Lee County Port Authority

Component Unit Financial Report

Years Ended September 30, 2013 and 2012

LEE COUNTY PORT AUTHORITY

Lee County Port Authority
Lee County, Florida

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LEE COUNTY PORT AUTHORITY

Direct Dial: (239) 590-4400
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February 19, 2014

Dear Friends:

We are pleased to present the Lee County Port Authority's (LCPA) financial statements for the fiscal year ending September 30, 2013. You will note from the report that our financial results remained positive in all areas and the cost of doing business to our airline partners have decreased.

For the fiscal year, total passengers at Southwest Florida International Airport (RSW) were 7,607,708, *an increase of 4.55%* over the same period last year. According to the U.S. Department of Transportation, overall domestic and international passenger traffic for the same period was up by less than one half of one percent. Total operating revenues were $88.8 million, an increase over the prior year of $4.6 million. This was mainly due to the higher passenger volumes which resulted in increased spending in our restaurants, retails shops, rental car concessions and parking lots. Operating expenses before depreciation were $67.4 million, an increase of $5.8 million for the same period. Increases in this category were directly related to personnel, insurance, utilities, and maintenance items. Our cost per enplaned passenger was $7.09, which is favorable for Airport's of our size.

Major projects in the past year included the completion of the Aircraft Rescue and Fire Fighting Station, the continued conceptual design of the Parallel Runway, improvements to the consolidated rental car facility and expansion of the RSW Apron.

LCPA was recognized during the year for many notable awards. The Federal Aviation Administration (FAA) Southern Region Airports Division honored RSW with its *2012 Air Carrier Airport Safety Award.* The Florida Public Relations Association awarded LCPA with a *Golden Image Award* and a *Judges' Award* at the 2013 Golden Image Awards for its Facebook Launch for Southwest Florida International Airport. Facility Maintenance Decisions Magazine honored LCPA with a *Financial Management Award* in its 2013 Achievement Awards for greatly reducing energy costs at RSW. LCPA was also honored with the *2013 General Aviation Architectural Project of the Year Award* from the Southeast Chapter of the American Association of Airport Executives for the new General Aviation Terminal Complex at Page Field. In addition, Base Operations at Page Field received recognition for being rated in the *top 30 percent of fixed-base operators* in an international survey conducted by Aviation International News.

From an air-service perspective, new markets and the expansion of existing markets over the past year included New York JFK, Trenton, NJ, Green Bay, WI, Orlando, Minneapolis, Boston, Detroit and Ottawa, Canada.

The Port Authority remains committed to the success of the Page Field General Aviation Airport. Total fuel gallons sold during the year were approximately 1.3 million gallons, a 5% increase over the previous year. Projects during the year included the completion of the South Road Alignment, continued design of the Perimeter Road and the design of the rehabilitation of the runway/taxiway systems.

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

Sincerely,

LEE COUNTY PORT AUTHORITY

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

RMB: BWM/la
Enclosures

Cherry Bekaert LLP
CPAs & Advisors

Report of Independent Auditor

To the Board of County Commissioners of
Lee County, Florida

and

To the Board of Port Commissioners of the
Lee County Port Authority:

Report on the Financial Statements

We have audited the accompanying basic financial statements of the Lee County Port Authority (the "Authority"), a blended component unit of Lee County, Florida as of and for the years ended September 30, 2013 and 2012, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1 to the financial statements, effective October 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statements ("GASBS") No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position;* and GASBS No. 65 *Items Previously Reported as Assets and Liabilities.* Our opinion is not modified with respect to this matter.

Other Information

As discussed in Note 1, the financial statements present only the Lee County Port Authority and do not purport to, and do not, present fairly the financial position of Lee County, Florida as of September 30, 2013, the changes in financial position, or, where applicable, its cash flows for the years ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The letter of transmittal and the supplemental schedule, as listed in the table of contents, 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 schedule have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 19, 2014 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Cherry Bekaert LLP

Tampa, Florida
February 19, 2014

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, 2013 and 2012. 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 position for 2013, 2012, and 2011.

Table 1
Summary of Net Position
September 30, 2013, 2012, and 2011
(000's)

	2013	2012	2011
Current and other assets	$204,444	$205,860	$196,941
Capital assets	677,936	662,542	689,930
Total assets	882,380	868,402	886,871
Deferred outflows of resources	9,847	10,710	11,591
Current liabilities	41,092	30,578	32,177
Non-current liabilities	342,158	351,223	360,402
Total liabilities	383,250	381,801	392,579
Net position:			
Net investment in capital assets	372,493	353,539	369,207
Restricted	44,810	50,865	44,333
Unrestricted	91,674	92,907	92,343
Total net position	$508,977	$497,311	$505,883

Summary of Net Position Analysis

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

In 2012, total assets decreased $18,469,000. This decrease was primarily due to a combination of an increase in cash and cash equivalents of $4,143,000, an increase in cash and cash equivalents with fiscal agent of $4,782,000, a decrease in capital assets of $9,915,000, an increase of $906,000 in construction work in progress and an increase of $18,379,000 in accumulated depreciation. In 2013, total deferred outflows of resources decreased by $881,000 due to amortization of the loss on refundings. In 2012, total liabilities decreased 10,778,000. This decrease was primarily due to a combination of a decrease in accounts payable of $1,985,000, a decrease of $3,656,000 in refunds and rebates payable, an increase of $3,831,000 in accrued liabilities, a decrease in bond and note payables of $10,688,000, and an increase in other postemployment benefits ("OPEB") of $2,646,000.

Table 2 reflects a summary of revenues, expenses, and changes in net position for 2013, 2012 and 2011.

Table 2
Summary of Revenues, Expenses, and Changes in Net Position
For the Years Ended September 30, 2013, 2012 and 2011
(000's)

	2013	2012 as restated	2011 as restated
Revenues, net:			
User fees	$50,000	$47,283	$46,837
Rental cars	18,716	16,660	17,051
Parking	11,971	11,513	12,498
Other, net	8,125	8,758	7,392
Total revenues, net	88,812	84,214	83,778
Expenses:			
Salaries, wages and benefits	32,168	31,649	31,901
Contractual services, materials and supplies, Utilities, Repairs and Maintenance	31,370	26,568	25,744
Depreciation and amortization	19,715	19,568	19,709
Other	3,875	3,362	3,217
Total expenses	87,128	81,147	80,571
Operating income	1,684	3,067	3,207
Non-operating revenues (expenses):			
Investment earnings	425	530	471
Interest expense	(16,852)	(17,277)	(18,509)
Passenger facility charges	15,197	14,775	15,582
Other revenues (expenses)	170	106	(1,653)
Total non-operating revenues (expenses)	(1,060)	(1,866)	(4,109)
Income (loss) before capital contributions	624	1,201	(902)
Capital contributions	11,042	7,173	16,135
Special item-loss on discontinued project	0	(16,946)	0
Increase (decrease) in net position	11,666	(8,572)	15,233
Beginning net position, as restated	497,311	505,883	490,650
Ending net position	$508,977	$497,311	$505,883

