Lee County Port Authority

Lee County Port Authority
A Component Unit of
Lee County, Florida

LEE COUNTY
SOUTHWEST FLORIDA

Component Unit Financial Report
For the Fiscal Years Ended
September 30, 2001 and 2000

Lee County Port Authority
Southwest Florida International Airport

Lee County Port Authority

Financial Statements

Years Ended September 30, 2001 and 2000

Lee County Port Authority
Lee County, Florida

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MANAGEMENT'S DISCUSSION AND ANALYSIS

The purpose of this discussion and analysis is to (1) assist the reader in focusing on important financial matters, (2) provide a broad overview of the Lee County Port Authority's Financial Statements of September 30, 2001, and (3) discuss comparative financial data from the prior year. The information presented here should be read in conjunction with the letter of transmittal and the accompanying financial statements. The Lee County Port Authority manages both the Southwest Florida International Airport and Page Field. For purposes of this analysis, the Southwest Florida International Airport activities are primarily discussed as these activities are the most significant to the overall financial results.

The following statements are not intended to address the Lee County Port Authority's basic financial statements. For more detailed information see the fiscal year 2001 Lee County Port Authority Basic Financial Statements. These statements are presented in conformance with Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements- and Management's Discussion and Analysis - for State and Local Governments (GASB 34).

Financial Highlights and Summary

Table 1 reflects the condensed Summary of Net Assets compared to prior year.

Table 1
Summary of Net Assets
As of September 30, 2001 and 2000
(000's)

	2001	2000
Current Assets	38,216	35,775
Non-current Assets	600,843	577,746
Total Assets	639,059	613,521
Current Liabilities	7,447	8,633
Non-current Liabilities	419,674	420,073
Total Liabilities	427,121	428,706
Net Assets:		
Investment in Capital Assets net of debt	96,677	69,294
Restricted	88,685	92,742
Unrestricted	26,576	22,779
Total Net Assets	$211,938	$184,815

Normal Impacts that primarily impact the Statement of Net Assets:

Borrowing for Capital - this will increase current assets and long-term debt.

Spending Bond Proceeds on Capital - this will reduce current assets (cash) and increase capital assets (land, buildings, improvements.)

Debt Payment - this will reduce current assets, reduce long-term debt, reduce net assets and increase investment in capital assets.

Depreciation - this will reduce capital assets and reduce investments in capital assets.

Current Year Impacts to the Statement of Net Assets

Total assets increased by $25.5 million. This can be attributed to a net increase of $28.4 million in construction work in progress and a $3.2 million surplus passenger facility charge (PFC) revenue collected in excess of annual debt service requirements.

Total liabilities decreased by $1.6 million. This can be attributed to a $1.0 million decrease in accounts payable and a $700,000 decrease in airline refunds and rebate payable.

Total Net Assets increased $27.1 million primarily due to the above factors.

The explanation of the changes in net assets are important in measuring the overall financial condition of the Lee County Port Authority. Additionally, analysis of current year results of operations are important in determining the Lee County Port Authority's financial condition for the past fiscal year. Table 2 is a brief summary of these results.

The following table summarizes revenues and expenses on a comparative basis for the current and prior fiscal years.

Table 2
Summary of Revenues and Expenses
As of September 30, 2001 and 2000
(000's)

Revenues	2001	2000
User Fees	$16,451	$15,209
Rental cars	10,014	10,038
Parking	6,730	6,156
Other	4,199	3,704
Total Revenues	37,394	35,107
Expenses		
Salaries, Wages and Benefits	13,111	12,225
Contractual Services, Materials, Repair, maintenance and utilities	11,977	9,767
Other	8,145	8,302
Total Expenses	33,233	30,294
Non-Operating Revenues (Expenses)		
Interest Revenue	11,634	8,797
Interest Expense	(6,041)	(6,497)
Passenger Facility Charge	7,236	6,724
Other	(228)	(51)
Total	12,601	8,973
Net Income	$16,762	$13,786

