

FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION

Palm Beach County Department of Airports

For the years ended September 30, 2003 and 2002
with Reports of Independent Certified Public Accountants

Palm Beach County Department of Airports

Financial Statements and
Other Financial Information

Years ended September 30, 2003 and 2002

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Report of Independent Certified Public Accountants

To the Honorable Board of County Commissioners
Palm Beach County, Florida

We have audited the accompanying basic financial statements of the Palm Beach County Department of Airports as of and for the years ended September 30, 2003 and 2002, as listed in the table of contents. These financial statements are the responsibility of the Palm Beach County Department of Airport's management. 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 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements referred to above present only the Palm Beach County Department of Airports, an enterprise fund of Palm Beach County, Florida, and are not intended to present fairly the financial position of Palm Beach County, Florida, and the changes in financial position and cash flows of its proprietary fund types, in conformity with accounting principles generally accepted in the United States.


In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Palm Beach County Department of Airports as of September 30, 2003 and 2002, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

The Management's Discussion and Analysis as listed in the table of contents is not a required part of the financial statements but is supplementary information required by the Governmental Accounting Standards Board (GASB). 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.

As discussed in Note 12 to the financial statements, effective October 1, 2001, the Palm Beach County Department of Airports adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

In accordance with *Government Auditing Standards*, we have issued our report, dated December 30, 2003, on our consideration of the Palm Beach County Department of Airports’ internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were made for the purpose of forming an opinion on the financial statements that comprise the Palm Beach County Department of Airports financial statements. The accompanying other financial information is presented for purposes of additional analysis and is not a required part of the financial statements. This information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, as of September 30, 2003 and 2002, is fairly stated in all material respects in relation to the financial statements taken as a whole.



December 30, 2003

Palm Beach County Department of Airports

Management's Discussion and Analysis

September 30, 2003

The following Management Discussion and Analysis (MD & A) of the Palm Beach County Department of Airports (the Department) activities and financial performance provides the reader with an introduction to the financial statements of the Department of Airports for the fiscal year ended September 30, 2003. The information contained in this MD & A should be considered in conjunction with the information combined in the financial statements including the notes thereto, which are essential to a full understanding of the financial statement data. In addition to the basic financial statements and accompanying notes, this Section presents certain required supplementary information regarding debt service requirements to maturity and a schedule of Department payments to other governmental units for goods and services.

Airport Activities and Highlights

Fiscal year 2003, results showed a 9% increase in passenger traffic. This put the enplanement total at 2,937,681, above FY 2002 level. AirTran and Delta's Song service both were initiated during the year.

The following table shows a summary of various activities:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Enplanements	2,937,681	2,694,214	3,054,355
% increase/(decrease)	9.04%	(11.79)%	3.67%
Air carrier operations	64,661	60,790	73,254
% increase/(decrease)	6.37%	(17.01)%	0.99%
Landed weight	4,073,377	3,809,258	4,297,015
% increase/(decrease)	6.93%	(11.35)%	5.64%
Cargo tons	20,905	19,511	22,982
% increase/(decrease)	7.14%	(15.10)%	(4.14)%
Parking (transactions)	1,236,017	1,171,929	1,393,094
% increase/(decrease)	5.46%	(15.88)%	(0.45)%

Financial Operations Highlights

The overall financial position improved somewhat due to the increased traffic and increased fees. Financial impacts are highlighted as follows:

- Operating revenues rose by 6.9%, increasing from \$44.6 million to \$47.7 million. Components include an increase in concession revenues of \$1.4 million, which includes parking, car rental, and terminal concessions. This resulted from increased passenger traffic. Landing fees increased by \$1.1 million due to increased landed weight and increased landing rates; 2002 landing fees were reduced due to incentive programs extended to airlines as well.
- Operating expenses increased by 6.2%. The largest increase in terms of percentage was due to insurance increases of \$700,000, equating to a 60% change from FY 2002; insurance costs totaled \$1.8 million for fiscal 2003. Salary and benefits increased 4%; salary and benefit costs for fiscal 2003 totaled \$8.5 million.
- Interest earnings decreased from \$5.3 million to \$2.3 million due to declining market conditions and interest rates.
- The increase in net assets for fiscal year 2003 totaled \$13.9 million, an increase of 6% over the prior year.

Summary of Revenue and Expenses

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Operating revenues	\$47,730,386	\$44,647,746	\$48,469,276
Operating expenses	34,282,865	32,266,025	29,418,398
Excess before depreciation and other non-operating revenues and expenses	13,447,521	12,381,721	19,050,878
Depreciation and amortization	15,785,313	15,635,049	15,869,646
Operating income (loss)	(2,337,792)	(3,253,328)	3,181,232
Other non-operating revenues and expenses, net, including capital contributions	16,263,462	16,375,687	6,409,590
Increase in net assets	<u>\$13,925,677</u>	<u>\$13,122,359</u>	<u>\$ 9,590,822</u>

Financial Position Summary

Net assets may serve over time as a useful indicator of the Department's financial position. The Department's assets exceeded liabilities by \$240 million at September 30, 2003 and \$226 million at September 30, 2002. A condensed summary of the Department's net assets at September 30 is shown below:

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Assets:			
Current and other assets	\$109,695,544	\$102,762,011	\$106,964,302
Capital assets	287,911,781	269,356,230	271,044,116
Total assets	397,607,325	372,118,241	378,008,418
Liabilities:			
Current and other liabilities	23,384,908	17,242,925	22,040,824
Long-term debt outstanding	134,014,764	137,534,354	142,807,970
Total liabilities	157,399,672	154,777,279	164,848,794
Net assets:			
Invested in capital assets, net of debt	143,034,391	122,499,755	117,580,228
Restricted	54,675,801	52,117,417	42,090,133
Unrestricted	42,497,461	51,664,811	53,489,263
Total net assets	\$240,207,653	\$226,281,983	\$213,159,624

The largest portion of the Department's net assets each year (60% at September 30, 2003) represents its investments in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire or construct those capital assets. The Department uses these capital assets to provide services to its passengers and visitors to the Airport; consequently these assets are not available for future spending. Although the Department's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since it is unlikely the capital assets themselves will be liquidated to pay liabilities.

An additional portion of the Department's net assets (23% at September 30, 2003) represents restricted assets that are subject to external restrictions on how they can be used under bond resolution covenants and Passenger Facility Charge regulations. The remaining unrestricted net assets (17% at September 30, 2003) may be used to meet any of the Department's ongoing obligations.

Airline Signatory Rates and Charges

The Department and certain airlines negotiated an Airline-airport Use and Lease agreement effective October 1, 2000 for five years, which in part establishes how the signatory airlines will be assessed rates and charges for the use of PBI. Landing fees and terminal rental rates are calculated for each fiscal year. Signatory airlines receive a 10% rebate of landing fees for landing fees paid in the prior fiscal year.

The Agreement serves as the basis for calculating landing fees and terminal rental rates. All cost associated with operation, maintenance, and debt service of the airfield and terminal are recorded in the respective cost centers. Landed weight and rentable square footage serve as the units for landing fees and terminal rents, respectively. A revenue sharing component of the methodology credits 50% of the prior year's profitability to the two cost centers.

The Department also has the ability under the Agreement to adjust airline rates and charges at any time throughout the year if the Department determines a rate adjustment would result in a 10% or more increase. This insures the Department is in a position to meet all financial requirements of the Bond resolution regarding debt service coverage requirements.