Summary of Revenues and Expenses Analysis

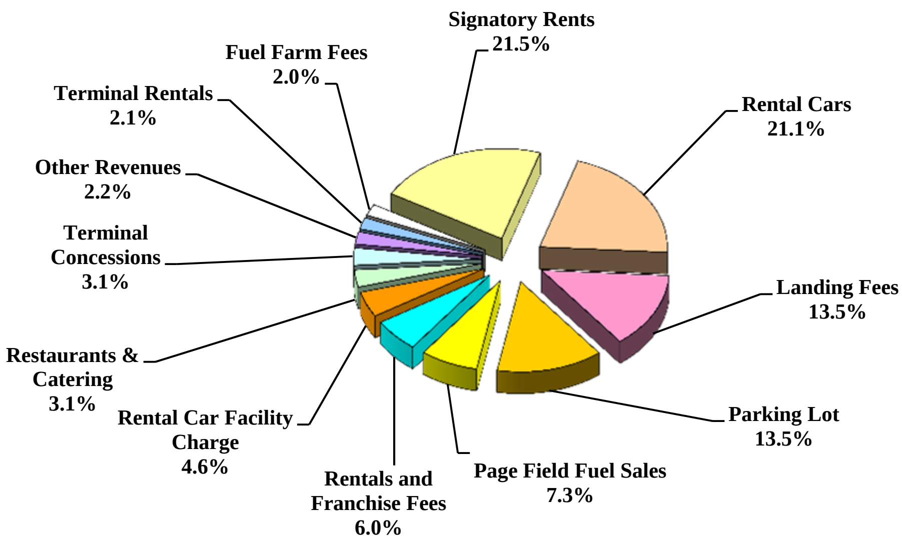
In 2013, operating income totaled $1,684,000, a decrease of $1,383,000, which was a combination of an increase of total net revenues of $4,598,000 and an increase of $5,981,000 in operating expenses. The increase in total net revenues was primarily due to an increase of $2,717,000 in user fees and an increase of $2,056,000 in car rental income (due to an increase in passengers), and an increase of $1,386,000 in rebates (due to an increase in airline revenue sharing). The increase in operating expenses was mainly due to an increase of $4,658,000 in contractual services (mainly due to $2,982,000 in remediation/land clearing and $454,000 carpet replacement and other miscellaneous contracted service increases).

In 2012, operating income totaled $3,067,000, a decrease of $140,000, which was a combination of an increase of total net revenues of $436,000 and an increase of $576,000 in operating expenses. The increase in total net revenues was primarily due to an increase of $915,000 in fuel sales (due to a higher average sales price and an increase in total gallons sold), and a decrease of $421,000 in signatory airline rents (due to a lower terminal rental rate). Operating expenses increased $576,000 in 2012 mainly due to a decrease of $252,000 in salaries and benefits (mainly due to an increase of $560,000 in salaries, a decrease of $477,000 in retirement contributions) and an increase of $887,000 in contractual services (due to an increase in cost of fuel sold for resale).

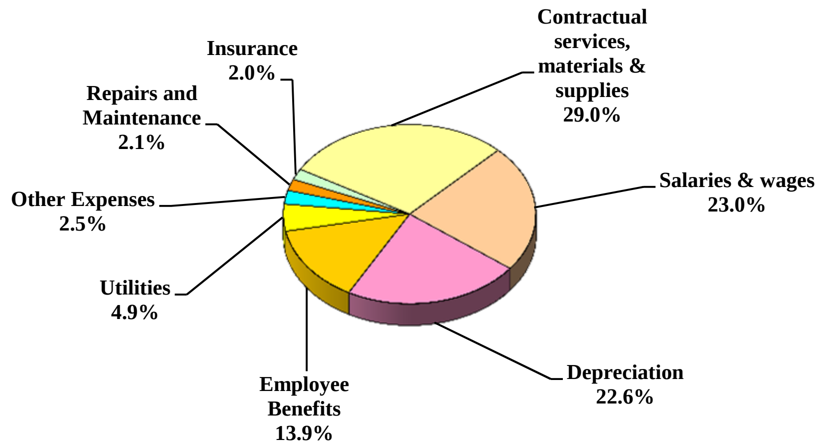
In 2013, capital contributions totaled $11,042,000, an increase of $3,869,000. Major grants received this year include $6,343,000 for the apron expansion and $1,281,000 for the Page Field south road alignment. In 2012, capital contributions totaled $7,173,000, a decrease of $8,962,000. Major grants received during fiscal year 2012 include $2,528,000 for the new fire station, $1,163,000 for design and construction of the apron, and $1,754,000 for the continued conceptual design of the parallel runway.

The following charts summarize the Net Revenues and Expenses for fiscal year 2013.

Operating Revenues for Fiscal Year 2013



Operating Revenues	2013	2012	2013 Percent of Total	Increase/ (Decrease) from 2012	% Increase/ (Decrease) from 2012
Signatory Rents	$19,126,000	$18,932,000	21.5%	$194,000	1.00%
Rental Cars	18,716,000	16,660,000	21.1%	2,056,000	12.3%
Landing Fees	12,034,000	11,406,000	13.5%	628,000	5.5%
Parking Lot	11,971,000	11,513,000	13.5%	458,000	4.0%
Page Field Fuel Sales	6,471,000	6,182,000	7.3%	289,000	4.7%
Rentals & Franchise Fees	5,288,000	5,200,000	6.0%	88,000	1.7%
Rental Car Facility Charge	4,060,000	3,800,000	4.6%	260,000	6.8%
Restaurants & Catering	2,782,000	2,345,000	3.1%	437,000	18.6%
Terminal Concessions	2,743,000	2,616,000	3.1%	127,000	4.9%
Other Revenues	1,967,000	1,852,000	2.2%	115,000	6.2%
Terminal Rentals	1,834,000	1,918,000	2.1%	-84,000	-4.4%
Fuel Farm Fees	1,820,000	1,790,000	2.0%	30,000	1.7%
Total Net Operating Revenues	$88,812,000	$84,214,000	100.0%	$4,598,000	5.5%



Operating Expenses	2013	2012	2013 Percent of Total	Increase/ (Decrease) from 2012	% Increase/ (Decrease) from 2012
Contractual services, materials & supplies	$25,292,000	$20,634,000	29.0%	$4,658,000	22.6%
Salaries & wages	20,055,000	20,589,000	23.0%	(534,000)	-2.6%
Depreciation	19,715,000	19,568,000	22.6%	147,000	0.8%
Employee benefits	12,113,000	11,060,000	13.9%	1,053,000	9.5%
Utilities	4,266,000	4,145,000	4.9%	121,000	2.9%
Other expenses	2,142,000	1,630,000	2.5%	512,000	31.4%
Repairs and maintenance	1,812,000	1,789,000	2.1%	23,000	1.3%
Insurance	1,733,000	1,732,000	2.0%	1,000	0.1%
Total Operating Expenses	$87,128,000	$81,147,000	100%	$5,981,000	7.4%

Passenger Facility Charges

In November 1992, the Port received approval from the Federal Aviation Administration ("FAA") to impose a Passenger Facility Charge (PFC) of $3.00 per eligible enplaned passenger. In 1998, the Port issued PFC Revenue Bonds for $52,225,000 to fund eligible capital improvements and land acquisition. In November 2003, the Port was granted authority to raise the PFC level from $3.00 to $4.50. In September 2010, the FAA approved a PFC Application for $51,877,000. Projects in the application were all for the Southwest Florida International Airport and include design and construction of a new Fire and Rescue Station, various fire rescue equipment, design and construction of taxiways and apron, design and permitting of the parallel runway, passenger terminal improvements, enhancements to the mitigation park and master planning and noise studies. In September 2012, an amendment to the September 2010 Application was approved and increased that application by $4,612,000. In June 2013, the FAA approved Application #8 for $20,555,000. As a result, the total collection authority is $321,622,000, with an estimated expiration date of January 1, 2020.