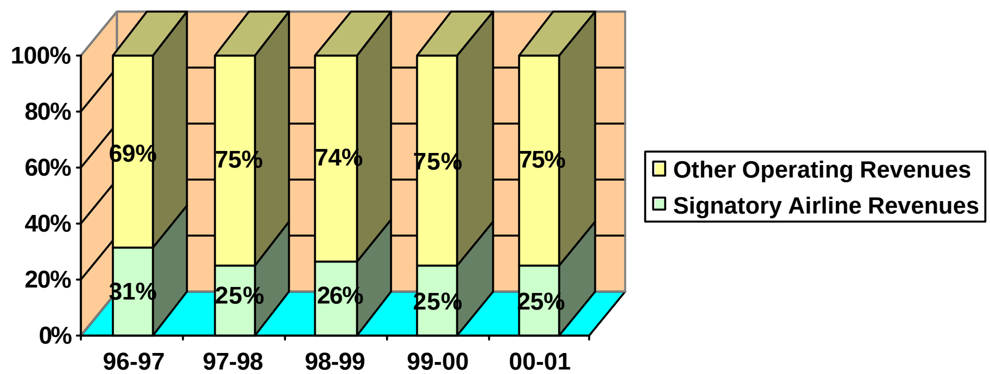
Statement of Revenues and Expenses Analysis

The results of operations for FY 2001 were positive. Operating Revenues exceeded prior year results by almost $2.3 million. Increases primarily resulted from rental car revenues, parking lot and landing fees. The Lee County Port Authority Operating Revenues exceeded prior year results as well as management's budget projections. Total expenses increased by $2.9 million. Increases primarily resulted from personnel, utilities, janitorial and other contracted services. Total non-operating revenues increased by $3.6 million primarily due to an increase in investment income and passenger facility charges collected.

Understanding the relationships between signatory airline revenues and all other operating revenues is important when analyzing the results of operations. Signatory airline revenues are primarily user fees paid by various airlines for landings and terminal space rental. Other operating revenues are primarily all other revenues generated from operating activities (i.e. parking fees, rental car fees, and general aviation airport revenues). As the percentage of other operating revenues increases, the percentage of signatory airline revenues declines. This relationship is a result of the Port Authority's contractual arrangement it has with the signatory airlines. Please refer to footnote XI accompanying the FY 2001 Financial Statements.

Total revenues paid by the signatory airlines were $9.4 million after consideration of the annual debt service coverage rebate of $1.2 million. Historically, the percent of signatory airline fees paid when compared to all other operating revenues has decreased. This is primarily the result of cost effective management practices as well as concentration of increasing all other operating revenue sources.

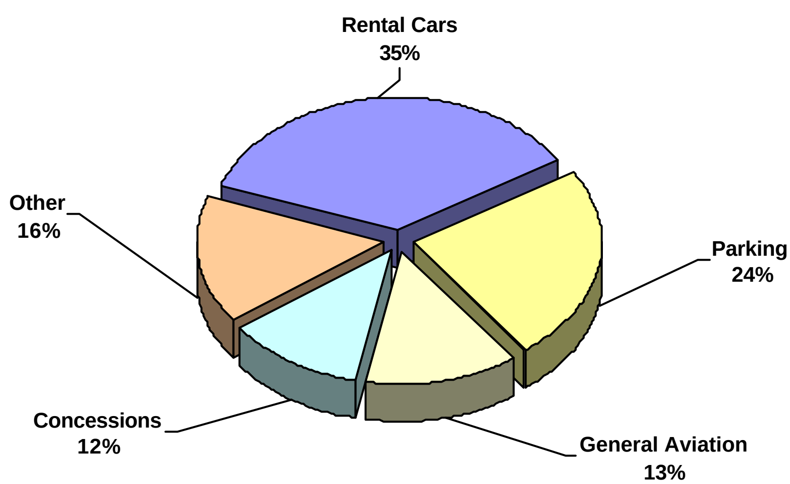
The following chart shows the percentage of total revenues by the signatory airlines and other operating revenues.