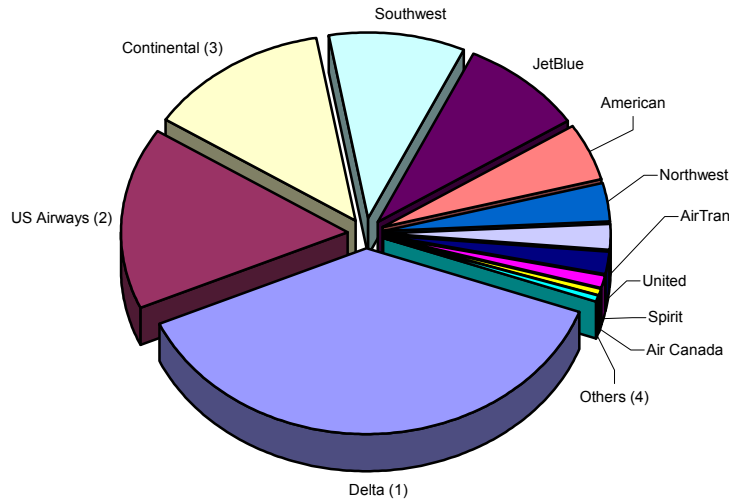
Rates and charges for recent years are as follows:

	2003	2002	2001
Landing fee (per 1,000 lbs MGLW)	\$ 0.834	\$ 0.7260	\$ 0.8470
Average terminal rate (per square foot)	39.98	38.90	42.47
Apron fee rental (per lineal foot)	176.60	177.26	165.95
Loading bridge rental (annual rate)	31,129	33,022	36,301
Airline cost per enplanement	5.90	5.86	5.81

Airline Market Share and Passenger Information

Total passenger traffic is presented below for fiscal year 2003 by airline, showing market share at Palm Beach International Airport and comparisons to fiscal year 2002.

Airline Market Share 2003



See footnote below for detail of consolidated airline information

Total Passengers by Airline

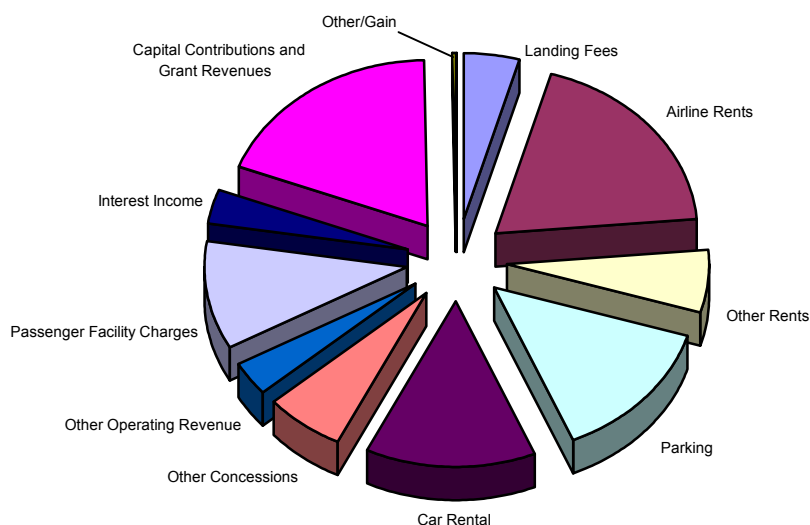
	2003	Change From 2002	% Change From 2002
Delta (1)	2,211,072	236,702	12%
US Airways (2)	928,856	(66,050)	(7)
Continental (3)	775,097	5,444	1
Southwest	558,911	(5,149)	(1)
JetBlue	522,779	150,393	40
American	298,725	57,422	24
Northwest	184,340	(24,989)	(12)
AirTran	133,612	133,612	-
United	122,110	33,750	38
Spirit	60,656	(45,056)	(43)
Air Canada	35,780	(1,495)	(4)
Others (4)	30,154	14,879	97
Total	5,862,092	489,463	9

Airline Consolidation Information:

- (1) Delta includes Delta, Song, Comair, and Chautauqua
- (2) US Airways includes US Airways, Henson, and Mesa
- (3) Continental includes Continental and Gulfstream
- (4) Others include Bahamas Air, Air Midwest, and Britannia

Revenues

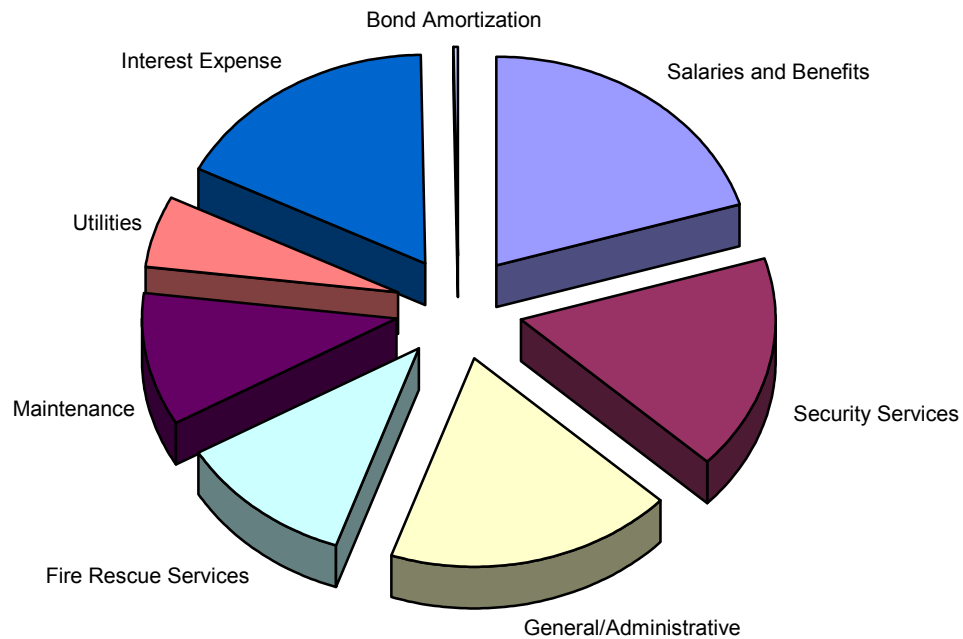
The following chart and table summarizes revenues for the year ended September 20, 2003:



	2003	Percent of Total	Increase/ (Decrease) From 2002	% Increase/ (Decrease) From 2002
Operating:				
Landing fees	3,263,128	5%	1,134,123	53%
Airline rents	13,648,190	19	452,437	3
Other rents	4,312,613	6	389,644	10
Parking	9,886,179	14	725,098	8
Car rental	9,620,552	13	465,454	5
Other concessions	4,523,882	6	246,383	6
Other operating revenue	2,475,842	3	(330,498)	(12)
Total operating revenues	47,730,386	67	3,082,641	7
Non-operating				
Passenger facility charges	7,586,057	11	46,528	1
Interest income	2,263,831	3	(2,991,440)	(57)
Capital contributions and grant revenues	13,575,114	19	3,931,376	41
Gain on disposal of assets	76,394	–	(1,670,906)	(96)
Other revenues	33,729	–	(152,487)	(82)
Total non-operating revenues	23,535,125	33	(836,929)	(3)
Total revenues	71,265,511	100%	2,245,712	3%

Expenses

The following chart and table summarizes expenses for the year ended September 20, 2003:



	2003	Percent of Total	Increase/ (Decrease) From 2002	% Increase/ (Decrease) From 2002
Operating:				
Salaries and benefits	8,466,475	15%	325,684	4%
Security services	6,854,670	12	(80,478)	(1)
General/administrative	7,698,871	13	1,485,724	24
Fire rescue services	4,732,970	8	143,328	3
Maintenance	4,174,865	7	265,106	7
Utilities	2,355,014	4	(122,523)	(5)
Total operating	34,282,865	60	2,016,841	6
Depreciation	15,785,313	28	150,265	1
Non-operating				
Interest expense	7,141,388	12	(626,887)	(8)
Bond cost amort.	130,275	-	(97,817)	(43)
Total non-operating	7,271,663	13	(724,704)	(9)
Total expenses	57,339,841	100%	1,442,402	3%

Summary of Cash Flow Activities

The following shows a summary of the major sources and uses of cash and cash equivalents for the past three years. Cash equivalents are considered cash on hand, bank deposits, and highly liquid investments with original maturity of three months or less.