Capital Assets

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

Capital assets, net of $19,565,000 of depreciation, decreased by $27,388,000 in 2012. Major capital spending in 2012 included $4,821,000 for construction of a new aircraft rescue and fire station, $1,197,000 for design and construction of the apron and $796,000 for the continued conceptual design of the parallel runway. In fiscal year 2012, the Port transferred $10,151,000 of land to the Florida Department of Transportation in exchange for construction and maintenance of a connection with I-75 and Southwest Florida International Airport. In addition, design and permitting costs of $6,146,000 the Port had incurred for the connector road were written off.

Table 3 reflects a summary of capital assets for 2013, 2012, and 2011.

Table 3
Capital Assets
September 30, 2013, 2012 and 2011
(000's)

	2013	2012	2011
Land	$132,659	$132,776	$142,800
Easements & Right of Ways	45	45	47
Construction in progress	45,502	29,985	29,078
Buildings	343,359	336,717	337,222
Improvements	22,299	18,999	19,087
Equipment	48,296	48,740	48,950
Software	2,999	2,999	2,999
Artwork	291	715	713
Infrastructure	297,495	290,676	289,764
Subtotal	892,945	861,652	870,660
Less accumulated depreciation and amortization	(215,009)	(199,110)	(180,730)
Total	$677,936	$662,542	$689,930

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

Debt Administration

As of September 30, 2013, the Port had $329,027,000 in outstanding debt, a decrease of $11,390,000, as a result of debt payments during the year.

Table 4
Outstanding Debt
September 30, 2013, 2012 and 2011
(000's)

	2013	2012	2011
Series 2005 Airport Revenue Refunding Bonds	$37,540	$37,585	$37,625
Series 2010A Airport Revenue Refunding Bonds	103,880	111,730	119,350
Series 2011A Airport Revenue Refunding Bonds	174,450	174,450	174,450
2004 Line of Credit Note	3,437	3,812	4,167
Series 2010 Passenger Facility Charge Loan	9,720	12,840	15,900
Total	$329,027	$340,417	$351,492

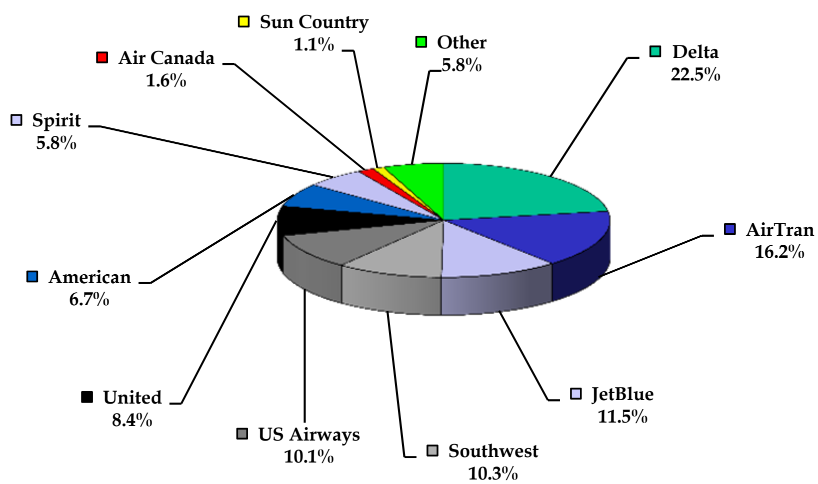
See additional information on the Port's debt in note VI to the financial statements.

Airport Activities

The total passenger count for fiscal year 2013 was 7,608,000, an increase of 4.55 percent over prior year. Below is a summary of new and increased airline service to Southwest Florida International Airport over the past year.

- Delta added new daily nonstop service to JFK and added a fourth daily flight to New York-LGA
- Frontier added new weekly nonstop service to Trenton
- Metjet added new weekly nonstop service to Green Bay
- Silver added new daily nonstop service to Orlando
- Spirit Airlines added new daily nonstop service to Minneapolis and Boston and added four times weekly service to Dallas/Fort Worth
- Southwest added new daily nonstop service to Detroit (DTW) and weekly nonstop service to Cleveland
- Westjet, new weekly service to Ottawa

The following chart exhibits the Total Passenger Market Share for the Top Ten Airlines operating at Southwest Florida International Airport during Fiscal Year 2013.



Airline	FY 2013 Market Share	FY 2012 Market Share	% Change
Delta	22.5%	22.8%	-1.3%
AirTran	16.2%	15.9%	1.9%
JetBlue	11.5%	11.3%	1.8%
Southwest	10.3%	13.7%	-24.8%
US Airways	10.1%	10.0%	1.0%
United	8.4%	7.1%	18.3%
American	6.7%	6.1%	9.8%
Spirit	5.8%	5.1%	13.7%
Air Canada	1.6%	1.4%	14.3%
Sun Country	1.1%	0.9%	22.2%

Airline Rates and Charges

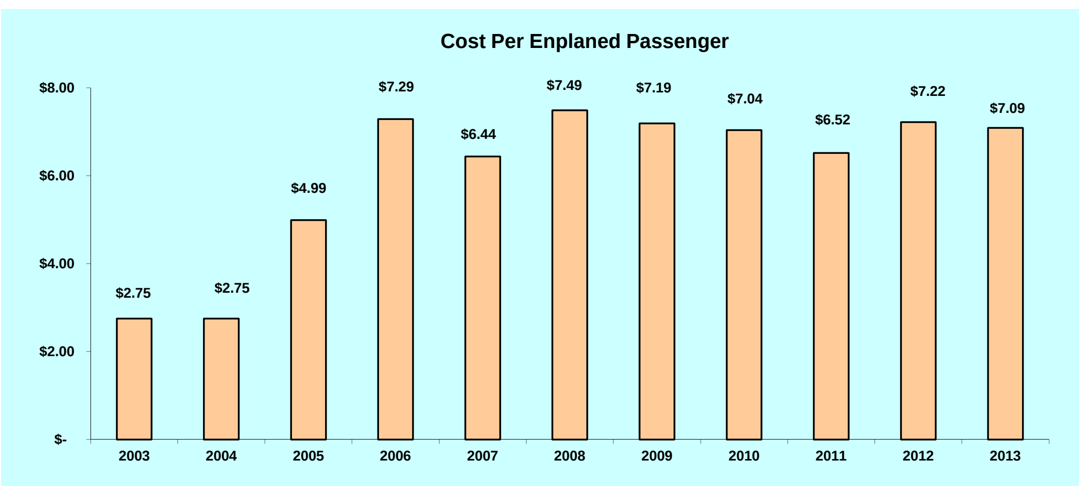
The Port Authority negotiated a new airline use agreement (Airline Airport Lease & Use Agreement) with the Participating Airlines (now referred as Signatory Airlines) with the key terms of the agreement approved by the Board in May, 2008. The Agreement commenced on October 1, 2008, with a five-year term,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

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

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

Landing Fees are calculated using a "residual" Airfield Cost Center approach and will be based upon the total landed weight for all airline groups (Signatory, non-Signatory, Cargo, Charter, and International). Terminal Rents are calculated using a commercial compensatory method (i.e., rentable square foot divisor). Charges for the leasing of all Terminal space will be assessed on a square-footage basis. In fiscal year 2013, the Signatory Airlines paid the Port Authority $25,042,000. This amount is net of refunds of $1,272,000 and revenue sharing of $2,892,000.