All other operating revenues combined were $28.0 million. Significant items in this category include:

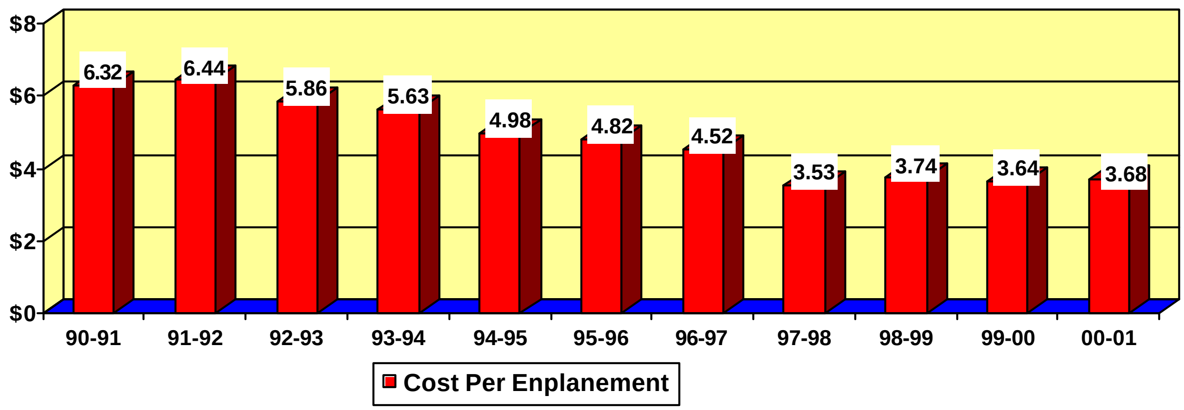
Rental Cars	$10.1 million
Parking	$ 6.7 million
General Aviation	$ 3.7 million
Concessions	$ 3.4 million
Other	$ 4.1 million

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



A standard measure in the airlines industry is cost per enplanement. 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 participating airlines cost per enplanement for fiscal year 2001 was $3.68, one of the lowest in the history of the airport.

The following chart shows the cost per enplanement at Southwest Florida International Airport over the past 10 fiscal years



Capital Assets and Outstanding Debt

The following tables summarize capital assets and outstanding debt.

Capital Assets

Table 3
Capital Assets
As of September 30, 2001 and 2000
(000's)

	2001	2000
Land	$119.1	$118.3
Building	54.3	55.2
Improvements other than buildings	5.0	5.0
Machinery & Equipment	14.9	14.0
Infrastructure	76.4	74.3
Subtotal	269.7	266.8
Work in Progress	60.0	31.6
Less Accumulated Depreciation	(67.2)	(61.4)
Total	$262.5	$237.0

The increase in capital assets was due to current year capital expenditures (construction work in progress).

Significant capital expenditures incurred in this category include:

Midfield Terminal Complex	$16.0
Land Acquisition	$ 1.5
Maintenance Facility	$ 2.0
T Hangars	$ 1.3

Outstanding Debt

As of September 30, 2001, the Lee County Port Authority had $422.5 million in outstanding debt (revenue bonds). This is a decrease of $5.2 million due to principal and interest payments. No new debt was issued in fiscal year 2001.

Moodys and Fitch recently affirmed its ratings on the Lee County Port Authority's 2000 Series A & B Revenue Bonds with an A3 and A rating respectively.

Table 4
Outstanding Debt
As of September 30, 2001 and 2000
(000's)

	2001	2000
Series 1992A Airport Revenue Bonds	36,995	36,995
Series 1992B Airport Revenue Bonds	12,020	15,515
Series 1998 Passenger Facility Bonds	46,115	47,885
Series 2000A Airport Revenue Bonds	291,155	291,155
Series 2000B Airport Revenue Bonds	36,180	36,180
Total	$422,465	$427,730

Economic Factors and Future Impacts

Southwest Florida International Airport funds its daily operation with user fees and rents and fees it collects from its tenants. No ad valorem (property) tax dollars contribute to the airport's annual operating budget.

Southwest Florida International Airport direct and indirect economic impact to the regional economy generated $2 billion in economic output, 44,000 jobs, and salaries of $885 million according to a 1999 Economic Impact Study.