	<u>2003</u>	<u>2002</u>	<u>2001</u>
Cash flow from operating activities	\$12,867,686	\$ 7,036,669	\$20,761,710
Cash flow from investing activities	2,364,937	5,283,361	7,336,571
Cash flow from noncapital financing	524,711	1,537,500	
Cash flow from capital and related activities	(18,497,783)	(13,158,121)	(22,072,765)
Net Increase (decrease) in cash and cash equivalents	(2,740,449)	699,409	6,025,516
Cash and cash equivalents			
Beginning of year	81,821,626	81,122,217	75,096,701
End of year	\$79,081,177	\$81,821,626	\$81,122,217

The Department's available cash and cash equivalents decreased from \$81.8 to \$79.1 million from the period of September 20, 2002 to September 30, 2003. Capital spending increased significantly over fiscal year 2002 levels. Fiscal year 2002 capital spending was minimized by management in the wake of 9/11.

Financial Statements and Reporting Entity

The Department's financial statements are prepared on an accrual basis in accordance with generally accepted accounting principles promulgated in the United States by the Governmental Accounting Standards Board and the Financial Accounting Standards Board. Revenues are recognized when earned and expenses are recognized when incurred. The Department operates the Airports as an enterprise fund of the Palm Beach County. An enterprise fund is used to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges by users of such services. See the notes to the financial statements for a summary of the Department's significant accounting policies.

The County is a chartered political subdivision of the State of Florida and is granted the power of self-government by the Constitution of the State of Florida and Florida Statutes. The Board of County Commissioners is the legislative and governing body of the County.

Capital Acquisitions and Construction Activities

During 2003, the Department expended \$26.6 million on capital activities. During 2003, completed projects totaling \$9.5 million were closed from construction-in-progress to their respective capital accounts. Of these projects, the major completed projects were:

Land Acquisition	4.5 million
Homeowner soundproofing	2.2 million
Terminal Improvements	1.8 million

In general, acquisitions are funded using a variety of financing sources, including Federal Grants, States Grants, Airport revenues, Passenger Facility Charges, debt issuance, and Revenue Bonds. No new debt or revenue bonds were issued in fiscal 2003, and has no plans for such issuance on fiscal 2004.

Long Term Debt

The Department had outstanding long-term debt of \$129.4 million and \$137.5 million as of September 30, 2003 and 2002. Both amounts are net of any current maturities, unamortized premiums or unamortized discounts and unamortized loss on refunding. The following table reflects the debt activities that occurred during Fiscal Year 2003:

	Total Outstanding 10/1/2002	Bonds Issued	Principal Paid	Retired	Total Outstanding 9/30/2003
Revenue refunding bonds:					
Series 2001	83,965,000	-	7,635,000	-	76,330,000
Series 2002	60,150,000	-	-	-	60,150,000
	<u>144,115,000</u>	<u>-</u>	<u>7,635,000</u>	<u>-</u>	<u>136,480,000</u>
Less current maturities					<u>\$ 8,010,000</u>
Long term portion					128,470,000
Add unamortized premium					5,224,886
Less unamortized loss on refunding					(4,282,870)
Total					<u><u>\$129,412,016</u></u>

Credit Ratings and Bond Insurance

On an underlying basis (i.e., uninsured) the Department credit ratings currently stand at: Standard and Poor's A-, Fitch A, and Moody's Investors Service A3. The Airports ratings have remained relatively stable from prior to 9/11 to current due to its relatively strong cash position, improving airline competition, competitive airline fees, and diversified customer base. On an insured basis the rating are as follows: Moody's, S & P, and Fitch, Aaa, AAA, and AAA.

Passenger Facility Charges

The Department, as of September 30, 2003 had collected \$80 million in Passenger Facility Charges (PFC) Revenues, including interest on PFC cash balances, since the inception of the program in April 1, 1994. The Department has spent \$58.7 million over the same time period.

As of September 30, 2003, the Department was authorized to collect \$98.4 million in PFC revenues. Subsequent to September 30, 2003, the Department received FAA approval to increase the PFC collection amount to \$109.4 million.

Request for Information

This financial report is designed to provide a general overview of the Department's finances. Questions concerning the information provided in this report can be addressed to Mike Simmons, Airport Fiscal Director, Palm Beach County Department of Airports, Palm Beach International Airport, Building 846, West Palm Beach, Florida, 33406 or email at msimmons@pbia.org.

Palm Beach County Department of Airports

Statements of Net Assets

	September 30	
	2003	2002
Assets		
Current assets:		
Cash and cash equivalents	\$ 27,160,760	\$ 33,608,808
Accounts receivable, less allowance for doubtful accounts of \$296,932 and \$291,896 in 2003 and 2002, respectively	1,315,569	1,690,902
Government grants receivable	1,559,614	1,667,194
Current portion of other receivable	80,811	38,424
Inventories	883,938	866,362
Other current assets	58,218	101,342
Total current assets	<u>31,058,910</u>	<u>37,973,032</u>
Restricted assets:		
Cash and cash equivalents	51,920,417	48,212,818
Investments	14,879,586	14,932,353
Interest receivable	229,089	239,003
Accounts receivable, less allowance for doubtful accounts of \$1,160 in 2003 and 2002	44,750	411,365
Total restricted assets	<u>67,073,842</u>	<u>63,795,539</u>
Capital assets:		
Land	122,489,483	116,101,267
Depreciable capital assets, net of accumulated depreciation	146,674,470	148,962,468
Construction in progress	18,747,828	4,292,495
Total capital assets	<u>287,911,781</u>	<u>269,356,230</u>
Other noncurrent assets:		
Deferred bond issuance costs	1,444,507	1,687,121
Other receivable, net of current portion, and discount of \$448,409 and \$523,752 in 2003 and 2002, respectively	1,192,765	1,273,576
Intangible and other assets, net of accumulated amortization of \$857,842 and \$613,255 in 2003 and 2002, respectively	8,925,520	6,973,764
Total other noncurrent assets	<u>11,562,792</u>	<u>9,934,461</u>
Total assets	<u><u>\$397,607,325</u></u>	<u><u>\$381,059,262</u></u>

	September 30	
	2003	2002
Liabilities and net assets		
Current liabilities:		
Accounts and contracts payable	\$ 2,743,388	\$ 1,345,609
Compensated absences payable	87,775	82,323
Deferred revenue	513,841	1,367,789
Due to State of Florida	1,624,400	1,624,400
Current portion of loan payable	5,230,000	—
Other current liabilities	787,463	269,758
Total current liabilities	<u>10,986,867</u>	<u>4,689,879</u>
Liabilities payable from restricted assets:		
Accounts and contracts payable	598,524	963,114
Security deposits	218,822	163,880
Interest payable on revenue bonds	3,570,695	2,916,128
Current maturities of revenue bonds	8,010,000	7,635,000
Total liabilities payable from restricted assets	<u>12,398,041</u>	<u>11,678,122</u>
Long-term liabilities:		
Loan payable	3,669,881	—
Compensated absences payable	932,867	874,924
Revenue bonds payable [less current maturities and net of unamortized premium of \$5,224,886 and \$6,061,294 in 2003 and 2002, respectively, and unamortized loss on refunding of \$(4,282,870) and \$(5,006,940) in 2003 and 2002, respectively]	129,412,016	137,534,354
Total long-term liabilities	<u>134,014,764</u>	<u>138,409,278</u>
Total liabilities	<u>157,399,672</u>	<u>154,777,279</u>
Net assets:		
Invested in capital assets, net of related debt	143,034,391	122,499,755
Restricted:		
Passenger facility charges	22,791,765	20,145,121
Debt service	15,887,125	16,319,038
Renewal and replacement	7,719,335	7,791,300
Operation and maintenance	5,368,821	5,111,820
Capital outlay	2,908,755	2,750,138
	<u>54,675,801</u>	<u>52,117,417</u>
Unrestricted	42,497,461	51,664,811
Total net assets	<u>\$240,207,653</u>	<u>\$226,281,983</u>

The accompanying notes to the financial statements are an integral part of these statements.