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



Economic Factors and Next Year's Budget Rates

The following were factors considered when the 2014 budget was prepared:

- The total number of passengers is projected to be 7,750,379, an increase of 7.9 percent over the 2013 budget and an increase of 1.8 percent over 2013 actual.
- The total operating budget is $108.3 million, an increase of 1.64 percent or $1.8 million over the 2013 budget.
- Increases in revenues were primarily attributed to an increase in passenger activity.
- Increases in personnel were a result of a three percent pay adjustment for all employees, an increase in the Airport's contribution to the Florida Retirement System and increases in employee health coverage.
- Operating expenses include increases in contracted services, repair and maintenance items while savings were realized in utilities and property insurance.
- The budgeted rates for 2014 include $2.69 for the landing fee and a terminal rental rate of $92.41.

Financial Contact

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

Financial Statements

Lee County Port Authority
Lee County, Florida
STATEMENTS OF NET POSITION
As of September 30, 2013 and 2012
(amounts expressed in thousands)

	2013	2012
ASSETS		
Current assets:		
Cash and equity in pooled cash and investments	$ 105,848	$ 97,064
Investments	10,184	10,401
Restricted assets	16,700	16,321
Receivables:		
Accounts (net)	4,392	4,754
Accrued interest	-	2
Grants	2,606	2,970
Due from other funds	1	-
Inventories	175	173
Other	1,023	1,021
Total current assets	140,929	132,706
Noncurrent assets:		
Restricted assets	63,509	73,144
Capital assets (net)	677,936	662,542
Intangible asset (net)	6	10
Total noncurrent assets	741,451	735,696
Total assets	882,380	868,402
DEFERRED OUTFLOWS OF RESOURCES		
Loss on refunding of debt	9,847	10,710
Total deferred outflows of resources	9,847	10,710
LIABILITIES		
Current liabilities:		
Contracts and accounts payable	14,690	6,783
Accrued liabilities	808	758
Refunds and rebates	5,130	3,384
Due to Board of County Commissioners	87	46
Due to other governments	468	375
Customer deposits	944	1,052
Unearned revenues	710	446
Compensated absences	1,160	1,038
Notes payable	395	375
Current liabilities payable from restricted assets		
Accrued liabilities	8,230	8,426
Revenue bonds payable	8,470	7,895
Total current liabilities	41,092	30,578
Noncurrent liabilities:		
Compensated absences	438	457
Notes payable	12,762	16,277
Revenue bonds payable	311,216	320,167
Due to Board of County Commissioners	88	115
Accrued liabilities	17,654	14,207
Total noncurrent liabilities	342,158	351,223
Total liabilities	383,250	381,801
NET POSITION		
Net investment in capital assets	372,493	353,539
Restricted for:		
Capital projects	35,838	42,470
Debt service	8,472	7,895
Renewal and replacement	500	500
Unrestricted	91,674	92,907
Total net position	$ 508,977	$ 497,311

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

Lee County Port Authority
Lee County, Florida

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Years Ended September 30, 2013 and 2012
(amounts expressed in thousands)

	2013	2012
OPERATING REVENUES		
User fees	$ 50,000	$ 47,283
Rentals	5,288	5,200
Concessions	6,628	5,956
Parking revenues	11,971	11,513
Rental car revenues	18,716	16,660
Miscellaneous	141	148
Total operating revenues	92,744	86,760
Less: rebates	(3,932)	(2,546)
Net operating revenues	88,812	84,214
OPERATING EXPENSES		
Salaries and wages	20,055	20,589
Employee benefits	12,113	11,060
Contractual services, materials and supplies	25,292	20,634
Utilities	4,266	4,145
Repairs and maintenance	1,812	1,789
Insurance	1,733	1,732
Other	2,142	1,630
Depreciation and amortization	19,715	19,568
Total operating expenses	87,128	81,147
Operating income	1,684	3,067
NON-OPERATING REVENUES (EXPENSES):		
Investment earnings	425	530
Interest expense	(16,852)	(17,277)
Grants	331	409
Loss on disposal of capital assets	(165)	(278)
Passenger facility charges	15,197	14,775
Other revenues	5	3
Other expenses	(1)	(28)
Total non-operating revenues (expenses)	(1,060)	(1,866)
Income before capital contributions and special item	624	1,201
Capital contributions	11,042	7,173
Special item: loss on discontinued project	-	(16,946)
Change in net position	11,666	(8,572)
Total net position - beginning, as restated	497,311	505,883
Total net position - ending	$ 508,977	$ 497,311

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, 2013 and 2012

(amounts expressed in thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	$ 90,942	$ 79,206
Cash received from customer deposits	124	623
Cash returned from customer deposits	(37)	(42)
Other cash receipts	5	3
Payments to suppliers	(34,593)	(31,323)
Payments to employees	(28,443)	(29,595)
Net cash provided by operating activities	27,998	18,872
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Operating grants received	328	456
Net cash provided by noncapital financing activities	328	456
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital contributions	11,407	6,860
Proceeds from passenger facilities charges	15,312	14,710
Additions to capital assets	(27,841)	(10,220)
Principal paid on bonds, loans, and leases	(11,417)	(11,102)
Interest paid on bonds, loans, and leases	(16,932)	(12,671)
Proceeds from sale of capital assets	97	86
Net cash used in capital and related financing activities	(29,374)	(12,337)
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturities of investments	34,996	36,276
Purchase of investments	(34,987)	(34,922)
Interest on investments	559	582
Net cash provided by investing activities	568	1,936
Net increase (decrease) in cash and cash equivalents	(480)	8,927
Cash and equivalents at beginning of year	159,442	150,515
Cash and equivalents at end of year	$ 158,962	$ 159,442
Classified as:		
Current assets		
Cash and equity in pooled cash and investments	$ 105,848	$ 97,064
Restricted assets	16,700	16,321
Non-current assets		
Restricted assets	36,414	46,057
Totals	$ 158,962	$ 159,442

(continued)

Lee County Port Authority

Lee County, Florida

STATEMENTS OF CASH FLOWS

For the Years Ended September 30, 2013 and 2012

(amounts expressed in thousands)

	2013	2012
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 1,684	$ 3,067
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	19,715	19,568
Other revenues	5	3
Loss on sale of capital assets	183	-
(Increase) decrease in accounts receivable	314	(952)
Increase in due from Board of County Commissioners	(1)	-
Decrease in due from other governments	2	(2)
(Increase) decrease in inventories	(2)	(20)
Decrease in other assets	(2)	(96)
Increase (decrease) in contracts and accounts payable	465	(952)
Increase in accrued liabilities	3,496	1,929
Increase in refunds and rebates	1,746	(3,656)
Increase in due to Board of County Commissioners	41	(189)
Increase in due to other governments	93	(92)
Decrease in customer deposits	(107)	581
Increase (decrease) in unearned revenues	264	(400)
Increase in compensated absences	102	83
Total adjustments	26,314	15,805
Net cash provided by operating activities	$ 27,998	$ 18,872
NON-CASH INVESTING, CAPITAL, AND FINANCING ACTIVITIES		
Contributions of property, plant, and equipment	$ 29	$ 17
Donations of property, plant, and equipment	(18)	(16,950)
Increase in fair value of investments	55	67

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

NOTE I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

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

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

Fund Accounting

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

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

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

Measurement Focus

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

Basis of Accounting

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

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

New Accounting Pronouncement

Effective October 1, 2012, the Port Authority implemented Government Accounting Standards Board ("GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position.* This implementation required the Port Authority to present a Statement of Net Position, replacing the previously presented Statement of Net Assets, in the Port Authority's basic financial statements. The implementation also required the Statement of Net Position to present deferred outflows and inflows of resources in separate sections following total assets and total liabilities sections, respectively.

