities	908	2,924	4	59
Net increase (decrease)	9,518	9,457	1,113	1,723
Beginning cash and cash equivalents	93,434	83,977	3,692	1,969
Ending cash and cash equivalents	$102,952	$93,434	$4,805	$3,692

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 primary plan is a defined benefit plan for all state, participating county, district school board, community college, and university employees (Pension Plan). The FRS also offers eligible employees participation in an alternative defined contribution plan (Investment Plan). The FRS is noncontributory and is totally administered by the State of Florida.

Benefits under the Pension Plan vest after six years of service. Employees who 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. 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 Deferred Retirement Option Program (DROP) is a program that provides an alternative method of payment of retirement benefits for a specified and limited period. Under the DROP 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.

Pension costs for the Port Authority as required and defined by State statute ranged between 10 percent and 21 percent of gross salaries for fiscal years 2009 and 2008. For the fiscal years ended September 30, 2009, 2008, and 2007, the Port Authority contributed 100 percent of the required contributions. These contributions aggregated $2.5 million, $2.5 million, and $2.2 million respectively, which represents 13 percent, 13 percent, and 13 percent of covered payroll.

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

Other Post Employment Benefits

The Port provides post retirement health care benefits, through participation in a self-funded insurance plan, to all employees who retire from the Port. In accordance with Chapter 110.123, *Florida Statutes,* the Port is required to provide group health care at cost to all retirees. For employees hired on or before January 01, 2008, the Port 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 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 $3,522,000 and 2,331,000 for 2009 and 2008, respectively, are reported in this report as well as the proprietary fund financial statements of the County. For fiscal years ended September 30, 2009 and 2008, the Other Post Employment Benefits liability totaled $6,924,000, and $3,401,000 respectively, and is included in accrued liabilities on the accompanying Statement of Net Assets.

NOTE IX. RISK MANAGEMENT

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

The Port Authority then directed its broker, Arthur J. Gallagher, to solicit quotations on property and casualty coverage for the next renewal period. All lines of insurance costs for 2009 and 2008 were $2,504,000 and $4,005,000 respectively.

The Port Authority participates in the County's self-insurance program for group medical and group dental coverage. Funding for this program is generated by charges to the operating departments based on management's annual estimates of claim loss funding and administration/operating costs. For the fiscal years ended September 30, 2009 and 2008, the Port Authority was charged $4,349,000 and $4,117,000, 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. Insurance coverage for such losses is purchased from third - party carriers. For the fiscal years ended September 30, 2009 and 2008, the Port Authority paid $1,097,000 and $317,000, respectively, to third-party carriers. Settled claims have not exceeded insurance coverage in any of the past three years. As a result there was no reduction in insurance coverage.

NOTE X. COMMITMENTS AND CONTINGENCIES

At September 30, 2009 and 2008, the Port Authority had in process various construction contracts totaling $32,219,000 and $19,187,000, respectively. Costs incurred on these contracts as of September 30, 2009 and 2008, totaled $24,737,000 and $8,784,000 respectively, including retainage payable of $240,000 and $88,000, 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 constitute a liability of the Port Authority, which are reported as other noncurrent liabilities.

NOTE XI. 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 $244,799,000 in passenger facility charges and interest. The funds are restricted for use on projects approved by the FAA. The funds are collected by the airlines when the tickets are sold and remitted to the Port Authority net of a collection fee, which was increased from eight cents ($.08) to eleven cents ($.11) per passenger facility charge on May 1, 2004. 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. On March 6, 2006, the FAA approved the Port Authority to impose and use $6,932,692 in PFC revenue for the rehabilitation of runway 6/24 and Taxiway A. In addition, on April 18, 2006, the FAA approved an amendment to a previously approved application. This amendment was $25,676,000 for additional modifications to the Midfield Terminal. As a result, the total collection also decreased from $260,837,000 to $246,663,000, with an estimated collection date of February 2015.

NOTE XII. AIRLINE USE AGREEMENTS

Signatory Airlines

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

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

During the first year of the agreement (fiscal year 2009), the signatory airlines paid the Port Authority $25,375,901. These amounts are net of refunds of $747,826 and revenue sharing of $2,367,380.

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.

Airline Bankruptcies

Currently, Sun Country Airlines is under bankruptcy protection. Sun Country is a non-participating seasonal carrier with eight weekly flights.

NOTE XIII. 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.