Palm Beach County Department of Airports

Statements of Revenues, Expenses
and Changes in Net Assets

	Year ended September 30	
	2003	2002
Operating revenues:		
Rentals	\$ 17,900,803	\$ 17,718,724
Concessions	24,030,622	22,593,679
Landing fees	3,263,128	2,129,005
Other	2,535,833	2,206,338
Total operating revenues	47,730,386	44,647,746
Operating expenses:		
Employee compensation and benefits	8,466,475	8,140,791
General and administrative	7,698,871	6,213,147
Maintenance	4,174,865	3,909,759
Contracted security services	6,854,670	6,935,148
Contracted fire-rescue services	4,732,970	4,589,643
Utilities	2,355,014	2,477,537
Total operating expenses before depreciation and amortization	34,282,865	32,266,025
Operating income before depreciation and amortization	13,447,521	12,381,721
Depreciation and amortization	15,785,313	15,635,049
Operating loss	(2,337,792)	(3,253,328)
Nonoperating revenues (expenses):		
Investment income	2,263,831	5,255,271
Passenger facility charges	7,586,057	7,539,529
Operating grants	524,711	1,537,500
Interest expense	(7,141,388)	(7,768,275)
Gain on disposal of assets	76,394	1,747,300
Amortization of revenue bond costs	(130,275)	(228,092)
Other revenues	33,729	186,216
Total nonoperating revenues	3,213,059	8,269,449
Capital contributions	13,050,403	8,106,238
Change in net assets	13,925,670	13,122,359
Net assets at beginning of year	226,281,983	213,159,624
Net assets at end of year	\$240,207,653	\$226,281,983

The accompanying notes to the financial statements are an integral part of these statements.

Palm Beach County Department of Airports

Statements of Cash Flows

	Year ended September 30	
	2003	2002
Operating activities		
Cash received from customers	\$47,673,328	\$42,596,738
Cash payments to vendors for goods and services	(15,366,356)	(16,152,841)
Cash payments to employees for services	(8,342,994)	(8,055,513)
Cash payments to other funds	(11,130,021)	(11,537,931)
Other receipts	33,729	186,216
Net cash provided by operating activities	<u>12,867,686</u>	<u>7,036,669</u>
Noncapital financing activity		
Operating grants received	524,711	1,537,500
Net cash provided by noncapital financing activity	<u>524,711</u>	<u>1,537,500</u>
Capital and related financing activities		
Acquisition and construction of capital assets	(26,610,598)	(13,002,930)
Proceeds from sale of capital assets	2,090,715	1,892,745
Repayment on loan payable	-	(150,758)
Repayment on note payable	(600,119)	-
Proceeds from issuance of revenue bonds	-	64,096,013
Payment to escrow agent for advance refunding of revenue bonds	-	(61,791,967)
Swap termination fee	-	(2,477,800)
Principal repayment on revenue bonds	(7,635,000)	(8,825,000)
Passenger facility charges received	7,586,057	7,539,529
Receipt of capital grants and reimbursements	13,157,983	7,411,205
Bond issue costs	-	(692,840)
Interest and fiscal charges paid	(6,486,821)	(7,156,318)
Net cash used for capital and related financing activities	<u>(18,497,783)</u>	<u>(13,158,121)</u>
Investing activities		
Purchase of investments	(9,620,037)	(11,053,009)
Proceeds from sale and maturity of investments	9,621,219	11,614,641
Receipt of repayments on other receivables	38,424	-
Interest received on investments	2,325,331	4,721,729
Net cash provided by investing activities	<u>2,364,937</u>	<u>5,283,361</u>
Net change in cash and cash equivalents	(2,740,449)	699,409
Cash and cash equivalents at beginning of year (including \$48,212,818 and \$40,096,490 in restricted accounts)	<u>81,821,626</u>	<u>81,122,217</u>
Cash and cash equivalents at end of year (including \$51,920,417 and \$48,212,818 in restricted accounts)	<u>\$79,081,177</u>	<u>\$81,821,626</u>

Continued on next page.

Palm Beach County Department of Airports

Statements of Cash Flows (continued)

	Year ended September 30	
	2003	2002
Reconciliation of operating loss to net cash provided by operating activities		
Operating loss	\$ (2,337,792)	\$ (3,253,328)
Adjustments to reconcile operating loss to net cash provided by operating activities:		
Depreciation and amortization	15,785,313	15,635,049
Provision for doubtful accounts	5,036	(204,032)
Other revenue	33,729	186,216
Changes in net assets and liabilities:		
Accounts receivable	736,912	(566,598)
Inventory	(17,576)	12,276
Intangible and other assets	(2,153,219)	(2,598,257)
Accounts and contracts payable	1,033,189	(966,417)
Compensated absences payable	63,395	46,281
Deferred revenues	(853,948)	(1,286,017)
Other current liabilities	517,705	25,857
Security deposits	54,942	5,639
Total adjustments	<u>15,205,478</u>	<u>10,289,997</u>
Net cash provided by operating activities	<u>\$12,867,686</u>	<u>\$ 7,036,669</u>
Non-cash Capital and Related Financing Activity		
Note payable to seller for acquisition of property	<u>\$ 9,500,000</u>	<u>\$ —</u>

The accompanying notes to the financial statements are an integral part of these statements.

Palm Beach County Department of Airports

Notes to Financial Statements

For the fiscal years ended September 30, 2003 and 2002

1. Significant Accounting Policies

Reporting Entity

Palm Beach County (the County) is a chartered political subdivision of the State of Florida and is granted the power of self-government by the Constitution of the State of Florida and Florida Statutes. The Board of County Commissioners (the Board) is the legislative and governing body of the County.

Pursuant to the general laws of Florida, the County owns the Palm Beach International Airport and three general aviation airports, Palm Beach County Park Airport in Lantana, Palm Beach County Glades Airport in Pahokee and North County General Aviation Airport in Palm Beach Gardens (collectively, the Airports), all operated by the Palm Beach County Department of Airports (the Department of Airports).

Basis of Presentation

The Department of Airports operates the Airports as an enterprise fund of the County. An enterprise fund is used to account for the financing of services to the general public where all or most of the costs involved are paid in the form of charges by users of such services. The Board is empowered to establish and fix rates and charges to the various users of airport facilities. Accordingly, the County has entered into agreements with certain airlines using Palm Beach International Airport and various other lease agreements with tenants doing business at the Airports.

The financial statements included in this report represent the operations of the four Airports.

Basis of Accounting

The accounts of the Department of Airports are maintained on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States. Revenues are recognized when earned and expenses are recognized when incurred.

Revenues from airlines, concessions, rental cars and parking are reported as operating revenues. Transactions which are capital, financing or investing related are reported as non-operating revenues. All expenses related to operating the Airport are reported as operating expenses. Interest expense and financing costs are reported as non-operating expenses.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Rental revenue includes revenue from terminal fees charged to airlines. Concession revenue includes car rental concessions and parking fees.

The Department of Airports follows all applicable pronouncements of the Governmental Accounting Standards Board (GASB), as well as certain pronouncements of the Financial Accounting Standards Board (FASB) and its predecessors, issued on or before November 30, 1989 unless they conflict with GASB pronouncements. The Department of Airports has elected not to apply FASB pronouncements issued after November 30, 1989.

Cash and Cash Equivalents

The Department of Airports considers all highly liquid investments with maturities of three months or less when purchased, as well as its proportionate share of the County's investment pool, to be cash equivalents for purposes of the statement of net assets and the statement of cash flows.

Investments

Investments consist of U.S. Government and agency obligations. All investments are stated at fair value, based on the last reported sales price for securities traded on a national exchange. Gain or loss on sales of investments is based on the specific identification method.

Accounts Receivable

Accounts receivable are composed primarily of monthly billings to airlines and concessionaires operating at Palm Beach International Airport for various rentals and other fees due under the Department of Airports operating leases. No collateral is required for accounts receivable. An allowance for doubtful accounts is provided for receivables where there is a question as to ultimate collectability. Receivables are written off when management has determined that the amount will not be collected. Collection on accounts previously written off are included in other revenues when received.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Inventories

Inventories, consisting mostly of materials and supplies, are stated at the lower of cost or market value, determined on the first-in, first-out basis.

Capital Assets

Capital assets are recorded at cost or, if donated, at fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which significantly add to the productive capacity or extend the useful life of capital assets capitalized and depreciated using the straight-line method over the estimated useful lives of the assets, which are summarized as follows:

Buildings	10-40 years
Improvements other than buildings	5-20 years
Furniture, fixtures and equipment	4-12 years

Depreciation on capital assets acquired through contributions from developers, customers and other governments is recorded as an expense in the statements of revenues, expenses and changes in net assets.