Effective October 1, 2012, the Port Authority elected to early implement the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. As a result, the deferred loss on refunding of debt, in the amount of $9,847,000 and $10,710,000 for fiscals years 2013 and 2012, respectively, which previously had been included in the balance of long-term liabilities, is reported as a deferred outflow of resources in the Statements of Net Position for fiscal years 2013 and 2012.

GASB 65 also establishes that, with the exception of prepaid insurance costs, costs related to the issuance of debt will no longer be recorded as a deferred charge and amortized over the life of the debt, but will instead be recognized as an expense in the period incurred. Since this provision is applied retroactively for all periods presented, beginning Net Position for fiscal year 2012 has been decreased by the amount of unamortized debt issuance costs at the beginning of the year, and debt issuance costs incurred in fiscal year 2012 have been expensed and amortization expense has been reduced, as follows (dollars in thousands):

	2012
Net position, beginning of year, as previously reported	$509,751
Adjustment to retroactively apply GASB 65	(3,868)
Net position, beginning of year, as restated	$505,883

	2012
Decrease in net position, as previously reported	($8,844)
Adjustments to apply GASB 65:	
Interest expense	299
Other expenses	(27)
Decrease in net position, as restated	($8,572)

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

Cash and Equity in Pooled Cash and Investments

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

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

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

Investments

The Port Authority reports all investments at fair value, with the exception of debt investments held in an internal investment pool with a maturity within ninety days of purchase, repurchase agreements, and Local Government Surplus Funds Investment Pool Trust Fund (State Board of Administration ("SBA"). All fair valuations are based on quoted market prices. The investment pool and repurchase agreements are stated at amortized cost, which approximates fair value. The fair value of the position in the Local Government Surplus Funds Investment Pool Trust Fund, an external 2a7-like investment pool, is the same as the value of the pool shares. The 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. Management uses an estimate of five percent of the average accounts receivable balance plus any amounts to be submitted to the Board of County Commissioners for writeoff due to known uncollectible amounts to derive the allowance.

Inventory

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

Capital Assets

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

The ranges of the useful lives are as follows:

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

Intangible 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 Bond Premiums and Discounts

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

Deferred Outflows of Resources

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

Unearned Revenues

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

Compensated Absences

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

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

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

Net Position

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

User Fees

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

Rentals and Franchise Fees

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

Capital Contributions

Capital contributions consist mainly of grants from Federal and State agencies. As these grants are subject to annual approved appropriations by the Federal and State agencies, they are recognized as revenue when both the expenditures are incurred and the appropriations are approved by the Federal State agencies.

Use of Estimates

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

NOTE II. RECEIVABLES

At September 30, 2013 and 2012, accounts receivable consisted of the following (dollars in thousands):

		Gross Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable
2013	Unrestricted	$5,273	($881)	$4,392
	Restricted	2,090	-	2,090
	Total	$7,363	($881)	$6,482
2012	Unrestricted	$5,004	($250)	$4,754
	Restricted	2,157	-	2,157
	Total	$7,161	($250)	$6,911

NOTE III. RESTRICTED ASSETS

At September 30, 2013 and 2012, restricted assets consisted of the following (dollars in thousands):

	2013	2012
Cash and equity in pooled cash and investments	$36,414	$46,057
Cash and cash equivalents with fiscal agent	16,700	16,321
Investments	25,005	24,928
Receivables (net):		
Accounts	2,090	2,157
Accrued interest	-	2
Total	$80,209	$89,465

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

As of September 30, 2013 and 2012, the Port Authority had the following deposits, investments, and maturities (dollars in thousands):

2013

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

Investment	Maturities	2012 Fair Value	Call Date	Call Frequency	Rating
Cash on hand	N/A	$ 104			N/A
Cash with fiscal agent	N/A	16,321			N/A
Demand deposits	N/A	41,417			N/A
SBA-Local Government Surplus Funds Trust Fund Investment Pool-Florida PRIME	39 days	101,625			AAAm
Fund B Surplus Funds Trust Fund	4.08 years	380			Unrated
Federal Home Loan Mortgage Corporation	03/28/13	24,849			AA+
Federal National Mortgage Association	09/23/13	10,075			AA+
Total		$194,771			

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, 2013 was 1.13262284.

Credit Risk

The Port Authority adheres to the Board's Investment Policy ("the Policy"), which limits credit risk by restricting authorized investments to the following: Direct obligations of, or obligations the principal and interest of which are unconditionally guaranteed by the United States Government; United States Government sponsored Corporation/ Instrumentalities; United States Government Agencies; The Florida Local Government Surplus Funds Trust Fund; interest-bearing time deposits or savings accounts in banks organized under the laws of Florida, in national banks organized under the laws of the United States and doing business and situated in Florida; securities of, or other interests in, any open-end or closed-end management type investment company or investment trust registered under the Investment Company Act of 1940, provided their portfolio is limited to United States Government obligations and to repurchase agreements fully collateralized by such United States Government obligations; repurchase agreements with any primary brokers/dealers collateralized by direct obligations of United States, or United States government sponsored corporation/ instrumentalities or United States government agencies; bonds, notes or obligations of any state of the United States, any municipality, political subdivision, agency or authority of Florida that is exempt from federal income taxation and that is rated by any nationally recognized rating agency for municipal bonds in any of the two highest classifications; SEC registered, no-load money market mutual funds whose portfolios consist of tax-exempt securities and repurchase agreements, whose shares of the mutual fund must be rated in the highest category by a nationally recognized rating service; Florida Local Government Investment Trust ("FLGIT"); and SEC registered money market mutual funds with average portfolio maturities under 120 days, whose portfolios consist of United States Government securities and repurchase agreements secured by such securities.

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

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, 2013, all of the Port Authority's bank deposits were in qualified public depositories.