A $386 million Midfield Terminal Complex is planned for the airport with a projected opening date of 2005. The project includes a new terminal and taxiway, associated aircraft aprons and ramps as well as related parking facilities and roadway access.

The terrorist attacks on September 11, 2001, did not have a significant impact on the results of fiscal year 2001. However, current year revenue and passenger levels are down 15-20%, and year-end results are not expected to meet management's original budget projections. As a result, airline fees paid to the airport could rise. The Lee County Port Authority is making every effort to mitigate the financial impacts of September 11, 2001. Management has delayed several maintenance projects and other discretionary spending and will apply for grants for assistance related to increases in security costs at the airport where appropriate.

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 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.

Basic Financial Statements

LEE COUNTY PORT AUTHORITY

Lee County, Florida

STATEMENTS OF NET ASSETS

As of September 30, 2001 and 2000

(amounts expressed in thousands)

	2001	2000
ASSETS		
Current assets:		
Cash and cash equivalents	$33,405	$25,654
Receivables (net):		
Accounts	2,170	2,443
Grants	1,733	6,850
Due from other governments	3	3
Inventories	297	289
Other	608	536
Total current assets	**38,216**	**35,775**
Noncurrent assets:		
Restricted assets:		
Cash and cash equivalents	25,123	16,267
Investments	296,293	306,894
Receivables (net):		
Accounts	898	1,106
Grants	18	
Accrued interest	10,200	10,412
Capital assets (net)	262,513	237,038
Intangible assets	45	48
Unamortized bond costs	5,753	5,981
Total noncurrent assets	**600,843**	**577,746**
Total assets	**$639,059**	**$613,521**

LEE COUNTY PORT AUTHORITY

Lee County, Florida

STATEMENTS OF NET ASSETS

As of September 30, 2001 and 2000

(amounts expressed in thousands)

	2001	2000
LIABILITIES		
Current liabilities:		
Contracts and accounts payable	$2,926	$3,859
Accrued liabilities	528	14
Refunds and rebates	2,195	2,894
Due to other governments	42	31
Due to other funds	6	
Customer deposits	125	133
Deferred revenues	104	13
Compensated absences	187	160
Capital leases payable- current	5	14
Total current liabilities	**6,118**	**7,118**
Current liabilities payable from restricted assets:		
Contracts and accounts payable	1,329	
Due to other governments		1,515
Total current liabilities payable from restricted assets	**1,329**	**1,515**
Noncurrent liabilities:		
Compensated absences	222	200
Capital leases payable		17
Revenue bonds payable	414,946	419,856
Other	4,506	
Total noncurrent liabilities	**419,674**	**420,073**
Total liabilities	**427,121**	**428,706**
NET ASSETS		
Invested in capital assets, net of related debt	96,677	69,294
Restricted for:		
Capital Projects	30,357	22,336
Debt service	57,797	69,906
Renewal and Replacement	531	500
Unrestricted	26,576	22,779
Total Net Assets	**$211,938**	**$184,815**

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, 2001 and 2000

(amounts expressed in thousands)

	2001	2000
OPERATING REVENUES		
User fees	$16,451	$15,209
Rentals and franchise fees	1,825	1,661
Concessions	3,397	3,103
Parking Revenues	6,730	6,156
Rental Car Revenues	10,014	10,038
Miscellaneous	153	168
Total operating revenues	38,570	36,335
Less: Rebates	1,176	1,228
Net operating revenues	**37,394**	**35,107**
OPERATING EXPENSES		
Salaries and wages	9,693	8,981
Employee benefits	3,418	3,244
Contractual services, materials and supplies	9,066	7,102
Utilities	1,810	1,612
Repairs and maintenance	1,101	1,053
Insurance	468	508
Other	951	1,319
Depreciation and amortization	6,726	6,475
Total operating expenses	**33,233**	**30,294**
Operating income	**4,161**	**4,813**
NON-OPERATING REVENUES (EXPENSES):		
Interest revenue	11,634	8,797
Interest expense	(6,041)	(6,497)
Gain (loss) on disposal of fixed assets	(215)	(46)
Passenger facility charge	7,236	6,724
Other expenses	(13)	(5)
Total non-operating revenues (expenses)	**12,601**	**8,973**
Income before capital contributions	**16,762**	**13,786**
Capital contributions	10,361	8,527
Change in net assets	**27,123**	**22,313**
Total net assets- beginning - as restated	**184,815**	**162,502**
Total net assets - ending	**$211,938**	**$184,815**