The Department of Airports purchases certain residential parcels of land that are considered to be within the area designated as “noise-impacted” surrounding the Airports. The costs of acquisition, structure demolition and relocation of residents in this area are eligible under the Federal Aviation Administration (FAA) Noise Abatement Grant Program for reimbursement. The FAA funds approximately 80% of these costs with the remainder financed by the Department of Airports. The FAA retains a continuing interest in the properties equal to its original funding percentage and restricts the use of such properties to purposes which are compatible with noise levels associated with the operation of Airports. The total costs associated with acquiring these parcels of land are approximately \$77,509,000 and \$72,995,000 at September 30, 2003 and 2002, respectively, and is recorded under the caption “land” in the accompanying statements of net assets.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Intangible Assets

The costs of various easement rights are capitalized as intangible assets and are amortized using the straight-line method over their remaining lives, which is determined to be 40 years.

Security Deposits

Security deposits represent cash deposits held by the Department of Airports pursuant to certain operating leases.

Deferred Revenue

Deferred revenue consists of lease payments received from airport tenants in advance of the due date under the operating leases.

Restricted Assets and Reserves

Certain assets are restricted in accordance with the provisions of the Bond Resolution (Resolution) and in accordance with FAA restrictions. Assets restricted under the Resolution are designated primarily for payment of debt service and the retention of the operation and maintenance reserve, all as defined in the Resolution. Assets subject to FAA restrictions total approximately \$3,067,000 and \$2,548,000 at September 30, 2003 and 2002, respectively, and results from the sale of excess land previously contributed by the FAA and not required for aviation purposes. These assets are restricted until appropriated for FAA approved projects.

Amortization

Bond discount or premium and expenses incurred in connection with the issuance or refunding of revenue bonds are deferred and amortized using the interest method over the life of the related debt issue.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Interest

Interest costs are expensed or capitalized in accordance with the provisions of Statements of Financial Accounting Standards No. 34, *Capitalization of Interest Cost*, and No. 62, *Capitalization and Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants*. The amount of interest cost incurred was \$7,141,388 and \$7,768,275 for the fiscal years ended September 30, 2003 and 2002, respectively, all of which was charged to expense.

Compensated Absences

Department of Airports employees accumulate unused vacation and sick leave within certain limitations. Accumulated vacation and sick leave is payable to employees upon termination or retirement at their pay rate on that date. The Department of Airports accrues unused vacation and sick leave on the statement of net assets as compensated absences payable.

The Department of Airports does not provide any other post-employment benefits to employees.

Passenger Facility Charges

The Department of Airports received approval of the FAA to impose a \$3 Passenger Facility Charge (PFC) for each passenger enplaned at the Airport. Effective March 2004, the Airport is authorized to collect up to \$109,401,876 of PFC revenue to fund construction of pre-approved capital projects. The estimated expiration date on PFC revenue collection is February 2007. The Department of Airports began imposing this charge effective April 1, 1994. For the years ended September 30, 2003 and 2002, the Department of Airports collected \$7,586,057 and \$7,539,529, respectively, of PFCs for a cumulative total of \$72,635,978 and has earned interest on unspent funds of \$7,476,134. Cumulative expenditures amount to \$58,717,531. The net unexpended monies of \$22,791,765 are included in the accompanying financial statements as restricted assets because these funds must be spent on FAA approved capital improvements.

Capital Contributions

Grants from other governmental agencies for the acquisition of capital assets are recorded as capital contributions when related costs are incurred.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

1. Significant Accounting Policies (continued)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Cash and Cash Equivalents and Investments

Cash and cash equivalents consist of the following at September 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Equity in County pooled cash system	\$66,962,454	\$70,304,581
Deposits with financial institutions	12,117,623	11,515,945
Petty cash	1,100	1,100
Total	<u>\$79,081,177</u>	<u>\$81,821,626</u>
Unrestricted cash and cash equivalents	\$27,160,760	\$33,608,808
Restricted cash and cash equivalents	51,920,417	48,212,818
Total	<u>\$79,081,177</u>	<u>\$81,821,626</u>

The Department of Airports participates in the County's pooled cash system to maximize earnings and facilitate cash management. The County's pooled cash fund is a highly liquid investment pool of approximately \$1.3 billion and \$1.2 billion as of September 30, 2003 and 2002, respectively, of which approximately 78% and 85%, respectively, are invested in U.S. Government and Agency obligations, which are classified as Category 1 investments. Almost all remaining amounts at September 30, 2003 and 2002 were invested in the Local Government Surplus Funds Trust Fund investment pool managed by the Florida State Treasurer (State Treasurer) and the Florida Local Government Investment Trust. For purposes of categorizing the equity in pooled cash in accordance with the provisions of GASB Statement No. 3 (*Deposits with Financial Institutions, including Repurchase Agreements, and Reverse Repurchase Agreements*), the pooled cash investments in the Local Government Surplus Funds Trust Fund and the Florida Local Government Investment Trust cannot be categorized because they are not evidenced by

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

2. Cash and Cash Equivalents and Investments (continued)

cash or securities that exist in physical or book entry form. These financial instruments may be subject to credit or market risk. Information quantifying these risks was not available, but management believes the impact to the Department of Airports, if any, would be minimal. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. The equity in the County pooled cash system is available to the Department of Airports on a demand basis.

The deposits with financial institutions were entirely covered by a combination of Federal depository insurance and a collateral pool pledged to the State Treasurer of Florida by financial institutions which comply with the requirements of Florida Statutes and have been designated as a qualified public depository by the State Treasurer. Qualified public depositories are required to pledge collateral to the State Treasurer with a fair value equal to at least 50% of the average daily balance of all government deposits in excess of any Federal deposit insurance. In the event of a default by a qualified public depository, all claims for government deposits would be satisfied by the State Treasurer from the proceeds of Federal deposit insurance, pledged collateral of the public depository in default and, if necessary, a pro rata assessment to the other qualified public depositories in the collateral pool. Accordingly, all deposits with financial institutions are considered fully insured in accordance with the provisions of GASB Statement No. 3.

Investments

County ordinance and the Resolution authorize the Department of Airports to invest in obligations of the U.S. Government, U.S. Government Agencies and Instrumentalities, interest-bearing time deposits or savings accounts, the Local Government Surplus Funds Trust Fund and the Florida Local Government Investment Trust. The Department of Airports invested only in permissible securities during the year.

The Department of Airports carries its investments at fair value. At September 30, 2003 and 2002, investments consisted of U.S. Government Agency obligations with a carrying value of \$14,879,586 and \$14,932,353, respectively. The Department of Airports anticipates holding these investments to maturity. These investments are categorized in accordance with GASB Statement No. 3 and are considered to be in Category 1 as investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Investment income for the years ended September 30, 2003 and 2002 includes net realized and unrealized gains (losses) of approximately \$(51,000) and \$716,000, respectively.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

3. Capital Assets

Capital assets consist of the following:

	Balance at October 1, 2002	Additions	Retirements	Transfers	Balance at September 30, 2003
Depreciable capital assets					
Buildings	\$171,727,037	\$ 8,899,881	\$ —	\$ 3,103,355	\$183,730,273
Improvements other than buildings	143,638,130	—	—	504,935	144,143,065
Furniture, fixtures and equipment	30,833,164	675,460	(590,017)	69,098	30,987,705
Total depreciable capital assets	346,198,331	9,575,341	(590,017)	3,677,388	358,861,043
Less accumulated depreciation					
Buildings	80,679,041	6,276,315	—	—	86,955,356
Improvements other than buildings	92,251,537	7,385,300	—	—	99,636,837
Furniture, fixtures and equipment	24,305,285	1,879,112	(590,017)	—	25,594,380
Total accumulated depreciation	197,235,863	15,540,727	(590,017)	—	212,186,573
Depreciable capital assets, net of accumulated depreciation	<u>\$148,962,468</u>	<u>\$(15,965,386)</u>	<u>\$ —</u>	<u>\$ 3,677,388</u>	<u>\$146,674,470</u>
Nondepreciable capital assets					
Land	\$116,101,267	\$ 12,973	\$(2,014,321)	\$ 8,389,564	\$122,489,483
Construction in progress	4,292,495	26,522,285	—	(12,066,952)	18,747,828