Interest Rate Risk

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

Concentration of Credit Risk

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

The County's total investment portfolio at September 30, 2013 and 2012, was $933,249,000 and $917,813,000, respectively. The portion of the Port Authority's portfolio invested in Federal instrumentalities is detailed as follows, at September 30, 2013 and 2012:

2013

Issuer	Percent of Total Portfolio
Federal Home Loan Bank	3.75%

2012

Issuer	Percent of Total Portfolio
Federal Home Loan Mortgage Corporation	2.71%
Federal National Mortgage Association	1.1%
Total Federal Instrumentalities	3.81%

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

2013

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

2012

Current:	
Cash and cash equivalents	$97,064
Investments	10,401
Restricted:	
Cash with fiscal agent	16,321
Non-current:	
Restricted:	
Cash and cash equivalents	46,057
Investments	24,928
Total	$194,771

NOTE V. CAPITAL ASSETS

Increases and decreases in capital asset activity include transfers. Capital asset activity for the fiscal years ended September 30, 2013 and 2012, was as follows (dollars in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Fiscal Year 2013				
Capital assets not being depreciated:				
Land	$ 132,776	$ -	$ (117)	$ 132,659
Easement & Right of Ways	45	-	-	45
Construction in progress	29,985	34,085	(18,568)	45,502
Artwork	715	-	(424)	291
Total capital assets not being depreciated	163,521	34,085	(19,109)	178,497
Capital assets being depreciated:				
Buildings	336,717	6,733	(91)	343,359
Improvements other than buildings	18,999	3,818	(518)	22,299
Machinery and equipment	48,740	3,058	(3,502)	48,296
Software	2,999	-	-	2,999
Infrastructure	290,676	7,097	(278)	297,495
Total capital assets being depreciated	698,131	20,706	(4,389)	714,448
Less accumulated depreciation for:				
Buildings	56,518	6,997	(91)	63,424
Improvements other than buildings	9,726	1,525	(509)	10,742
Machinery and equipment	23,328	3,119	(3,338)	23,109
Software	2,901	65	-	2,966
Infrastructure	106,637	8,409	(278)	114,768
Total accumulated depreciation	199,110	20,115	(4,216)	215,009
Total capital assets being depreciated, net	499,021	591	(173)	499,439
Capital assets, net	$ 662,542	$ 34,676	$ (19,282)	$ 677,936
Fiscal Year 2012				
Capital assets not being depreciated:				
Land	$ 142,800	$ 130	$ (10,154)	$ 132,776
Easement & Right of Ways	47	-	(2)	45
Construction in progress	29,078	8,835	(7,928)	29,985
Artwork	713	2	-	715
Total capital assets not being depreciated	172,638	8,967	(18,084)	163,521
Capital assets being depreciated:				
Buildings	337,222	54	(559)	336,717
Improvements other than buildings	19,087	10	(98)	18,999
Machinery and equipment	48,950	693	(903)	48,740
Software	2,999	-	-	2,999
Infrastructure	289,764	912	-	290,676
Total capital assets being depreciated	698,022	1,669	(1,560)	698,131
Less accumulated depreciation for:				
Buildings	49,930	6,819	(231)	56,518
Improvements other than buildings	8,633	1,160	(67)	9,726
Machinery and equipment	21,058	3,157	(887)	23,328
Software	2,835	66	-	2,901
Infrastructure	98,274	8,363	-	106,637
Total accumulated depreciation	180,730	19,565	(1,185)	199,110
Total capital assets being depreciated, net	517,292	(17,896)	(375)	499,021
Capital assets, net	$ 689,930	$ (8,929)	$ (18,459)	$ 662,542

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, 2013 and September 30, 2012, was $265,000 and $301,000, 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, 2013, minimum future rentals of operating leases were as follows (dollars in thousands):

Fiscal Year(s)	Amount
2014	$46,073
2015	45,819
2016	45,185
2017	45,143
2018	26,812
Later years	64,676
Total minimum future revenue	$273,708

For the years ended September 30, 2013 and 2012, $6,412,000 and $4,819,000, respectively, of contingent rentals were included in rentals, concessions, and rental car revenues on the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

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

NOTE VI. LONG-TERM DEBT

Revenue Bonds

Revenue bonds payable at September 30, 2013 and 2012 consisted of the following:

- Series 2005 Airport Revenue Refunding Bonds, for $37,805,000 at interest rates ranging from 3.5 percent to 5 percent (effective interest rate of 5.493 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2013 and 2012 was $37,540,000 and $37,585,000, respectively.

- Series 2010A Airport Revenue Refunding Bonds, for $119,350,000 at interest rates ranging from 3 percent to 5.5 percent (effective interest rate of 5.255 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2013 and 2012 was $103,880,000 and $111,730,000, respectively.

- Series 2011A (AMT) Airport Revenue Refunding Bonds, for $174,450,000 at interest rates ranging from 3 percent to 5.63 percent (effective interest rate of 5.528 percent), collateralized by a lien on and a pledge of net revenues of the SWFIA. The outstanding balance at September 30, 2013 and 2012 was $174,450,000.

The total revenue bonds payable at September 30, 2013 and 2012, were $315,870,000 and $323,765,000, respectively.

The annual debt service requirements for revenue bonds at September 30, 2013, were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2014	8,470	16,249	24,719
2015	8,900	15,818	24,718
2016	9,330	15,365	24,695
2017	9,800	14,891	24,691
2018	10,280	14,399	24,679
2019-2023	59,880	63,237	123,117
2024-2028	80,275	44,847	125,122
2029-2033	104,000	20,556	124,556
2034	24,935	623	25,558
Total	$315,870	$205,985	$521,855

The following is a summary of bond activity of the Port Authority for the years ended September 30, 2013 and 2012 (dollars in thousands):

	2013	2012
Beginning balance	$323,765	$331,425
Additions	-	-
Reduction	(7,895)	(7,660)
Bonds payable at end of fiscal year	315,870	323,765
Plus unamortized premium	3,816	4,297
Bonds payable at end of fiscal year, net	$319,686	$328,062

Bond Resolutions

The Airport Revenue Bonds, Series 2005, the Airport Revenue Refunding Bonds, Series 2010A, and the Airport Revenue Refunding Bonds, Series 2011A (AMT) are collateralized by a lien on and a pledge of the net revenues from the operation of SWFIA.

The Port Authority has agreed to maintain such fees and rates to provide revenues sufficient to pay all current expenses of SWFIA and the greater of 125 percent of the principal and interest payments due in the next succeeding fiscal year or 100 percent of the principal and interest payments due in the next succeeding fiscal year plus any other required payments under the bond resolutions.

The resolutions for the following bonds established certain accounts and determined the order in which certain revenues are to be deposited into those accounts. In addition, there are various other covenants established by the official statements and resolutions, including such items as debt service coverage, reporting requirements, and maintenance of facilities. Management believes that it has complied, in all material respects, with these covenants. All required balances at year-end were maintained on the following issues:

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

Notes Payable

Line of Credit

The Port Authority has entered into a $10,000,000 line of credit with a commercial bank to finance certain airport-related capital projects at an interest rate of 117 percent of London Interbank Offered Rates ("LIBOR"). Effective January 1, 2006, a more favorable interest rate was negotiated of 67 percent of LIBOR plus 73 basis points, which was .85198 percent as of September 30, 2013. 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, 2013 and 2012, was $3,437,000 and $3,812,000, respectively. The available balance at September 30, 2013 and 2012, was $6,563,000 and $6,188,000, respectively.