LEE COUNTY PORT AUTHORITY
Southwest Florida International Airport
PASSENGER FACILITY CHARGE REVENUE REPORT
For Fiscal Year Ending September 30, 2009
(unaudited)

Total Enplaned Passengers	Eligible Enplaned Passengers	Net PFC Cash Collections	Interest Income	Total PFC Revenue
3,737,339	3,672,450	$14,941,823	$120,790	$15,062,613

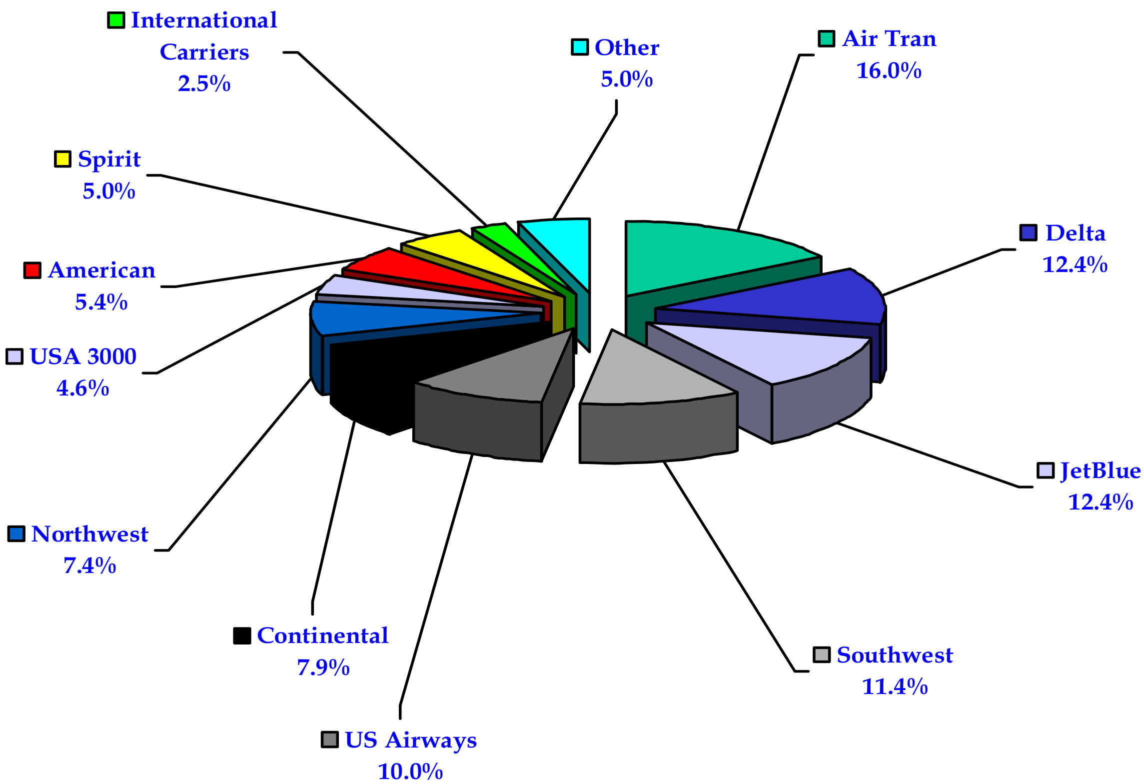
Southwest Florida International Airport
ESTIMATED DEBT SERVICE COVERAGE
Series 1998 Bonds
For Fiscal Year Ending September 30, 2009
(unaudited)

Actual PFC Revenues	Actual 2009 PFC debt service requirements	Actual debt service factor
$15,062,613	$4,067,120	3.70

Source: Lee County Port Authority

LEE COUNTY PORT AUTHORITY
Airline Market Share and Passenger Information
For the Fiscal Year Ended September 30, 2009
(unaudited)

Total passenger traffic is shown below for fiscal year 2009 showing market share for each major airline at Southwest Florida International Airport.



Airline	2009	2008	Change from 2008	% Change from 2008
Air Tran	1,192,000	948,000	244,000	25.74%
Delta	922,000	938,000	(16,000)	-1.71%
JetBlue	923,000	900,000	23,000	2.56%
Southwest	848,000	781,000	67,000	8.58%
US Airways	743,000	736,000	7,000	0.95%
Continental	593,000	683,000	(90,000)	-13.18%
Northwest	549,000	538,000	11,000	2.04%
USA 3000	343,000	492,000	(149,000)	-30.28%
American	406,000	474,000	(68,000)	-14.35%
Spirit	374,000	435,000	(61,000)	-14.02%
International Carriers	187,000	182,000	5,000	2.75%
Other*	376,000	589,000	(213,000)	-36.16%
Total	7,456,000	7,696,000	(240,000)	-3.12%

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