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

3. Capital Assets (continued)

	Balance at October 1, 2001	Additions	Retirements	Transfers	Balance at September 30, 2002
Depreciable capital assets					
Buildings	\$168,416,232	\$ 3,209,911	\$ (357,984)	\$ 458,878	\$171,727,037
Improvements other than buildings	150,498,991	–	(9,643,786)	2,782,925	143,638,130
Furniture, fixtures and equipment	28,322,459	–	(1,056,078)	3,566,783	30,833,164
Total depreciable capital assets	347,237,682	3,209,911	(11,057,848)	6,808,586	346,198,331
Less accumulated depreciation					
Buildings	75,018,860	5,905,422	(245,241)	–	80,679,041
Improvements other than buildings	94,170,961	7,724,362	(9,643,786)	–	92,251,537
Furniture, fixtures and equipment	23,513,075	1,815,586	(1,023,376)	–	24,305,285
Total accumulated depreciation	192,702,896	15,445,370	(10,912,403)	–	197,235,863
Depreciable capital assets, net of accumulated depreciation	\$154,534,786	\$(12,235,459)	\$ (145,445)	\$ 6,808,586	\$148,962,468
Nondepreciable capital assets					
Land	\$110,694,156	\$ –	\$ –	\$ 5,407,111	\$116,101,267
Construction in progress	5,815,174	10,693,018	–	(12,215,697)	4,292,495

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

4. Leases

The Department of Airports leases a major portion of its property to airlines and concessionaires. Certain of the concessionaire leases provide for minimum rentals plus a contingency portion specified as a percentage of the tenants' gross revenues. Contingent rental income under such arrangements amounted to approximately \$2,635,000 and \$2,645,000 for the years ended September 30, 2003 and 2002, respectively. All Department of Airports' leases are operating leases.

Minimum future rentals, exclusive of contingent rentals under such leases, are approximately:

Year ending September 30,	
2004	\$ 25,655,324
2005	25,933,294
2006	13,303,063
2007	13,730,626
2008	13,854,752
Thereafter	34,614,491
	<u>\$127,091,550</u>

A schedule of the carrying value of property held for lease, by major classification, as of September 30, 2003 and 2002, is as follows:

	<u>2003</u>	<u>2002</u>
Buildings	\$149,199,315	\$136,996,537
Less: accumulated depreciation	66,559,238	61,017,365
	82,640,077	75,979,172
Land	1,867,182	1,867,182
Property held for lease, net	<u>\$ 84,507,259</u>	<u>\$ 77,846,354</u>

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

5. Due to State of Florida

The Department of Airports entered into joint participation agreements with the Florida Department of Transportation (FDOT) and received State financial assistance for the acquisition of land for the North County Airport. Pursuant to the terms of the Joint Participation Agreements and Florida Statutes, the FDOT advanced up to 75% of the cost of the land acquisition and is to be reimbursed for all amounts in excess of 50% of eligible project costs which are not funded by the Federal Government. Reimbursements are due to the FDOT when Federal funds are received or within ten years after the date of the land acquisition, whichever is earlier. At September 30, 2003 and 2002, the amount to be reimbursed to the FDOT related to the advanced funds is \$1,624,400. Because the ten-year period has expired, management of the Airport is currently in negotiations with the FDOT regarding the ultimate disposition of this advance.

6. Revenue Bonds and Loan Payable

Revenue bonds payable by the Department of Airports consist of the following as of September 30, 2003 and 2002:

	<u>2003</u>	<u>2002</u>
Series 2002 Revenue Refunding Bonds due in annual installments of \$13,645,000 to \$16,500,000 beginning October 1, 2011 through October 1, 2014, with interest at 5.75% payable semiannually on October 1 and April 1	\$ 60,150,000	\$ 60,150,000
Series 2001 Revenue Refunding Bonds due in annual installments of \$7,635,000 to \$11,215,000 through October 1, 2010, with interest from 4.0% to 5.5% payable semiannually on October 1 and April 1	76,330,000	83,965,000
	136,480,000	144,115,000
Less: current portion	8,010,000	7,635,000
	128,470,000	136,480,000
Net unamortized premium	5,224,886	6,061,294
Unamortized loss on refunding	(4,282,870)	(5,006,940)
Long-term portion	\$129,412,016	\$137,534,354

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

6. Revenue Bonds and Loan Payable (continued)

Series 2002

Series 2002, \$60,150,000 Airport System Revenue Refunding Bonds, dated July 1, 2002; proceeds were used for the purpose of refunding the \$90,690,000 Airport System Revenue Refunding Bonds, Series 1992, paying the swap termination fee related to the Series 2002 bonds, and paying the issuance costs of the Series 2002 bonds. The Series 2002 bonds are not subject to redemption prior to maturity.

This advance refunding resulted in a loss of approximately \$2.9 million that is being deferred and amortized over the life of the new bonds. However, the Department of Airports reduced its aggregate debt service payments by approximately \$3.7 million over the next 12 years and obtained an economic loss (difference between the present values of the old and new debt service payments) of approximately \$900,000.

Series 2001

Series 2001, \$83,965,000 Airport System Revenue Refunding Bonds, dated July 1, 2001; proceeds were used for the purpose of refunding the \$94,815,000 Airport System Revenue Refunding Term Bonds, Series 1991 (except for the sinking fund installment due October 1, 2001), paying the swap termination fee related to the Series 2001 bonds, and paying the issuance costs of the Series 2001 bonds. The Series 2001 bonds are not subject to redemption prior to maturity.

This advance refunding resulted in a loss of approximately \$2.7 million that is being deferred and amortized over the life of the new bonds. However, the Department of Airports reduced its aggregate debt service payments by approximately \$7.1 million over the next 9 years and obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$4.2 million.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

6. Revenue Bonds and Loan Payable (continued)

Loan Payable

In conjunction with the purchase of a parcel of property during the fiscal year ended September 30, 2003, the Airport is obligated to pay \$9.5 million of the \$14.5 million total purchase price over a period of approximately 2.5 years. The \$9.5 million will be paid to the seller as the seller makes draws for construction on its new facility. The loan is noninterest bearing. The current portion of the loan at September 30, 2003 was estimated to be \$5,230,000 based on the seller's estimated draw schedule.

A summary of changes in long term liabilities for the years ended September 30, 2003 and 2002 is as follows:

	Balance at October 1, 2002	Additions	Reductions	Balance at September 30, 2003	Due Within One Year
Revenue refunding bonds:					
Series 2002	\$ 60,150,000	\$ —	\$ —	\$ 60,150,000	\$ —
Series 2001	83,965,000	—	7,635,000	76,330,000	8,010,000
Loan payable	—	9,500,000	600,119	8,899,881	5,230,000
Compensated absences payable	957,257	145,708	82,323	1,020,642	87,775
	<u>\$145,072,257</u>	<u>\$9,645,708</u>	<u>\$8,317,442</u>	<u>146,400,523</u>	<u>\$13,327,775</u>
Less current maturities				<u>(13,327,775)</u>	
Long-term portion				133,072,748	
Add unamortized bond premium				5,224,886	
Less unamortized loss on refunding				<u>(4,282,870)</u>	
Total				<u>\$134,014,764</u>	