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, 2001 and 2000

(amounts expressed in thousands)

	2001	2000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$42,417	$29,530
Cash received (returned) from customer deposits	(8)	(11)
Payments to suppliers	(13,097)	(12,635)
Payments to employees	(11,210)	(12,314)
Payment for interfund services used	(1,368)	
Net cash provided by operating activities	**16,734**	**4,570**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers in		95
Operating grants received		284
Net cash provided by noncapital financing activities	**0**	**379**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt		327,335
Capital contributions	9,585	8,527
Proceeds from passenger facilities charges	7,236	6,724
Additions to fixed assets	(24,694)	(20,818)
Principal paid on bonds, loans, leases, and interfund loans	(5,265)	(4,980)
Interest paid on bonds, loans, leases, and interfund loans	(24,736)	(16,120)
Proceeds from sale of fixed assets	3	(46)
Net cash provided by (used in) capital and related financing activities	**(37,871)**	**300,622**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	10,601	
Purchase of investments		(306,893)
Interest on investments	27,143	(1,615)
Net cash provided by (used in) investing activities	**37,744**	**(308,508)**
Net increase (decrease) in cash and cash equivalents	**16,607**	**(2,937)**
Cash and equivalents at beginning of year	41,921	44,858
Cash and equivalents at end of year	**$58,528**	**$41,921**
Classified as:		
Current assets	$33,405	$25,654
Restricted assets	25,123	16,267
Totals	**$58,528**	**$41,921**

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, 2001 and 2000

(amounts expressed in thousands)

	2001	2000
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	**$4,161**	**$4,813**
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:		
Depreciation and amortization	6,726	6,475
Other expense	(13)	(5)
(Increase) decrease in accounts receivable	5,580	(6,455)
(Increase) in due from other governments		(1)
(Increase) decrease in inventories	(8)	55
(Increase) in other assets	(72)	(39)
Increase in contacts and accounts payable	396	96
Increase (decrease) in accrued liabilities	514	(99)
Increase (decrease) in refunds and rebates	(699)	866
Increase (decrease) in due to other governments	11	(42)
Increase (decrease) in due to other funds	6	(1,106)
(Decrease) in customer deposits	(8)	(11)
Increase in deferred revenues	91	13
Increase in compensated absences	49	10
Total adjustments	**12,573**	**(243)**
Net cash provided by operating activities	**$16,734**	**$4,570**

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. 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. The Board retained ownership of the Port Authority's assets and liabilities. 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).

B. 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.

C. 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.

D. 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 County has implemented Governmental Accounting Standards Board Statements Number 33, Accounting and Financial Reporting for Non-exchange Transactions, 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, and Number 38, Certain Financial Statement Note Disclosures.

The County has also elected to early implement Governmental Accounting Standards Board Statement Number 34, Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments (GASB 34); therefore, the financial statements consist of a statement of net assets and a statement of revenues, expenses, and changes in fund net assets. Moreover, the statement of cash flows is prepared using the direct method.

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 (GASB) 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.

Restatements

As a result of adopting GASB 34, the Port Authority's beginning net assets increased $118,162,000 due to the elimination of contributed capital.

Prior to implementing GASB 34 infrastructure was classified as "Improvements other than buildings". With the implementation of GASB 34, infrastructure was reclassified as "Infrastructure" and is reflected in the beginning capital asset balances for fiscal year 2001.

E. 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 fixed 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

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.

Unamortized discount and issuance costs

Discount and issuance costs related to long - term debt is amortized over the life of the debt principally by the effective - interest method. Revenue bonds payable are shown net of unamortized discount.