The annual debt service requirements for the Port's variable rate note payable at September 30, 2013, based on the variable interest rate in effect on that date, were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2014	395	29	424
2015	415	25	440
2016	435	22	457
2017	455	18	473
2018	480	16	496
2019-2021	1,257	14	1,271
Total	$3,437	$124	$3,561

The following is a summary of variable rate note payable activity of the Port Authority for the years ended September 30, 2013 and 2012 (dollars in thousands):

	2013	2012
Beginning balance	$3,812	$4,167
Additions (Deletions)	(375)	(355)
Variable debt payable at end of fiscal year	$3,437	$3,812

PFC Note Payable

The Port Authority entered into an $18,790,000 loan agreement with a commercial bank to refund its Passenger Facility Charge Revenue and Refunding Bonds, Series 1998. The loan is collateralized by a lien on and a pledge of the passenger facility charge revenues. Interest is payable semi-annually at an interest rate of 1.91 percent. Principal is payable annually and matures on October 1, 2016. The outstanding balance at September 30, 2013 and 2012, was $9,720,000 and $12,840,000, respectively.

The annual debt service requirements for the Port's PFC note payable at September 30, 2013 were as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2014	-	93	93
2015	3,180	155	3,335
2016	3,240	94	3,334
2017	3,300	31	3,331
Total	$9,720	$373	$10,093

	2013	2012
Beginning balance	$12,840	$15,900
Additions (Deletions)	(3,120)	(3,060)
Variable debt payable at end of fiscal year	$9,720	$12,840

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, 2013 were as follows (dollars in thousands):

Fiscal Year(s)	Amount
2014	$104
2015	27
2016	16
2017	16
2018	16
2019	4
Total	$183

The total rental expense for all operating leases, including those with terms of less than one year, for the years ended September 30, 2013 and 2012, was $184,000 and $112,000, respectively.

Compensated Absences

The following is a summary of compensated absences activity for the Port Authority for the years ended September 30, 2013 and 2012 (dollars in thousands):

	2013	2012
Beginning balance	$1,495	$1,412
Additions	2,467	2,570
Reductions	(2,364)	(2,487)
Compensated absences payable at end of fiscal year	$1,598	$1,495

Of the $1,598,000 balance at September 30, 2013, $1,160,000 is due within one year.

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	
	2013	2012	2013	2012
Condensed Statements of Net Position				
Assets				
Current assets	$ 90,312	$ 85,859	$ 7,648	$ 8,802
Restricted assets	51,010	50,058	-	-
Capital assets	613,722	595,186	53,675	54,232
Total assets	755,044	731,103	61,323	63,034
Deferred outflows of resources				
Deferred charge on refunding	9,808	10,648	-	0
Intangible asset (net)	-	-	6	10
Total deferred outflows of resources	9,808	10,648	6	10
Liabilities				
Current liabilities	23,532	12,923	737	1,043
Current liabilities payable from restricted assets	16,775	16,690	395	375
Noncurrent liabilities	327,784	333,637	4,653	4,747
Total liabilities	368,091	363,250	5,785	6,165
Net position				
Net investment in capital assets	322,040	302,876	49,878	50,316
Restricted	17,967	15,171	-	-
Unrestricted	56,754	60,454	5,666	6,563
Total net position	$ 396,761	$ 378,501	$ 55,544	$ 56,879
Condensed Statements of Revenues, Expenses, and Changes in Net Position				
Operating revenues				
User fees	$ 43,330	$ 40,900	$ 6,670	$ 6,383
Rentals	2,880	2,847	2,407	2,352
Concessions	37,223	34,043	92	87
Miscellaneous	134	139	7	9
Less: Rebates	(3,932)	(2,546)	-	-
Total operating revenues	79,635	75,383	9,176	8,831
Operating expenses				
Depreciation	17,298	17,178	2,416	2,390
Other operating expenses	54,741	51,881	9,331	8,508
Total operating expenses	72,039	69,059	11,747	10,898
Operating income (loss)	7,596	6,324	(2,571)	(2,067)

NOTE VII: SEGMENT INFORMATION (continued)

	Southwest Florida International Airport		Page Field General Aviation Airport	
	2013	2012	2013	2012
Condensed Statements of Revenues, Expenses, and Changes in Net Position (continued)				
Non-operating revenues (expenses)				
Investment earnings	$ 263	$ 341	$ 16	$ 21
Interest expense	(16,672)	(17,128)	(24)	27
Other non-operating	208	436	(54)	(359)
Total non-operating revenues (expenses)	(16,201)	(16,351)	(62)	(311)
Loss before capital contributions	(8,605)	(10,027)	(2,633)	(2,378)
Capital contributions	9,729	5,631	1,298	1,511
Transfers	17,136	(10,010)	-	1,200
Change in net position	18,260	(14,406)	(1,335)	333
Beginning net position, as restated	378,501	392,907	56,879	56,546
Ending net position	$ 396,761	$ 378,501	$ 55,544	$ 56,879
Condensed Statements of Cash Flows				
Net cash provided (used) by:				
Operating activities	$ 30,728	$ 19,843	$ (278)	$ 815
Noncapital financing activities	15,744	(9,515)	0	(1)
Capital and related financing activities	(41,069)	(13,417)	(414)	233
Investing activities	110	1,751	17	21
Net increase (decrease)	5,513	(1,338)	(675)	1,068
Beginning cash and cash equivalents	100,701	102,039	7,947	6,879
Ending cash and cash equivalents	$ 106,214	$ 100,701	$ 7,272	$ 7,947

Certain funds that relate to activities at both the Southwest Florida International Airport and Page Field are not included in the segmented statements, including the K-9 donation fund and the discretionary fund. In addition, all of the funds related to the passenger facility charges are omitted from the segmented statements.

NOTE VIII. RETIREMENT PLAN

Plan Description and Provisions

The Port Authority participates in the Florida Retirement System ("FRS"), a cost-sharing, multiple-employer, public employee retirement system, which covers substantially all of the full-time and part-time employees. The FRS is contributory and is administered by the State of Florida.

Benefits under the Pension Plan vest after six years of service for members who joined FRS prior to July 1, 2011, and vest after eight years for members who first joined FRS on or after July 1, 2011. Employees who joined FRS prior to July 1, 2011, and retire at or after age 62 with six years of credited service, or with 30 years of service regardless of age, are entitled to an annual retirement benefit, payable monthly for life. Employees who joined FRS on or after July 1, 2011, and retire at or after age 65 with eight years of credited service, or 33 years of service regardless of age, are entitled to receive an annual retirement benefit, payable monthly for life. The FRS also provides for early retirement at reduced benefits and death and disability benefits. These benefit provisions and all other requirements are established by Chapters 112 and 121, *Florida Statutes.* The FRS offers several other plan and/or investment options that may be elected by the employee. Each offers specific contribution and benefit options. The FRS plan documents should be referenced for complete details of these options and benefits.

A 3 percent employee contribution is required as of July 1, 2011. Pension costs for the Port Authority as required and defined by State statute ranged between 5.18 percent and 14.90 percent of gross salaries for fiscal year 2013. For fiscal years ended September 30, 2013, 2012, and 2011, the Port Authority contributed 100 percent of the required contributions. These contributions aggregated $1.7 million, $1.5 million, and $2.5 million, respectively, which represents 9 percent, 8 percent, and 12 percent, of covered payroll.

The Deferred Retirement Option Program ("DROP") is a program that provides an alternative method of payment of retirement benefits for a specified and limited period for members of FRS, effective July 1, 1998. Under this program, the employee may retire and have their benefits accumulate in the Florida Retirement System Trust Fund, earning interest, while continuing to work for an employer. The participation in the plan does not change conditions of employment. When the DROP period ends, a maximum of 60 months, employment must be terminated. At the time of termination of employment, the employee will receive payment of the accumulated DROP benefits, and begin receiving their monthly retirement benefit (in the same amount determined at retirement, plus annual cost-of-living increases).