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

6. Revenue Bonds and Loan Payable (continued)

	Balance at October 1, 2001	Additions	Reductions	Balance at September 30, 2002	Due Within One Year
Loan payable	\$ 150,758	\$ —	\$ 150,758	\$ —	\$ —
Revenue refunding bonds:					
Series 2002	—	60,150,000	—	60,150,000	—
Series 2001	83,965,000	—	—	83,965,000	7,635,000
Series 1992	59,380,000	—	59,380,000	—	—
Series 1991	6,025,000	—	6,025,000	—	—
Taxable subordinated indebtedness:					
Series 1989	2,800,000	—	2,800,000	—	—
Compensated absences payable	910,966	124,624	78,343	957,247	82,323
	<u>\$153,231,724</u>	<u>\$60,274,624</u>	<u>\$68,754,101</u>	<u>145,072,247</u>	<u>\$7,717,323</u>
Less current maturities				<u>(7,717,323)</u>	
Long-term portion				137,354,924	
Add unamortized premium				6,061,294	
Less unamortized loss on refunding				<u>(5,006,940)</u>	
Total				<u>\$138,409,278</u>	

The annual debt service requirements for all outstanding bonds are as follows:

Year ending September 30,	Principal	Interest	Total
2004	\$ 8,010,000	\$ 6,941,136	\$ 14,951,136
2005	8,410,000	6,530,636	14,940,636
2006	8,830,000	6,077,561	14,907,561
2007	9,315,000	5,648,436	14,963,436
2008	9,690,000	5,195,661	14,885,661
2009-2013	60,280,000	17,971,122	78,251,122
2014-2015	31,945,000	1,867,169	33,812,169
	<u>\$136,480,000</u>	<u>\$50,231,721</u>	<u>\$186,711,721</u>

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

7. Interest Rate Swap Agreements

In May 2001, the County entered into termination agreements with Merrill Lynch Capital Services (MLCS) to terminate its interest rate swap agreements. On July 3, 2002 the Department of Airports paid \$2,477,800 to terminate the agreement related to the Series 2002 bonds. In conjunction with the termination of the swap agreement related to the Series 2002 bonds, MLCS agreed to pay the Department of Airports \$76,488 on each October 1 and April 1 beginning October 1, 2002 and ending October 1, 2014. These future payments were discounted at 5.75% and the net amount of \$1,312,000 (payments to be received totaling \$1,912,200 less discount of \$600,200) was recorded as a receivable and a reduction of the loss on swap termination. At September 30, 2003 and 2002 the net amount receivable was \$1,273,576 (net of discount of \$448,409) and \$1,312,000 (net of discount of \$532,752), respectively.

8. Defined Benefit Pension Plan

Plan Description

All regular full-time employees of the Department of Airports are required to participate in the Florida Retirement System (the System) administrated by the Florida Department of Management Services, Division of Retirement. The System is a cost-sharing, multiple-employer, defined benefit public employee retirement system that provides retirement, death and disability benefits to plan members and beneficiaries. Pension benefits of the System are established by Florida Statutes, Chapter 121, and may be amended by the Florida Legislature.

The System issued a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Florida Department of Management Services, Division of Retirement, Cedars Executive Center, Building C, 2639 North Monroe Street, Tallahassee, Florida 32399-1560 or by calling 1-850-488-5706.

Funding Policy

Plan members are not required to contribute to the System. The Department of Airports is required to contribute at an actuarially determined rate, which is presently 7.39% of annual covered payroll. The contribution requirement for plan members and participating governments is established by State Statute. The Department of Airports' contributions to the System for the years ended September 30, 2003, 2002 and 2001 were approximately \$413,000, \$433,000 and \$446,000, respectively, and were equal to the required contributions for each year.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

9. Related Party Transactions

The Department of Airports reimburses the General Fund of Palm Beach County for an allocated portion of certain support department costs which include such services as legal, administrative, fiscal, engineering, purchasing, personnel, internal audit and communication costs. The Department of Airports is also charged for the cost of services provided by the Motor Pool, Casualty Self-Insurance, Workers' Compensation and Data Processing Internal Service Funds of the County. The total cost for the above services was approximately \$3,487,000 and \$1,647,000 for the years ended September 30, 2003 and 2002, respectively. In addition, the Department of Airports also pays solid waste disposal fees to the Solid Waste Authority of Palm Beach County, a dependent special district and component unit of Palm Beach County, Florida. Fees paid to the Solid Waste Authority for the years ended September 30, 2003 and 2002 totaled approximately \$170,000 and \$173,000, respectively. At September 30, 2003 and 2002, there were no amounts receivable from other funds and departments of Palm Beach County and \$43,910 and \$73,503, respectively, was payable to other County funds and departments. These amounts are included in accounts and contracts payable.

The Department of Airports also contracts directly with the Palm Beach County Sheriff's Department for security services at Palm Beach International Airport. The cost of these services was approximately \$6,468,000 and \$5,117,000 for the years ended September 30, 2003 and 2002, respectively. The Department of Airports also contracts with the Fire-Rescue Department for fire-rescue services at Palm Beach International Airport. The cost of these services was approximately \$4,719,000 and \$4,617,000 for the years ended September 30, 2003 and 2002, respectively.

10. Major Customers

A significant portion of the Department of Airports' earnings and revenues are directly or indirectly attributed to the activity of a few major airlines operating out of Palm Beach International Airport.

The Department of Airports' earnings and revenues could be materially and adversely affected should any of these major airlines discontinue operations at Palm Beach International Airport and should the Department of Airports be unable to replace those airlines with similar activity. The level of operations is determined based upon the relative share of enplaned passengers.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

10. Major Customers (continued)

Major airlines, based on this criteria are as follows:

Airline	Percent of Activity Based Upon Enplaned Passengers	
	Year ended September 30	
	2003	2002
Delta Airlines, Inc.	35.61%	36.05%
USAir, Inc.	15.56	17.82
Continental Airlines, Inc.	12.05	12.88
Southwest Airlines Company	9.54	10.52
Jet Blue Airways Corporation	8.90	6.95
American Airlines, Inc.	5.11	4.47
Others	13.23	11.31
	100.00%	100.00%

11. Commitments and Contingencies

Litigation

The Department of Airports is involved in various lawsuits arising in the ordinary course of operations. Although the outcome of these matters is not presently determinable, it is the opinion of management of the Department of Airports, based upon consultation with legal counsel, that the outcome of these lawsuits will not materially affect the financial position of the Department of Airports.

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies, principally the State of Florida and the Federal Aviation Administration. Any disallowed claims, including amounts already received, might constitute a liability of the Department of Airports for the return of those funds.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

11. Commitments and Contingencies (continued)

Insurance

The Department of Airports participates in the county-wide self-insurance programs for Casualty Insurance, Health Insurance and Workers' Compensation Insurance. While each of these programs is subject to potential losses in excess of the amounts that have been accrued and funded as of September 30, 2003 and 2002, management believes it is unlikely that the amounts of such potential losses, if any, would be material. In addition, the Department of Airports also has a commercial policy that provides insurance in the event of a disaster.

Contract Commitments

The Department of Airports has several uncompleted design and construction contracts for improvements to the airport system. At September 30, 2003, the remaining commitment on these uncompleted contracts was \$14,510,424, which is summarized as follows:

<u>Contract Amount</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitment</u>
<u>\$47,356,154</u>	<u>\$31,772,545</u>	<u>\$1,073,185</u>	<u>\$14,510,424</u>

12. Accounting Change

Effective October 1, 2001, the Airport adopted the provisions of GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. GASB Statement Nos. 34 and 37 changed the reporting model for local governments and GASB Statement No. 38 modified certain note disclosure requirements.

Other Financial Information

Palm Beach County Department of Airports

Schedule of Amounts on Deposit and Investments

September 30, 2003

Description	Par Amount	Cost	Fair Value
Revenue fund:			
Petty cash		\$ 1,100	\$ 1,100
Cash and cash equivalents:		5,587,643	5,587,643
Equity in pooled cash (2)		<u>\$ 5,588,743</u>	<u>\$ 5,588,743</u>
Renewal and replacement fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 7,707,172</u>	<u>\$ 7,707,172</u>
Debt service fund—2001 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 60,423	\$ 60,423
Bank of America – money market account (1)		4,847,956	4,847,956
		<u>\$ 4,908,379</u>	<u>\$ 4,908,379</u>
Debt service fund—2002 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 181,040	\$ 181,040
Bank of America – money market account (1)		1,439,155	1,439,155
		<u>\$ 1,620,195</u>	<u>\$ 1,620,095</u>
Debt service fund—debt service reserve account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 57	\$ 57
Bank of America – money market account (1)		5,830,512	5,830,512
U.S. Government and Agencies:			
FHLMC, 4.5%, due 8/15/04 (3)	\$5,060,000	5,243,369	5,202,331
FHLMC, 5.125%, due 10/15/08 (3)	8,415,000	8,060,880	9,164,440
FHLB, 3.0%, due 8/15/05 (3)	500,000	503,359	512,815
		<u>\$19,638,177</u>	<u>\$20,710,155</u>

Continued on next page.