Unamortized gains or losses

Gains or losses from debt refundings are reported in the accompanying financial statements as an addition or a deduction to bonds payable and are charged to operations using the effective - interest method.

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. 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.

Interfund transactions

The Port Authority considers interfund receivables (due from other funds) and interfund liabilities (due to other funds) to be loan transactions to and from other funds to cover temporary (three months or less) cash needs. Accordingly, the related receipts and payments are reported at a net amount for purposes of cash flow 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, 2001 and 2000, the bank balance of the Port Authority's deposits was $140,936 and $100,495, 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 Florida Statute 218. There were no violations to this policy during the fiscal years ended September 30, 2001 and 2000.

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, 2001 and 2000, consisted of the following (dollars in thousands):

	Fair Value	
	2001	2000
U.S. Government agencies and instrumentalities	$ 29,145	$ 26,983
Overnight repurchase agreements		7,385
Flex repurchase agreement	269,846	280,437
Total	$298,991	$314,805

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	
	2001	2000
Local Government Surplus Funds Investment Pool Trust Fund	$61,550	$37,450

The Port Authority invests funds throughout the year with the Local Government Surplus Funds Investment Pool Trust Fund, which is administered by the State Board of Administration, under the regulatory oversight of the State of Florida. As of September 30, 2001, the SBA contained floating rate notes totaling approximately $145 million at cost. These derivative investments, whose market value can fluctuate based on changes in interest rates, represented approximately 1 percent of total SBA investments and were purchased by the SBA to add relative value to the SBA portfolio. The Port Authority's investment in the SBA represented approximately .4 percent of the SBA's total investments. The total of investments at September 30, 2001 and 2000, were as follows (dollars in thousands):

	2001	2000
Total of investments	$360,541	$352,255

The unrealized gain on investments for the years ended September 30, 2001 and 2000, was $2,698,247 and $525,644, respectively. This calculation is independent of the net change in the fair value of investments.

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:	2001	2000
Change funds and petty cash	$ 20	$ 20
Cash on hand	75	28
Carrying value of deposits	(5,815)*	(3,488)*
Investments previously disclosed	360,541	352,255
Total cash and investments	$ 354,821	$ 348,815

*The carrying value of deposits is shown as negative due to outstanding checks. Short-term investments are sold as needed to cover any short falls.

Cash and investments per the statements of net assets:	2001	2000
Current:		
Cash and cash equivalents	$ 33,405	$ 25,654
Restricted:		
Cash and cash equivalents	25,123	16,267
Investments	296,293	306,894
Total cash and investments	$ 354,821	$ 348,815

NOTE III. RECEIVABLES

At September 30, 2001 and 2000, accounts receivable consisted of the following (dollars in thousands):

		Gross Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
2001	Unrestricted	$2,342	($172)	$2,170
	Restricted	898		898
	Total	$3,240	($172)	$3,068
2000	Unrestricted	$2,664	($221)	$2,443
	Restricted	1,106		1,106
	Total	$3,770	($221)	$3,549

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, 2001 and 2000 (dollars in thousands):

	2001	2000
Debt service	$ 57,797	$ 69,906
Renewal and replacement	531	500
Capital improvements and construction	30,357	22,336
Total	$ 88,685	$ 92,742

