

Lee County Port Authority

Component Unit Financial Report



Years Ended September 30, 2010 and 2009





Lee County Port Authority

Lee County, Florida

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Direct Dial: (239) 590-4400
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February 10, 2011

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

Dear Friends:

**BOARD OF
PORT COMMISSIONERS**

BRIAN BIGELOW

TAMMY HALL

RAY JUDAH

FRANK MANN

JOHN E. MANNING

I am pleased to present the Lee County Port Authority's financial results for the fiscal year ending September 30, 2010. Despite very challenging global and local economies, we are pleased with our year-end results and continue to look for more efficient and effective ways to manage our business.

For the fiscal year, total passengers at Southwest Florida International Airport were 7,380,596, a slight decrease of 1.03 percent or 76,537 passengers when compared to the previous year. Operating expenses before depreciation were \$58.4 million, a decrease of \$4 million when compared to last year's results. The majority decreases in this category were from utilities, fuel purchases and insurance. Total revenues were \$88.3 million, an increase of \$2.3 million over last year's results. The majority of increases were in rental cars and terminal concessions.

These factors have resulted in a combined refund to the signatory airlines of \$6.9 million and a cost-per-enplaned passenger of \$7.04, which is \$0.15 less than the previous year.

Major ongoing projects in the past year included the continued conceptual design of the parallel Runway, design of the RSW Apron Expansion and the construction of the RSW Limited Site Preparation. Additionally, the airport began construction of a new Aircraft Rescue and Fire Fighting facility at RSW. The timing of starting this project was made possible through the use of airport passenger facility charges, and state and federal grants. This project is expected to be completed in fall 2011.

Notable awards in 2010 included an Environmental Achievement Award for the airport's exceptional Wildlife Management Program and Second Place in the Excellence in Marketing and Communications Awards in the promotional category for our Airline Appreciation Gift. Both of these awards were given by the Airports Council International-North America (ACI-NA). Also, the airport received four awards from the Florida Public Relations Association for various outstanding public relations programs from the prior year. Additionally, over the past year, the airport had new and expanded service to Grand Rapids, Islip, Denver, Montreal and Dusseldorf.

Turning our focus to Page Field General Aviation Airport, the construction of the terminal apron was completed and the construction of the new General Aviation Terminal commenced. The project includes a 22,000 square-foot terminal, a 24,000 square-foot hangar and fuel farm. The project is expected to be completed in the summer of 2011.

SOUTHWEST FLORIDA INTERNATIONAL AIRPORT
11000 Terminal Access Road, Suite 8671 • Fort Myers, Florida 33913-8213
www.flylcpa.com

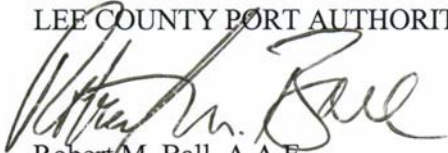
February 10, 2011

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

Sincerely,

LEE COUNTY PORT AUTHORITY

A handwritten signature in black ink, appearing to read "Robert M. Ball". The signature is fluid and cursive, with the first name "Robert" and last name "Ball" being the most prominent parts.

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

RMB/cjs



KPMG LLP
Suite 1700
100 North Tampa Street
Tampa, FL 33602-5145

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, 2010 and 2009, 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, 2010, and the changes in its financial position and its cash flows 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 February 9, 2011 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

February 9, 2011
Certified Public Accountants



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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, 2010 and 2009. 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 2010, 2009, and 2008.

<u>Table 1</u>			
Summary of Net Assets			
September 30, 2010, 2009 and 2008			
(000's)			
	<u>2010</u>	<u>2009</u>	<u>2008</u>
Current and other assets	\$196,726	\$193,440	\$177,673
Capital Assets	<u>686,046</u>	<u>696,031</u>	<u>698,942</u>
Total assets	<u>882,772</u>	<u>889,471</u>	<u>876,615</u>
Current liabilities	33,198	33,386	35,239
Non-current liabilities	<u>356,599</u>	<u>370,965</u>	<u>372,619</u>
Total liabilities	<u>389,797</u>	<u>404,351</u>	<u>407,858</u>
Net assets:			
Invested in capital assets, net of related debt	355,435	350,005	348,639
Restricted	42,008	43,782	37,452
Unrestricted	<u>95,532</u>	<u>91,333</u>	<u>82,666</u>
Total net assets	<u>\$492,975</u>	<u>\$485,120</u>	<u>\$468,757</u>

Summary of Net Assets Analysis

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

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.

Lee County Port Authority
September 30, 2010

Table 2 reflects a summary of revenues, expenses, and changes in net assets for 2010, 2009 and 2008.

<u>Table 2</u>			
Summary of Revenues, Expenses, and Changes in Net Assets			
For the Years Ended September 30, 2010, 2009 and 2008			
(000's)			
	<u>2010</u>	<u>2009</u>	<u>2008</u>
<i>Revenues, net:</i>			
User fees	\$47,531	\$45,515	\$48,445
Rental cars	16,581	16,831	16,567
Parking	12,289	12,057	13,673
Other, net	<u>6,533</u>	<u>9,225</u>	<u>7,811</u>
Total revenues, net	<u>82,934</u>	<u>83,628</u>	<u>86,496</u>
<i>Expenses:</i>			
Salaries, wages and benefits	30,317	31,734	29,940
Contractual services, materials and supplies, Utilities, Repairs and Maintenance	24,650	26,213	30,349
Depreciation and amortization	19,632	19,339	20,077
Other	<u>3,408</u>	<u>4,271</u>	<u>5,749</u>
Total expenses	<u>78,007</u>	<u>81,557</u>	<u>86,115</u>
Operating income	<u>4,927</u>	<u>2,071</u>	<u>381</u>
<i>Non-operating revenues (expenses):</i>			
Investment earnings	701	829	3,384
Interest expense	(21,162)	(21,782)	(22,341)
Passenger facility charges	15,156	14,942	15,478
Other revenues (expenses)	<u>439</u>	<u>408</u>	<u>493</u>
Total non-operating revenues (expenses)	<u>(4,866)</u>	<u>(5,603)</u>	<u>(2,986)</u>
Income (loss) before capital contributions	61	(3,532)	(2,605)
Capital contributions	<u>7,794</u>	<u>19,895</u>	<u>22,455</u>
Increase in net assets	7,855	16,363	19,850
Beginning net assets	<u>485,120</u>	<u>468,757</u>	<u>448,907</u>
Ending net assets	<u>\$492,975</u>	<u>\$485,120</u>	<u>\$468,757</u>