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

Other Postemployment Benefits

The Port Authority provides post-retirement health care benefits, through participation in the County's self-funded insurance plan, to all employees who retire from the Port Authority. In accordance with Chapter 110.123, *Florida Statutes,* the Port Authority is required to provide group health care at cost to all retirees. For employees hired on or before January 01, 2008, the Port Authority currently pays 50 percent of the portion of the premium for the retiree to participate in the Plan. This policy was discontinued on January 01, 2008; therefore, the Port Authority does not currently subsidize any portion of the premium for employees hired after that date. The County has the authority to establish and amend the benefit provisions of the plan. The County follows the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* Expenses related to these benefits totaling $3,446,000 and $2,646,000 for 2013 and 2012, respectively, are based on the Port Authority's percentage of employees relative to the County as a whole, multiplied by the County's total postemployment benefit expense. For fiscal years ended September 30, 2013 and 2012, the Other Postemployment Benefits liability totaled $17,654,000 and $14,207,000, respectively, and is included in accrued liabilities on the accompanying Statements of Net Position.

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 2013 and 2012 were $1,733,000 and $1,732,000, 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, 2013 and 2012, the Port Authority was charged $5,301,000 and $5,149,000, respectively, for the insurance program.

The Port Authority is exposed to other various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

NOTE X. COMMITMENTS AND CONTINGENCIES

At September 30, 2013 and 2012, the Port Authority had in process various construction contracts totaling $83,764,000 and $81,660,000, respectively. Costs incurred on these contracts as of September 30, 2013 and 2012, totaled $64,949,000 and $36,102,000, respectively, including retainage payable of $2,866,000 and $584,000, respectively.

The Port Authority is currently receiving, and has received in the past, grants that are subject to special compliance audits by the grantor agency, which may result in disallowed expense amounts. These amounts constitute a contingent liability of the Port Authority. The Port Authority does not believe any contingent liabilities to be material.

The Port Authority currently prepares rebate calculations on all debt subject to arbitrage per the United States Department of the Treasury Regulations, Section 1.148, and the Internal Revenue Service Code of 1986. Rebates, if any, are paid to the Internal Revenue Service every fifth year after the year of issuance. Within the five-year period, any positive arbitrage (liability) may be offset by any negative arbitrage (non-liability). These rebates constitute a liability of the Port Authority, which is reported as other noncurrent liabilities.

NOTE XI. SPECIAL ITEM – LOSS ON DISCONTINUED PROJECTS

On January 9, 2012, the Board of Port Commissioners approved a deed of release from the Federal Aviation Administration to the Florida Department of Transportation ("FDOT") of land purchased specifically by the Port Authority for a direct connector road between SWFIA and I-75. Subsequently, the FDOT has agreed to fund, construct, and provide perpetual maintenance for the direct connection between I-75 and SWFIA. The purchase price of the land was $10,151,000. In addition, SWFIA incurred $6,146,000 in design and permitting costs for the connector road. The FDOT is utilizing the resulting plans and permits to expedite the construction. The transaction closed on May 18, 2012 and a loss was recognized in the amount of $16,297,000 in fiscal year 2012. The FDOT began construction on October 20, 2012.

In addition, in fiscal year 2012, a loss for $649,000 was recognized related to conceptual design costs incurred on a SWFIA terminal expansion project. The project has been postponed indefinitely.

NOTE XII. PASSENGER FACILITY CHARGE

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

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

NOTE XIII. AIRLINE USE AGREEMENTS

Signatory Airlines

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

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

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

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

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

Terminal space are assessed on a square-footage basis.

In fiscal year 2013 and 2012, the signatory airlines paid the Port Authority $25,042,000 and $24,470,000, respectively. These amounts are net of refunds of $1,272,000 and $2,680,000, respectively, and revenue sharing of $2,892,000 and $3,584,000, respectively.

Nonparticipating Airlines

The Port Authority has also entered into short-term use agreements or permits with the airlines serving the airport, other than the Signatory Airlines. Nonparticipating airlines are assessed fees no less than those paid by the Signatory Airlines and do not share in any rebates.

Airline Bankruptcies

American Airlines declared bankruptcy on November 29, 2011. At that time, American was a Signatory Airline with an average of four daily flights. The bankruptcy had no effect on the Port Authority and American Airlines remained current on all payments. American Airlines remained a Signatory Airline until the agreement expired in September 2013. Since that time, American Airlines had entered into a month to month Non-Signatory Agreement with the Port Authority.

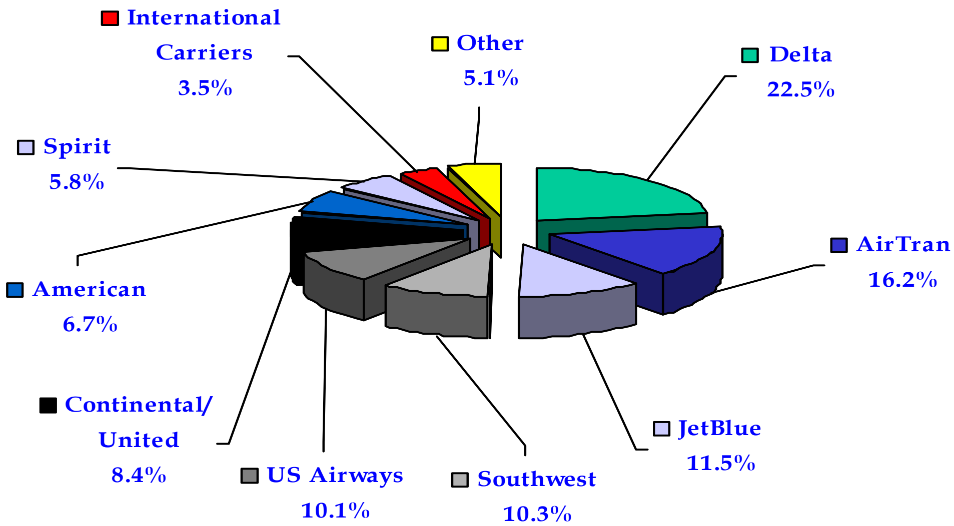
NOTE XIV. OTHER

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.

LEE COUNTY PORT AUTHORITY
Airline Market Share and Passenger Information
For the Fiscal Year Ended September 30, 2013
(unaudited)

Total passenger traffic is shown below for fiscal year 2013 showing market share for each major airline at Southwest Florida International Airport.



Airline	2013	2012	Change from 2012	% Change from 2012
Delta	1,712,000	1,656,000	56,000	3.38%
Air Tran	1,233,000	1,155,000	78,000	6.75%
JetBlue	876,000	820,000	56,000	6.83%
Southwest	783,000	995,000	(212,000)	-21.31%
US Airways	766,000	730,000	36,000	4.93%
Continental/United	639,000	515,000	124,000	24.08%
American	508,000	446,000	62,000	13.90%
Spirit	439,000	372,000	67,000	18.01%
USA 3000	-	9,000	(9,000)	-100.00%
International Carriers	264,000	242,000	22,000	9.09%
Other*	388,000	337,000	51,000	15.13%
Total	7,608,000	7,277,000	331,000	4.55%

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