NOTE V. CAPITAL ASSETS

Capital asset activity for the fiscal years ended September 30, 2001 and 2000, were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Fiscal Year 2001				
Capital assets not being depreciated:				
Land	$118,335	$750		$119,085
Construction in progress	31,620	30,488	($2,085)	60,023
Total capital assets not being depreciated	149,955	31,238	(2,085)	179,108
Capital assets being depreciated:				
Buildings	55,175		(902)	54,273
Improvements other than buildings	5,068			5,068
Machinery and equipment	13,958	1,182	(239)	14,901
Infrastructure	74,336	2,085		76,421
Total capital assets being depreciated	148,537	3,267	(1,141)	150,663
Less accumulated depreciation for:				
Buildings	18,230	1,820	(738)	19,312
Improvements other than buildings	2,335	266		2,601
Machinery and equipment	6,320	1,283	(184)	7,419
Infrastructure	34,569	3,357		37,926
Total accumulated depreciation	61,454	6,726	(922)	67,258
Total capital assets being depreciated, net	87,083	(3,459)	(219)	83,405
Fiscal Year 2001 capital assets, net	$237,038	$27,779	($2,304)	$262,513
Fiscal Year 2000				
Capital assets not being depreciated:				
Land	$118,177	$158		$118,335
Construction in progress	23,843	21,051	($13,274)	31,620
Total capital assets not being depreciated	142,020	21,209	(13,274)	149,955
Capital assets being depreciated:				
Buildings	43,224	12,106	(155)	55,175
Improvements other than buildings	5,074		(6)	5,068
Machinery and equipment	12,116	2,324	(482)	13,958
Infrastructure	74,336			74,336
Total capital assets being depreciated	134,750	14,430	(643)	148,537
Less accumulated depreciation for:				
Buildings	16,803	1,575	(148)	18,230
Improvements other than buildings	2,068	271	(4)	2,335
Machinery and equipment	5,652	1,065	(397)	6,320
Infrastructure	31,008	3,561		34,569
Total accumulated depreciation	55,531	6,472	(549)	61,454
Total capital assets being depreciated, net	79,219	7,958	(94)	87,083
Fiscal Year 2000 capital assets, net	$221,239	$29,167	($13,368)	$237,038

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, 2001 and September 30, 2000, were $6,959,800 and $5,197,500, 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. All leases can be cancelled with thirty days notice.

At September 30, 2001, minimum future rentals of operating leases were as follows (dollars in thousands):

Fiscal Year(s)	Amount
2002	$ 5,285
2003	5,350
2004	5,340
2005	11,590
2006	11,596
Total minimum future revenue	$39,161

For the years ended September 30, 2001 and 2000, rental revenue included $2,505,380 and $9,986,608, respectively, in contingent revenue.

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, 2001 and 2000, consisted of the following:

- Series 1992A Airport Revenue Bonds for $36,995,000 at interest rates ranging from 5.5 percent to 5.9 percent (effective interest rate of 6.8 percent), collateralized by a lien on and a pledge of the net revenues of the Lee County Port Authority. The outstanding balance at September 2001 and 2000, was $36,995,000 and $36,995,000 respectively.
- Series 1992B Taxable Airport Revenue Bonds for $49,090,000 at interest rates ranging from 3.45 percent to 7.1 percent (effective interest rate of 6.7 percent), collateralized by a lien on and a pledge of the net revenues of the Lee County Port Authority. The outstanding balance at September 20 2001 and 2000, was $12,020,000 and $15,515,000 respectively.
- 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, 2001 and 2000, was $46,115,000 and $47,885,000, 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, 2001 and 2000, 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, 2001 and 2000, was $36,180,000 and $36,180,000, respectively.
- The total revenue bonds payable at September 30, 2001 and 2000, was $422,465,000 and $427,730,000, respectively.

The annual debt service requirements for revenue bonds at September 30, 2001, were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2002	$ 5,585	$ 24,421	$ 30,006
2003	5,920	24,082	30,002
2004	6,285	23,718	30,003
2005	7,435	23,327	30,762
2006	7,840	22,923	30,763
2007-2011	45,620	107,838	153,458
2012-2016	58,100	93,993	152,093
2017-2021	63,655	76,241	139,896
2022-2026	74,425	57,351	131,776
2027-2031	99,150	32,622	131,772
2032-2036	48,450	4,249	52,699
Total	$422,465	$490,765	$913,230

The following is a summary of bond transactions of the Port Authority for the years ended September 30, 2001 and 2000 (dollars in thousands):

	2001	2000
Beginning balance	$427,730	$105,375
Additions		327,335
Reductions	(5,265)	(4,980)
Bonds payable at end of fiscal year	$422,465	$427,730
Less unamortized discount	(6,828)	(7,083)
Less unamortized accounting loss	(691)	(791)
Bonds payable at end of fiscal year, net	$414,946	$419,856