Summary of Revenues and Expenses Analysis

In 2010, operating income totaled \$4,927,000, an increase of \$2,856,000, which was a combination of a decrease of \$694,000 in total net revenues and a decrease of \$3,550,000 in operating expenses. The decrease to total net revenues was primarily due to an increase of \$1,000,000 in landing fees, (due to a higher landing fee rate) an increase of \$515,000 in aviation fuel sales, (due to a higher average sales price) a decrease of \$250,000 in rental car fees (due to less activity) an increase of \$232,000 in parking lot revenue, (due to a change in the parking rates) an increase of \$201,000 in rentals (mainly due to a reclassification of cell tower rental revenue) and an increase of \$3,035,000 in airline refunds and rebates (due to the recalculation of the annual rates and charges per the airline use agreement). Operating expenses decreased \$3,550,000 in 2010, mainly due to a decrease of \$1,827,000 in

Lee County Port Authority

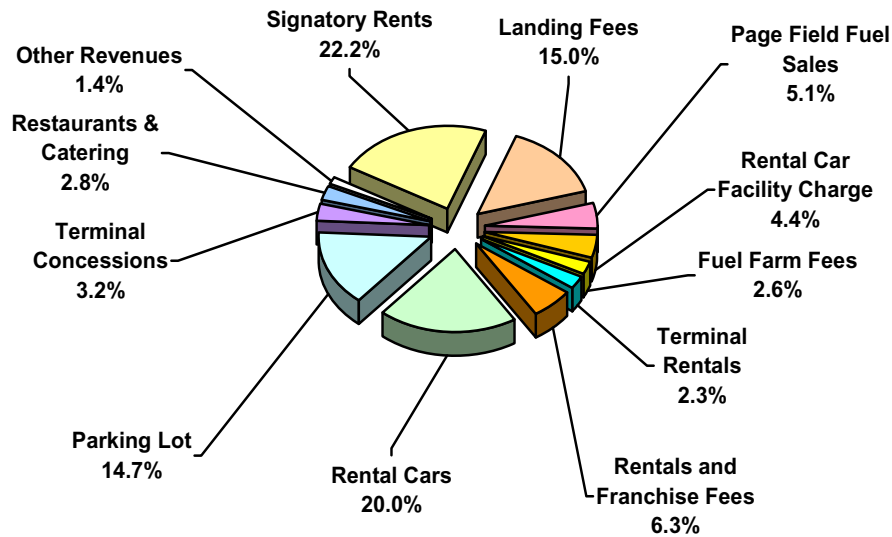
September 30, 2010

OPEB, a decrease in contractual services of \$714,000 (due to decreased costs in the parking and janitorial contracts) and a decrease in utilities of \$1,159,000, (due to lower electric rates and fuel credits).

In 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).

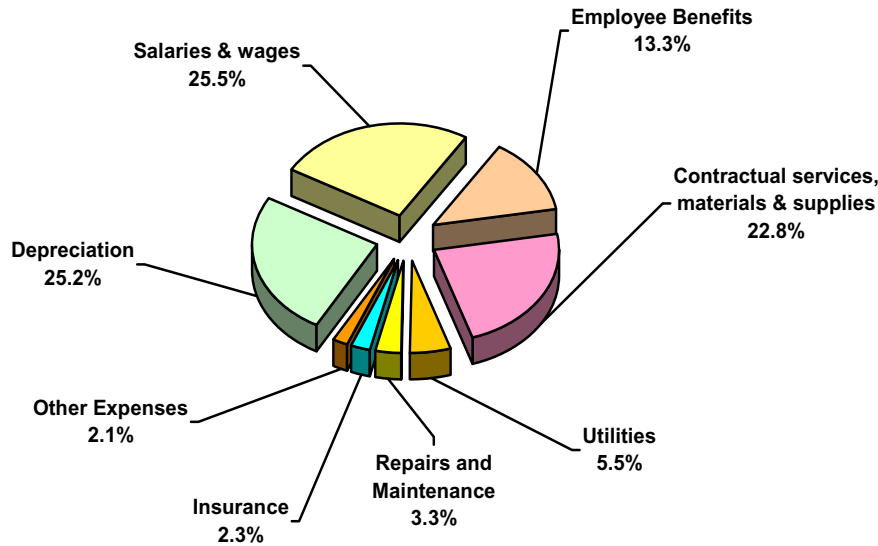
The following charts summarize the Net Revenues and Expense for fiscal year 2010.

Operating Revenues for Fiscal Year 2010



<u>Operating Revenues</u>	<u>2010</u>	<u>2009</u>	<u>2010 Percent of Total</u>	<u>Increase/ (Decrease) from 2009</u>	<u>% Increase/ (Decrease) from 2009</u>
Signatory Rents	\$18,432,000	\$17,817,000	22.2%	\$615,000	3.5%
Landing Fees	12,430,000	11,430,000	15.0%	1,000,000	8.7%
Page Field Fuel Sales	4,254,000	3,739,000	5.1%	515,000	13.8%
Rental Car Facility Charge	3,629,000	3,670,000	4.4%	(41,000)	-1.1%
Fuel Farm Fees	2,130,000	2,129,000	2.6%	1,000	0.0%
Terminal Rentals	1,902,000	2,085,000	2.3%	(183,000)	-8.8%
Rentals & Franchise Fees	5,230,000	5,029,000	6.3%	201,000	4.0%
Rental Cars	16,581,000	16,831,000	20.0%	(250,000)	-1.5%
Parking Lot	12,228,000	12,057,000	14.7%	171,000	1.4%
Terminal Concessions	2,637,000	2,642,000	3.2%	(5,000)	-0.2%
Restaurants & Catering	2,286,000	2,282,000	2.8%	4,000	0.2%
Other Revenues	1,195,000	3,917,000	1.4%	(2,722,000)	-69.5%
Total Net Operating Revenues	\$82,934,000	\$83,628,000	100.0%	(\$694,000)	-0.8%

Operating Expenses for Fiscal Year 2010



<u>Operating Expenses</u>	<u>2010</u>	<u>2009</u>	<u>2010</u> <u>Percent of</u> <u>Total</u>	<u>Increase/</u> <u>(Decrease)</u> <u>from 2009</u>	<u>% Increase/</u> <u>(Decrease)</u> <u>from 2009</u>
Salaries & wages	\$19,920,000	\$19,642,000	25.5%	\$278,000	1.4%
Employee benefits	10,397,000	12,092,000	13.3%	(1,695,000)	-14.0%
Contractual services, materials & supplies	17,819,000	18,533,000	22.8%	(714,000)	-3.9%
Utilities	4,253,000	5,412,000	5.5%	(1,159,000)	-21.4%
Repairs and maintenance	2,578,000	2,268,000	3.3%	310,000	13.7%
Insurance	1,817,000	2,504,000	2.3%	(687,000)	-27.4%
Other expenses	1,591,000	1,767,000	2.1%	(176,000)	-10.0%
Depreciation	19,632,000	19,339,000	25.2%	293,000	1.5%
Total Operating Expenses	\$78,007,000	\$81,557,000	100%	\$ (3,550,000)	-4.4%

Capital Assets

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

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.

Lee County Port Authority
September 30, 2010

Table 3 reflects a summary of capital assets for 2010, 2009, and 2008.

Table 3
Capital Assets
September 30, 2010, 2009 and 2008
(000's)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Land	\$142,801	\$139,808	\$139,368
Easements & Right of Ways	47	n/a	n/a
Construction in progress	23,031	19,172	11,858
Software in progress	-	-	136
Building	328,769	328,787	328,797
Improvements	17,948	17,948	17,948
Equipment	47,683	45,412	44,472
Software	2,999	2,878	2,670
Artwork	50	-	-
Infrastructure	<u>288,437</u>	<u>288,360</u>	<u>280,821</u>
Subtotal	851,765	842,365	826,070
Less accumulated depreciation and amortization	<u>(165,719)</u>	<u>(146,334)</u>	<u>(127,128)</u>
Total	<u>\$686,046</u>	<u>\$696,031</u>	<u>\$698,942</u>

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

Debt Administration

As of September 30, 2010, the Port had \$362,012,000 in outstanding debt, a decrease of \$15,965,000. In July 2010, the Airport issued the 2010A Airport Revenue Refunding Bonds. This transaction refunded a portion of the Series 2000A Revenue Bonds.

Table 4
Outstanding Debt
September 30, 2010, 2009 and 2008
(000's)

	<u>2010</u>	<u>2009</u>	<u>2008</u>
Series 1998 Passenger Facility Bonds	\$21,335	\$31,395	\$33,785
Series 2000A Airport Revenue Bonds	172,575	291,155	291,155
Series 2002 Airport Revenue Refunding Bonds	6,580	12,895	18,980
2004 Line of Credit Note	4,507	4,832	5,137
Series 2005 Airport Revenue Refunding Bonds	37,665	37,700	37,740
Series 2010A Airport Revenue Refunding Bonds	<u>119,350</u>	<u>n/a</u>	<u>n/a</u>
Total	<u>\$362,012</u>	<u>\$377,977</u>	<u>\$386,797</u>

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

Passenger Facility Charges

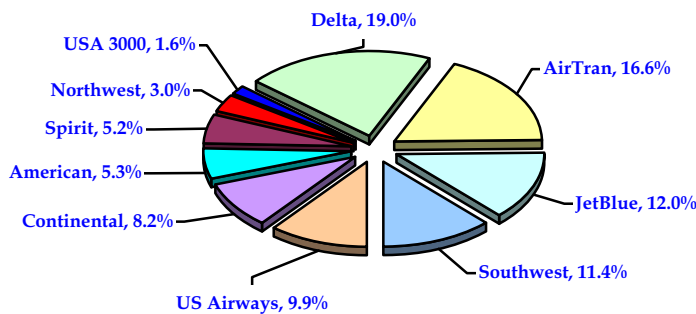
In November 1992, the Port received approval from the Federal Aviation Administration to impose a Passenger Facility Charge (PFC) of \$3.00 per eligible enplaned passenger. In 1998, the Port issued PFC Revenue Bonds for \$52,225,000 to fund eligible capital improvements and land acquisition. In November 2003, the Port was granted authority to raise the PFC level from \$3.00 to \$4.50. In September 2010, the FAA approved a PFC Application for \$51,877,000. Projects in the application were all for the Southwest Florida International Airport and include design and construction of a new Fire and Rescue Station, various fire rescue equipment, design and construction of taxiways and apron, design and permitting of the parallel runway, passenger terminal improvements, enhancements to the mitigation park and master planning and noise studies. As a result, the total collection authority increased from \$246,663,000 to \$298,540,000 with an estimated collection date of February 2015.

Airport Activities

The total passenger count for fiscal year 2010 was 7,380,596, a decrease of approximately one percent over the prior year. Below is a summary of increased airline service to Southwest Florida International Airport over the past year.

- ➔ Air Berlin added a fourth weekly nonstop flight to Düsseldorf, Germany
- ➔ AirTran added nonstop service to Grand Rapids, Michigan
- ➔ Southwest started seasonal service to Islip, New York
- ➔ Frontier added nonstop service to Denver, Colorado

The following chart exhibits the Total Passenger Market Share for the Top Ten Airlines operating at Southwest Florida International Airport during Fiscal Year 2010.



<u>Airline</u>	<u>FY 2010 Market Share</u>	<u>FY 2009 Market Share</u>	<u>% Change</u>
Delta	19.0%	12.4%	53.1%
AirTran	16.6%	16.0%	3.5%
JetBlue	12.0%	12.4%	-3.0%
Southwest	11.4%	11.4%	-0.2%
US Airways	9.9%	10.0%	-0.9%
Continental	8.2%	8.0%	2.7%
American	5.3%	5.4%	-2.0%
Spirit	5.2%	5.0%	3.0%
Northwest	3.0%	7.4%	-59.2%
USA 3000	1.6%	4.6%	-64.6%