Bond resolutions

The Airport Revenue Bonds, Series 1992A, Taxable Airport Revenue Bonds, Series 1992B, Airport Revenue Bonds, Series 2000A (ATM), and Airport Revenue Bonds, Series 2000B (non-AMT) 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 120 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:
Airport Revenue Bonds, Series 1992A
Taxable Airport Revenue Bonds, Series 1992B
Passenger Facility Charge Revenue and
Refunding Bonds, Series 1998
Airport Revenue Bonds, Series 2000A
Airport Revenue Bonds, Series 2000B

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, 2001 and 2000, consisted of the following (dollars in thousands):

	2001	2000
Airport Revenue Bonds, Series 1980	$22,355	$23,960
Airport Revenue Bonds, Series 1983	16,060	17,155
Total outstanding	$38,415	$41,115

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, 2001, were as follows (dollars in thousands):

Fiscal Year	Amount
2002	$ 102
2003	87
2004	69
2005	55
2006	42
Total minimum payments required	$ 355

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 were 12 percent and 14 percent of gross salaries for fiscal years 2001 and 2000, respectively. For the fiscal years ended September 30, 2001, 2000, and 1999, the Port Authority contributed 100 percent of the required contributions. These contributions aggregated $1.2 million, $1.2 million, and $1.5 million, respectively, which represents 12 percent, 14 percent, and 18 percent of covered payroll.

A copy of the FRS's June 30, 2000, 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, 2001 and 2000, the Port Authority was assessed $405,255 and $364,000, respectively. There were no additional assessments for fiscal years 2001 and 2000. 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, 2001 and 2000, the Port Authority was charged $1,369,135 and $1,181,668, 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, 2001 and 2000, the Port Authority paid $656,283 and $547,528, respectively, to third - party carriers.

Settled claims have not exceeded insurance coverage in any of the past four years.

NOTE IX. COMMITMENTS AND CONTINGENCIES

At September 30, 2001 and 2000, the Port Authority had in process various construction contracts totaling $37,108,000 and $35,286,000, respectively. Expenses on these contracts as of September 30, 2001 and 2000, totaled $33,542,000 and $16,504,000, respectively, including retainage payable of $200,000 and $248,000, respectively.

The Port Authority is currently receiving, and has received in the past, grants which 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 contingent liability of the Port Authority. The Port Authority does not believe any contingent liabilities to be material.

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.

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 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 $10,621,731 and $9,882,642, in fiscal years 2001 and 2000, respectively. Fees paid by Delta Airlines represented 7.8 percent and 8.9 percent of total airport revenues for fiscal years 2001 and 2000, 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. During fiscal year 2001, design of the Midfield Terminal project continued. The site preparation package has been awarded and is expected to begin in early 2002. The Port Authority staff is working with the U.S. Army Corps of Engineers to secure the last remaining permit. The 28-gate, 750,000 square foot terminal complex is expected to open in 2005.

LEE COUNTY PORT AUTHORITY
(Unaudited)

Southwest Florida International Airport
PASSENGER FACILITY CHARGE REVENUE REPORT
For Fiscal Year Ending September 30, 2001
(Unaudited)

Total Enplaned Passengers	Eligible Enplaned Passengers	Net PFC Cash Collections	Interest Income	Total PFC Revenue
2,760,542	2,695,294	$8,812,917	$967,370	$9,780,287

Southwest Florida International Airport
ESTIMATED DEBT SERVICE COVERAGE
For Fiscal Year Ending September 30, 2001
(Unaudited)

Actual PFC Revenues	Actual 2001 PFC debt service requirements	Actual debt service factor
$9,780,287	$4,063,499	2.41

Southwest Florida International Airport
DEBT SERVICE
SUFFICIENCY CALCULATION
For Fiscal Year Ending September 30, 2001
(Unaudited)

Total Approved for Collection	Total Project Costs to Date	Unspent PFC Authority	Projected Aggregate Debt Service	Sufficiency Ratio
$244,799,120	$46,891,177	$197,907,943	$58,175,956	3.40