Airline Rates and Charges

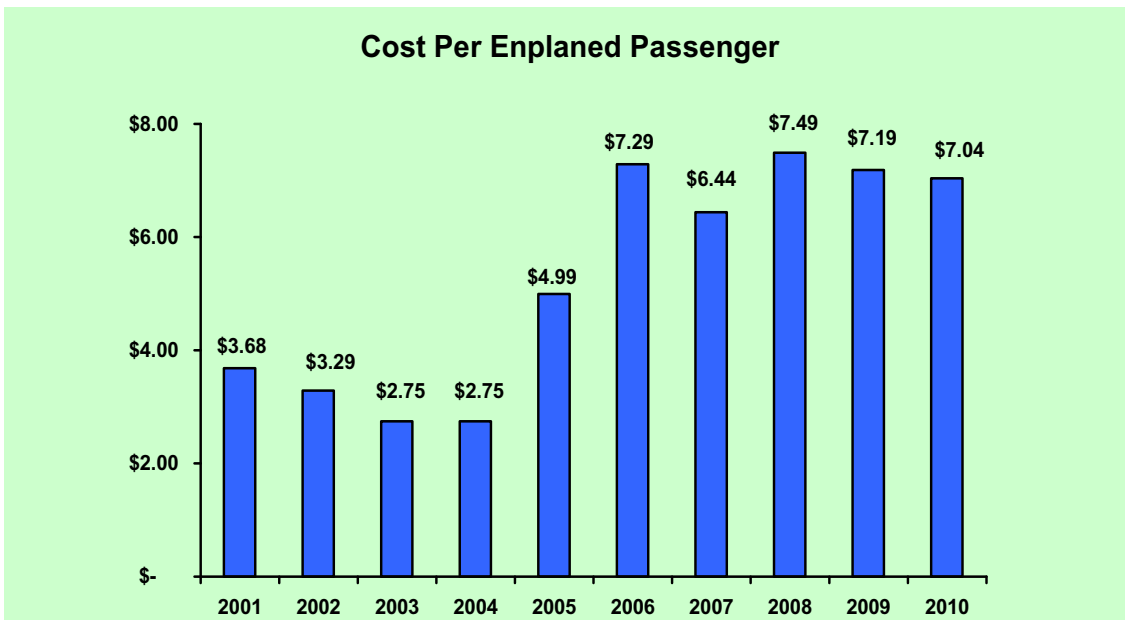
The Port Authority negotiated a new airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred as Signatory Airlines) with the key terms of the agreement approved by the Board in May 2008. The new Agreement commenced on October 1, 2008 with a five-year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

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

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

Landing Fees are calculated using a "residual" Airfield Cost Center approach and will be based upon the total landed weight for all airline groups (Signatory, non-Signatory, Cargo, Charter, and International). Terminal Rents are calculated using a commercial compensatory method (i.e., rentable square foot divisor). Charges for the leasing of all Terminal space will be assessed on a square-footage basis. In fiscal year 2010, the signatory airlines paid the Port Authority \$24,155,000. This amount is net of refunds of \$1,584,000 and revenue sharing of \$3,033,000.

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



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



Concourses



LEE COUNTY PORT AUTHORITY

Lee County, Florida

STATEMENTS OF NET ASSETS

As of September 30, 2010 and 2009

(amounts expressed in thousands)

	<u>2010</u>	<u>2009</u>
ASSETS		
Current assets:		
Cash and equity in pooled cash and investments	\$84,802	\$77,229
Investments	20,595	20,713
Restricted assets	17,331	19,441
Receivables (net):		
Accounts	4,677	4,246
Grants	1,137	3,069
Due from other governments	3	2
Inventories	124	610
Other	931	975
Total current assets	<u>129,600</u>	<u>126,285</u>
Noncurrent assets:		
Restricted assets	63,028	63,174
Capital assets (net)	686,046	696,031
Intangible assets	16	19
Unamortized bond costs	4,082	3,962
Total noncurrent assets	<u>753,172</u>	<u>763,186</u>
Total assets	<u>882,772</u>	<u>889,471</u>
LIABILITIES		
Current liabilities:		
Contracts and accounts payable	5,690	7,445
Accrued liabilities	616	596
Refunds and rebates	6,987	3,115
Due to Board of County Commissioners	70	8
Due to other governments	358	315
Customer deposits	584	903
Deferred revenues	642	856
Compensated absences	952	731
Notes payable	340	325
Current liabilities payable from restricted assets		
Contracts and accounts payable	8	
Accrued liabilities	8,083	10,586
Revenue bonds payable	8,868	8,506
Total current liabilities	<u>33,198</u>	<u>33,386</u>
Noncurrent liabilities:		
Compensated absences	437	390
Notes payable	4,167	4,507
Revenue bonds payable	343,209	358,951
Due to Board of County Commissioners	167	193
Accrued liabilities	8,619	6,924
Total noncurrent liabilities	<u>356,599</u>	<u>370,965</u>
Total liabilities	<u>389,797</u>	<u>404,351</u>
NET ASSETS		
Invested in capital assets, net of related debt	355,435	350,005
Restricted for:		
Capital Projects	32,206	34,423
Debt service	9,303	8,860
Renewal and Replacement	499	499
Unrestricted	95,532	91,333
Total Net Assets	<u>\$492,975</u>	<u>\$485,120</u>

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, 2010 and 2009

(amounts expressed in thousands)

	2010	2009
OPERATING REVENUES		
User fees	\$47,531	\$45,515
Rentals	5,230	5,029
Concessions	6,190	6,334
Parking Revenues	12,289	12,057
Rental Car Revenues	16,581	16,831
Miscellaneous	515	229
Total operating revenues	<u>88,336</u>	<u>85,995</u>
Less: Rebates	(5,402)	(2,367)
Net operating revenues	<u>82,934</u>	<u>83,628</u>
OPERATING EXPENSES		
Salaries and wages	19,920	19,642
Employee benefits	10,397	12,092
Contractual services, materials and supplies	17,819	18,533
Utilities	4,253	5,412
Repairs and maintenance	2,578	2,268
Insurance	1,817	2,504
Other	1,591	1,767
Depreciation and amortization	19,632	19,339
Total operating expenses	<u>78,007</u>	<u>81,557</u>
Operating income	<u>4,927</u>	<u>2,071</u>
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings	701	829
Interest expense	(21,162)	(21,782)
Grants	390	386
Gain on disposal of capital assets	(14)	21
Passenger facility charges	15,156	14,942
Other revenues	67	7
Other expenses	(4)	(6)
Total non-operating revenues (expenses)	<u>(4,866)</u>	<u>(5,603)</u>
Income (loss) before capital contributions	61	(3,532)
Capital contributions	7,794	19,895
Change in net assets	<u>7,855</u>	<u>16,363</u>
Total net assets- beginning	<u>485,120</u>	<u>468,757</u>
Total net assets - ending	<u><u>\$492,975</u></u>	<u><u>\$485,120</u></u>

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

LEE COUNTY PORT AUTHORITY
Lee County, Florida
STATEMENTS OF CASH FLOWS
For the Years Ended September 30, 2010 and 2009
(amounts expressed in thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	\$86,140	\$83,561
Cash received (returned) from customer deposits	(319)	395
Other cash receipts	10	7
Payments to suppliers	(28,429)	(29,016)
Payments to employees	(28,304)	(28,067)
Net cash provided by operating activities	29,098	26,880
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	389	390
Net cash provided by noncapital financing activities	389	390
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from capital debt	531	
Capital contributions	9,727	24,014
Proceeds from passenger facilities charges	15,128	14,849
Additions to capital assets	(10,847)	(14,854)
Principal paid on bonds, loans, and leases	(16,761)	(8,837)
Interest paid on bonds, loans, and leases	(22,866)	(21,421)
Transfer to refunding escrow agent	(1)	
Proceeds from sale of capital assets	54	23
Net cash used in capital and related financing activities	(25,035)	(6,226)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	75,682	26,895
Purchase of investments	(75,603)	(46,982)
Interest on investments	896	441
Net cash provided (used in) by investing activities	975	(19,646)
Net increase in cash and cash equivalents	5,427	1,398
Cash and equivalents at beginning of year	131,428	130,030
Cash and equivalents at end of year	\$136,855	\$131,428
Classified as:		
Current assets		
Cash and equity in pooled cash and investments	\$84,802	\$77,229
Restricted assets	17,331	19,441
Non-current assets		
Restricted assets	34,722	34,758
Totals	\$136,855	\$131,428
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Non-cash capital asset transfer		\$193
Increase (decrease) in fair value of investments	\$85	(30)
Airport Revenue Refunding, Series 2010A bond proceeds deposited directly into an irrevocable trust	121,590	
Airport Revenue Refunding, Series 2010A issuance cost paid from bond proceeds	1,246	
	1,246	

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, 2010 and 2009
(amounts expressed in thousands)

	2010	2009
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$4,927	\$2,071
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	19,632	19,339
Other revenues	10	7
(Increase) decrease in accounts receivable	(450)	945
Decrease in due from other governments		4
Decrease in inventories	486	179
Decrease in other assets	44	701
Increase (decrease) in contracts and accounts payable	(978)	694
Increase in accrued liabilities	1,715	3,600
Increase (decrease) in refunds and rebates	3,872	(1,338)
Increase (decrease) in due to Board of County Commissioners	62	(110)
Increase in due to other governments	43	18
Increase (decrease) in customer deposits	(319)	395
Increase (decrease) in deferred revenues	(214)	326
Increase in compensated absences	268	50
Increase (decrease) in other liabilities		(1)
Total adjustments	24,171	24,809
Net cash provided by operating activities	\$29,098	\$26,880

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE I. SUMMARY OF SIGNIFICANT
ACCOUNTING POLICIES

Reporting Entity

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

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

Fund Accounting

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

Enterprise funds are used to account for operations (1) that are financed and operated in a manner

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

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

Measurement Focus

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

Basis of Accounting

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

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

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.

Reclassifications

Certain amounts in the fiscal year 2009 financial statements have been reclassified to conform to current year presentation.

Assets, Liabilities, and Net Assets

Cash and Equity in Pooled Cash and Investments

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

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

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

Investments

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

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

Accounts Receivable

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

Inventory

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

Capital Assets

Capital assets include property, buildings, furniture, equipment, vehicles, software, and infrastructure assets. Infrastructure assets are defined as public domain capital assets such as roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, lighting systems, runways, and similar assets that are immovable and of value only to the government unit. The threshold for capitalizing capital assets is \$1,000. The threshold for capitalizing software and infrastructure is \$100,000. Capital assets are recorded at cost, or estimated historical cost. Contributed assets are recorded at

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

estimated fair market value at the time received. Depreciation is calculated using the straight-line method over the estimated useful lives of the related assets.

The ranges of the useful lives are as follows:

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

Intangible Assets

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

Unamortized Premiums, Bond Discounts, and Issuance Costs

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

Unamortized Bond Gains or Losses

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

Compensated Absences

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

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

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

Net Assets

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

Use of Estimates

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE II. RECEIVABLES

At September 30, 2010 and 2009, accounts receivable consisted of the following (dollars in thousands):

		<u>Gross Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Accounts Receivable</u>
2010	Unrestricted	\$4,927	(\$250)	\$4,677
	Restricted	<u>2,032</u>		<u>2,032</u>
	Total	<u>\$6,959</u>	<u>(\$250)</u>	<u>\$6,709</u>
2009	Unrestricted	\$4,496	(\$250)	\$4,246
	Restricted	<u>1,984</u>		<u>1,984</u>
	Total	<u>\$6,480</u>	<u>(\$250)</u>	<u>\$6,230</u>

NOTE III. RESTRICTED ASSETS

At September 30, 2010 and 2009, restricted assets consisted of the following (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Cash and equity in pooled cash and investments	\$34,730	\$34,758
Cash and cash equivalents with fiscal agent	17,323	19,441
Investments	26,274	26,264
Receivables (net):		
Accounts	2,032	1,984
Accrued interest		<u>168</u>
Total	<u>\$80,359</u>	<u>\$82,615</u>

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

As of September 30, 2010 and 2009, the Port Authority had the following deposits, investments, and maturities (amounts in thousands):

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

<u>Investment</u>	<u>Maturities</u>	<u>2009 Fair Value</u>	<u>Call Date</u>	<u>Call Frequency</u>	<u>Rating</u>
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		<u>\$178,405</u>			

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, 2010 was .707058094.

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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

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, 2010, 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, 2010 and 2009, was \$1,075,693,000 and \$1,235,105,000, respectively. The portion of the Port Authority's portfolio invested in Federal instrumentalities is detailed as follows, at September 30, 2010 and 2009:

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

<u>2009</u>	Percent of
<u>Issuer</u>	<u>Total</u>
	<u>Portfolio</u>
Federal Home Loan Bank	2.13%
Federal National Mortgage Association	<u>1.62%</u>
Total Federal Instrumentalities	<u>3.75%</u>

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

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

<u>2009</u>	
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	<u>26,264</u>
Total	<u>\$178,405</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE V. CAPITAL ASSETS

Increases and decreases in capital asset activity include transfers. Capital asset activity for the fiscal years ended September 30, 2010 and 2009, was as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
<i>Fiscal Year 2010</i>				
Capital assets not being depreciated:				
Land	\$139,808	\$3,085	(\$92)	\$142,801
Easement & Right of Ways	-	47		47
Construction in progress	19,172	8,874	(\$5,015)	23,031
Artwork	-	50		50
Total capital assets not being depreciated	<u>158,980</u>	<u>\$12,056</u>	<u>(\$5,107)</u>	<u>165,929</u>
Capital assets being depreciated:				
Buildings	328,787		(18)	328,769
Improvements other than buildings	17,948			17,948
Machinery and equipment	45,412	2,537	(266)	47,683
Software	2,878	121		2,999
Infrastructure	288,360	77		288,437
Total capital assets being depreciated	<u>683,385</u>	<u>2,735</u>	<u>(284)</u>	<u>685,836</u>
Less accumulated depreciation for:				
Buildings	36,541	6,746		43,287
Improvements other than buildings	6,453	1,087		7,540
Machinery and equipment	18,937	3,166	(243)	21,860
Software	2,114	547		2,661
Infrastructure	82,289	8,082		90,371
Total accumulated depreciation	<u>146,334</u>	<u>19,628</u>	<u>(243)</u>	<u>165,719</u>
Total capital assets being depreciated, net	<u>537,051</u>	<u>(16,893)</u>	<u>(41)</u>	<u>520,117</u>
Capital assets, net	<u>\$696,031</u>	<u>(\$4,837)</u>	<u>(\$5,148)</u>	<u>\$686,046</u>
<i>Fiscal Year 2009</i>				
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	<u>151,362</u>	<u>16,271</u>	<u>(\$8,653)</u>	<u>158,980</u>
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	<u>674,708</u>	<u>8,832</u>	<u>(155)</u>	<u>683,385</u>
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	<u>127,128</u>	<u>19,336</u>	<u>(130)</u>	<u>146,334</u>
Total capital assets being depreciated, net	<u>547,580</u>	<u>(10,504)</u>	<u>(25)</u>	<u>537,051</u>
Capital assets, net	<u>\$698,942</u>	<u>\$5,767</u>	<u>(\$8,678)</u>	<u>\$696,031</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE V. CAPITAL ASSETS (continued)

Interest costs related to construction are capitalized. In addition, earnings from the investment of tax-exempt bond proceeds earmarked for construction are offset against interest subject to capitalization. Net interest expense capitalized for the years ended September 30, 2010 and September 30, 2009, was \$50,000 and \$130,000, 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, 2010, minimum future rentals of operating leases were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Amount</u>
2011	\$37,815
2012	37,538
2013	37,468
2014	37,504
2015	<u>37,366</u>
Total minimum future revenue	<u>\$187,691</u>

For the years ended September 30, 2010 and 2009, \$5,399,000 and \$6,099,000, 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, 2010 and 2009, consisted of the following:

- Series 1998 Passenger Facility Charge Revenue and Refunding Bonds, for \$52,225,000 at interest rates ranging from 3.6 percent to 5 percent (effective interest rate of 5.21 percent), collateralized by a lien on and a pledge of the passenger facility charge revenues. The outstanding balance at September 30, 2010 and 2009, was \$21,335,000 and \$31,395,000, 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, 2010 and 2009, was \$172,575,000 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, 2010 and 2009, was \$6,580,000 and \$12,895,000, 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, 2010 and 2009, was \$37,665,000 and \$37,700,000, respectively.
- Series 2010A Airport Revenue Refunding Bonds, for \$119,350,000 at interest rates ranging from 3 percent to 5.5 percent (effective interest rate of 4.57 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2010 and 2009, was \$119,350,000 and \$0, respectively.

The total revenue bonds payable at September 30, 2010 and 2009, were \$357,505,000 and \$373,145,000, respectively.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

The annual debt service requirements for revenue bonds at September 30, 2010, were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$9,240	\$17,551	\$26,791
2012	10,410	18,752	29,162
2013	10,785	18,300	29,085
2014	11,315	17,749	29,064
2015	11,885	17,171	29,056
2016-2020	57,310	76,874	134,184
2021-2025	65,975	61,637	127,612
2026-2030	88,675	39,634	128,309
2031-2035	<u>91,910</u>	<u>10,261</u>	<u>102,171</u>
Total	<u>\$357,505</u>	<u>\$277,929</u>	<u>\$635,434</u>

The following is a summary of bond activity of the Port Authority for the years ended September 30, 2010 and 2009 (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Beginning balance	\$373,145	\$381,660
Additions	119,350	
Reductions	<u>(134,990)</u>	<u>(8,515)</u>
Bonds payable at end of fiscal year	357,505	373,145
Less unamortized premium (discount)	2,738	(2,238)
Less unamortized refunding loss	<u>(8,166)</u>	<u>(3,450)</u>
Bonds payable at end of fiscal year, net	<u>\$352,077</u>	<u>\$367,457</u>

Bond Resolutions

The Airport Revenue Bonds, Series 2000A (AMT), Airport Revenue Refunding Bonds, Series 2002, Airport Revenue Refunding Bonds, Series 2005, and the Airport Revenue Refunding Bonds, Series 2010A 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
- Airport Revenue Refunding Bonds, Series 2010A

Debt Refundings

On July 8, 2010, the Port Authority issued Airport Revenue Refunding Bonds, Series 2010A (AMT), in the amount of \$119,350,000 at interest rates ranging from 3 percent to 5.5 percent maturing on October 1 in the years 2011 through 2022. Proceeds on the bond were used to currently refund \$118,580,000 of outstanding Airport Revenue Bonds, Series 2000A, at interest rates ranging from 5.4 percent to 6.125 percent on current interest paying bonds maturing on October 1 in years 2011 through 2022.

On the date of issuance of the Series 2010A bonds, the Port Authority purchased U.S. Government Securities that were placed in an irrevocable trust with an escrow agent to provide for the payment in full of the redemption price of the refunded Series

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

2000A Bonds. As a result, the refunded portion of the Airport Revenue Bonds, Series 2000A, is considered defeased as of July 8, 2010, and the liability for the refunded bonds has been removed from the financial statements.

The current refunding resulted in a reduction of additional future debt service requirements by \$8,481,877, which resulted in an economic gain (the difference between the present values of the old debt and new debt service requirements) of \$5,178,249.

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, 2010 and 2009, consisted of the following (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Airport Revenue Bonds, Series 1980	\$3,380	\$3,380
Airport Revenue Bonds, Series 1983	2,505	2,505
Airport Revenue Bonds, Series 2000B	36,180	36,180
Airport Revenue Bonds, Series 2000A	<u>118,580</u>	<u>0</u>
Total outstanding	<u>\$ 160,645</u>	<u>\$42,065</u>

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 .90 percent as of September 30, 2010. 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, 2010 and 2009, was \$4,507,000 and

\$4,832,000, respectively. The available balance at September 30, 2010 and 2009, was \$5,493,000 and \$5,168,000, respectively.

The annual debt service requirements for the Port's variable debt at September 30, 2010, were as follows (dollars in thousands):

<u>Fiscal Year(s)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$340	\$39	\$379
2012	355	36	391
2013	375	32	407
2014	395	29	424
2015	415	25	440
2016-2020	2,405	65	2,470
2021	<u>222</u>	<u> </u>	<u>222</u>
Total	<u>\$4,507</u>	<u>\$226</u>	<u>\$4,733</u>

The following is a summary of variable debt activity of the Port Authority for the years ended September 30, 2010 and 2009 (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Beginning balance	\$4,832	\$5,137
Additions (Deletions)	<u>(325)</u>	<u>(305)</u>
Variable debt payable at end of fiscal year	<u>\$4,507</u>	<u>\$4,832</u>

Operating Leases

The Port Authority is not currently committed to any operating leases with terms in excess of one year. All terms are month to month thereby there are no future minimum rental payments as of September 30, 2010. The total rental expense for all operating leases, including those with terms of less than one year, for the years ended September 30, 2010 and 2009, were \$412,000 and \$411,000, respectively.

Compensated Absences

The following is a summary of compensated absences activity for the Port Authority for the years ended September 30, 2010 and 2009 (dollars in thousands):

	<u>2010</u>	<u>2009</u>
Beginning balance	\$1,121	\$1,071
Additions	2,532	2,207
Reductions	<u>(2,264)</u>	<u>(2,157)</u>
Compensated absences payable at end of fiscal year	<u>\$1,389</u>	<u>\$1,121</u>

Lee County Port Authority
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NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

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	
	2010	2009	2010	2009
<i>Condensed Statements of Net Assets</i>				
Assets				
Current assets	\$89,444	\$87,597	\$10,062	\$5,097
Restricted assets	48,287	50,553		
Capital assets	621,835	633,329	46,274	45,437
Other assets	4,026	3,849	16	19
Total assets	<u>763,592</u>	<u>775,328</u>	<u>56,352</u>	<u>50,553</u>
Liabilities				
Current liabilities	22,251	17,454	2,690	1,855
Current liabilities payable from restricted assets	14,379	16,687		
Noncurrent liabilities	324,988	330,578	4,334	4,700
Total liabilities	<u>361,618</u>	<u>364,719</u>	<u>7,024</u>	<u>6,555</u>
Net assets				
Invested in capital assets, net of related debt	317,205	323,374	41,553	40,605
Restricted	13,868	13,540		
Unrestricted	70,901	73,695	7,775	3,393
Total net assets	<u>\$401,974</u>	<u>\$410,609</u>	<u>\$49,328</u>	<u>\$43,998</u>

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

Operating revenues				
User fees	\$43,102	\$41,618	\$4,428	\$3,897
Rentals	2,697	2,496	2,533	2,533
Concessions	35,014	35,171	46	51
Miscellaneous	202	227	63	2
Less: Rebates	(5,402)	(2,367)		
Total operating revenues	<u>75,613</u>	<u>77,145</u>	<u>7,070</u>	<u>6,483</u>
Operating expenses				
Depreciation	17,705	17,607	1,927	1,732
Other operating expenses	51,491	55,383	6,732	6,325
Total operating expenses	<u>69,196</u>	<u>72,990</u>	<u>8,659</u>	<u>8,057</u>
Operating income (loss)	<u>6,417</u>	<u>4,155</u>	<u>(1,589)</u>	<u>(1,574)</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE VII: SEGMENT INFORMATION (continued)

	Southwest Florida International Airport		Page Field General Aviation Airport	
	2010	2009	2010	2009
<i>Condensed Statements of Revenues, Expenses, and Changes in Net Assets (continued)</i>				
Non-operating revenues (expenses)				
Investment earnings	494	703	19	2
Interest expense	(19,670)	(20,100)	(37)	(64)
Other non-operating	409	399	22	
Total non-operating revenues (expenses)	<u>(18,767)</u>	<u>(18,998)</u>	<u>4</u>	<u>(62)</u>
Loss before capital contributions	(12,350)	(14,843)	(1,585)	(1,636)
Capital Contributions	385	6,936	1,439	7,146
Transfers	3,330	(859)	5,476	
Change in net assets	(8,635)	(8,766)	5,330	5,510
Beginning net assets	410,609	419,375	43,998	38,488
Ending net assets	<u>\$401,974</u>	<u>\$410,609</u>	<u>\$49,328</u>	<u>\$43,998</u>

Condensed Statements of Cash Flows

Net cash provided (used) by:				
Operating activities	\$28,755	\$26,083	\$241	\$736
Noncapital financing activities	(811)	(2,029)	5,476	
Capital and related financing activities	(28,121)	(15,444)	(1,344)	373
Investing activities	651	908	19	4
Net increase	<u>474</u>	<u>9,518</u>	<u>4,392</u>	<u>1,113</u>
Beginning cash and cash equivalents	102,952	93,434	4,805	3,692
Ending cash and cash equivalents	<u>\$103,426</u>	<u>\$102,952</u>	<u>\$9,197</u>	<u>\$4,805</u>

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

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 23 percent of gross salaries for fiscal years 2010, 2009, and 200. For the fiscal years ended September 30, 2010, 2009, and 2008, the Port Authority

contributed 100 percent of the required contributions. These contributions aggregated \$2.6 million, \$2.5 million, and \$2.5 million respectively, which represents 13 percent of covered payroll in 2008, 2009, and 2010.

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 \$1,695,000 and \$3,522,000 for 2010 and 2009, respectively, are reported in this report. For fiscal years ended September 30, 2010 and 2009, the Other Post Employment Benefits liability totaled \$8,619,000, and \$6,924,000 respectively, and is included in accrued liabilities on the accompanying Statements of Net Assets.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

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 2010 and 2009 were \$1,817,000 and \$2,504,000 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, 2010 and 2009, the Port Authority was charged \$4,385,000 and \$4,349,000, 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, 2010 and 2009, the Port Authority paid \$1,619,000 and \$1,097,000, 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, 2010 and 2009, the Port Authority had in process various construction contracts totaling \$43,613,000 and \$32,219,000, respectively. Costs incurred on these contracts as of September 30, 2010 and 2009, totaled \$19,483,000 and \$24,737,000 respectively, including retainage payable of \$241,000 and \$240,000, 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

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

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. In September 2010, the FAA approved a PFC Application for \$51,877,000. Projects in the application were all for the Southwest Florida International Airport and include design and construction of a new Fire and Rescue Station, various fire rescue equipment, design and construction of taxiways and apron, design and permitting of the parallel runway, passenger terminal improvements, enhancements to the mitigation park and master planning and noise studies. As a result, the total collection authority increased from \$246,663,000 to \$298,540,000 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 majority-in-interest approval required for capital projects.

Terminal premises are leased on an exclusive use, preferential use and joint use basis. The Authority will lease certain Terminal premises on a common

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

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

In Fiscal year 2010, the signatory airlines paid the Port Authority \$24,155,000. These amounts are net of refunds of \$1,584,000 and revenue sharing of \$3,033,000.

Nonparticipating Airlines

The Port Authority has also entered into short-term use agreements or permits with the airlines serving the airport other than the 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.

Lee County Port Authority
Lee County, Florida
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2010 and 2009

NOTE XIII. OTHER

Litigation

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

Subsequent Events

In August 2010, the Airport issued a request for bid (RFB) for a bank loan to refinance the remaining \$18,715,000 of principal remaining on the Series 1998 Passenger Facility Charge (PFC) Revenue and Refunding Bonds, in particular, the bonds maturing in fiscal years 2011 to 2016. Bank of America was chosen as the winning bid with a six year fixed interest rate of 1.905 percent. The loan closed on October 19, 2010 and the remaining PFC bonds were redeemed.

LEE COUNTY PORT AUTHORITY
 Southwest Florida International Airport
PASSENGER FACILITY CHARGE REVENUE REPORT
 For Fiscal Year Ending September 30, 2010
 (unaudited)

Total Enplaned Passengers	Eligible Enplaned Passengers	Net PFC Cash Collections	Interest Income	Total PFC Revenue
3,721,375	3,654,887	\$15,156,618	\$131,438	\$15,288,056

Southwest Florida International Airport
ESTIMATED DEBT SERVICE COVERAGE
 Series 1998 Bonds
 For Fiscal Year Ending September 30, 2010
 (unaudited)

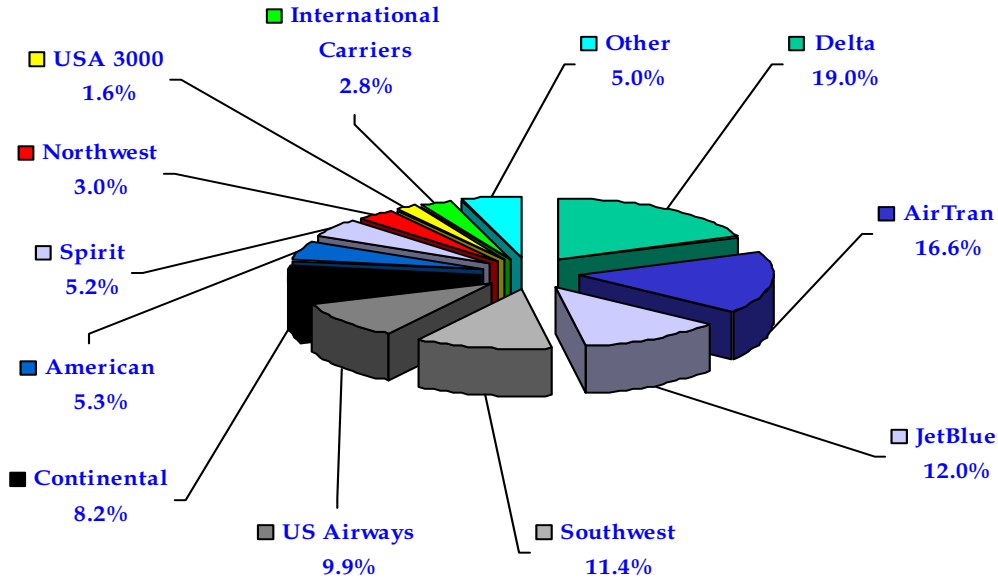
Actual PFC Revenues	Actual 2010 PFC debt service requirements	Actual debt service factor
\$15,288,056	\$11,413,738 *	1.34

* In July 2010 there was a partial redemption of \$7,351,858 for the bonds maturing in 2017 and 2018.

Source: Lee County Port Authority

LEE COUNTY PORT AUTHORITY
Airline Market Share and Passenger Information
For the Fiscal Year Ended September 30, 2010
(unaudited)

Total passenger traffic is shown below for fiscal year 2010 showing market share for each major airline at Southwest Florida International Airport.



Airline	2010	2009	Change from 2009	% Change from 2009
Delta	1,401,000	922,000	479,000	51.95%
Air Tran	1,222,000	1,192,000	30,000	2.52%
JetBlue	888,000	923,000	(35,000)	-3.79%
Southwest	840,000	848,000	(8,000)	-0.94%
US Airways	731,000	743,000	(12,000)	-1.62%
Continental	607,000	593,000	14,000	2.36%
American	390,000	406,000	(16,000)	-3.94%
Spirit	380,000	374,000	6,000	1.60%
Northwest	223,000	549,000	(326,000)	-59.38%
USA 3000	120,000	343,000	(223,000)	-65.01%
International Carriers	207,000	187,000	20,000	10.70%
Other*	372,000	376,000	(4,000)	-1.06%
Total	7,381,000	7,456,000	(75,000)	-1.01%

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