Palm Beach County Department of Airports

Schedule of Amounts on Deposit and Investments (continued)

September 30, 2003

Description	Par Amount	Cost	Fair Value
Restricted assets fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 3,142,209	\$ 3,142,209
Improvement and development fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$27,159,660	\$27,159,660
Passenger facility charge fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$22,791,765	\$22,791,765
Noise abatement and mitigation fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 332,485	\$ 332,485

Notes:

- (1) Held on deposit or as safekeeping agent by Bank of America, West Palm Beach, Florida, with U.S. Bank, as Trustee.
- (2) Investment represents amounts on deposit in the Palm Beach County pooled cash system. As of September 30, 2003, approximately 78% of funds held in this pooled system were invested in U.S. Government and Agency obligations and virtually all of the remaining funds were invested in the Local Government Surplus Funds Trust Fund investment pool managed by the Florida State Treasurer and the Florida Local Government Investment Trust.
- (3) Held on deposit or as safekeeping agent by U.S. Bank.

Palm Beach County Department of Airports

Schedule of Amounts on Deposit and Investments

September 30, 2002

Description	Par Amount	Cost	Fair Value
Revenue fund:			
Petty cash		\$ 1,100	\$ 1,100
Cash and cash equivalents:		5,919,432	5,919,432
Equity in pooled cash (2)		<u>\$ 5,920,532</u>	<u>\$ 5,920,532</u>
Renewal and replacement fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 8,088,307</u>	<u>\$ 8,088,307</u>
Debt service fund—2002 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 80,565	\$ 80,565
Bank of America – money market account (1)		<u>9,711,542</u>	<u>9,711,542</u>
		<u>\$ 9,792,107</u>	<u>\$ 9,792,107</u>
Debt service fund—2001 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 102,241	\$ 102,241
Bank of America – money market account (1)		<u>866,422</u>	<u>866,422</u>
		<u>\$ 968,663</u>	<u>\$ 968,663</u>
Debt service fund—debt service reserve account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 57	\$ 57
Bank of America – money market account (1)		<u>937,981</u>	<u>937,981</u>
U.S. Government and Agencies:			
FNMA, 6.1%, due 10/21/02 (3)	\$ 500,000	491,655	501,250
FHLMC, 4.5%, due 08/15/04 (3)	5,060,000	5,243,369	5,295,948
FHLMC, 5.125%, due 10/15/08 (3)	8,415,000	<u>8,060,880</u>	<u>9,135,156</u>
		<u>\$14,733,942</u>	<u>\$15,870,392</u>

Continued on next page.

Palm Beach County Department of Airports

Schedule of Amounts on Deposit and Investments (continued)

September 30, 2002

Description	Par Amount	Cost	Fair Value
Restricted assets fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 2,548,237	\$ 2,548,237
Improvement and development fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$32,963,975	\$32,963,975
Passenger facility charge fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$19,782,328	\$19,782,328
Noise abatement and mitigation fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 819,437	\$ 819,437

Notes:

- (1) Held on deposit or as safekeeping agent by Bank of America, West Palm Beach, Florida, with U.S. Bank, as Trustee.
- (2) Investment represents amounts on deposit in the Palm Beach County pooled cash system. As of September 30, 2002, approximately 85% of funds held in this pooled system were invested in U.S. Government and Agency obligations and virtually all of the remaining funds were invested in the Local Government Surplus Funds Trust Fund investment pool managed by the Florida State Treasurer and the Florida Local Government Investment Trust.
- (3) Held on deposit or as safekeeping agent by U.S. Bank.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account

For the year ended September 30, 2003

	<u>Total</u>	<u>Revenue Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Debt Service Fund</u>		
				<u>2002 Debt Service Refunding</u>	<u>2001 Debt Service Refunding</u>	<u>Debt Service Reserve Account</u>
Cash and investments on deposit, September 30, 2002	\$ 96,753,979	\$ 5,920,532	\$ 8,088,307	\$ 968,663	\$ 9,792,107	\$15,870,392
Cash receipts:						
Operating receipts	56,860,314	48,708,104	—	—	—	—
Florida state sales tax	1,822,899	1,822,899	—	—	—	—
Interest collected on investments	2,433,842	169,292	298,650	126,232	50,314	631,815
Proceeds from grants	13,562,428	524,711	—	—	—	—
Proceeds from maturity of investment	—	—	—	—	—	—
Proceeds from sale of bonds	2,042,922	—	—	—	—	—
Merrill Lynch Loan	—	—	—	—	—	—
Other receipts	221,362	102,352	61,371	57,639	—	—
Transfers from:						
Passenger facility charge fund	5,696,511	—	996,433	—	—	—
Noise abatement & mitigation fund	11,519,997	—	—	—	—	—
S.I. - debt service reserve fund	1,118,311	1,118,311	—	—	—	—
Operations fund	15,006,791	—	—	3,082,165	8,598,167	5,326,459
Capital projects fund	—	—	—	—	—	—
Debt service fund – debt service reserve account	—	—	—	—	—	—
Debt service fund	—	—	—	—	—	—
Restricted assets fund	84,425	64,425	—	—	—	—
Improvement and development fund	9,428,351	9,428,351	—	—	—	—
Total cash receipts	120,013,968	62,174,260	1,356,454	3,266,036	6,648,481	5,958,074

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the year ended September 30, 2003

	Restricted Assets Fund	Improvement and Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash and investments on deposit, September 30, 2002	\$ 2,548,237	\$32,963,976	\$19,782,328	\$ 819,437
Cash receipts:				
Operating receipts	-	-	7,972,436	179,774
Florida state sales tax	-	-	-	-
Interest collected on investments	40,474	623,755	493,509	-
Proceeds from grants	-	4,911,140	-	8,106,577
Proceeds from maturity of investment	-	-	-	-
Proceeds from sale of bonds	2,042,922	-	-	-
Merrill Lynch loan	-	-	-	-
Other receipts	-	-	-	-
Transfers from:				
Passenger facility charge fund	-	-	-	-
Noise abatement & mitigation fund	-	2,699,438	-	2,000,640
S.I. – debt service reserve fund	-	11,519,997	-	-
Operations fund	-	-	-	-
Capital projects fund	-	-	-	-
Debt service fund – debt service reserve account	-	-	-	-
Debt service fund	-	-	-	-
Restricted assets fund	-	-	-	-
Improvement and development fund	-	-	-	-
Total cash receipts	<u>2,083,397</u>	<u>19,774,830</u>	<u>8,465,945</u>	<u>10,286,991</u>

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the year ended September 30, 2003

	<u>Total</u>	<u>Revenue Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Debt Service Fund</u>		
				<u>2002 Debt Service Refunding</u>	<u>2001 Debt Service Refunding</u>	<u>Debt Service Reserve Account</u>
Cash disbursements:						
Operating expenses	\$ 34,106,927	\$30,123,409	\$ —	\$ 1,321	\$ 23,571	\$ —
Capital expenditures	29,695,873	833,487	1,501,774	—	—	—
Bond interest expense	6,486,821	—	—	2,613,183	3,873,638	—
Bond issue costs	—	—	—	—	—	—
Bond discount	—	—	—	—	—	—
Unamortized loss on bond redemption	—	—	—	—	—	—
Refund of security deposits	—	—	—	—	—	—
Florida state sales tax	1,812,362	1,812,362	—	—	—	—
Matured bonds/interest	7,635,000	—	—	—	7,635,000	—
Bond called	—	—	—	—	—	—
Purchase of investment	—	—	—	—	—	—
Transfers to:						
Operations fund	10,846,902	—	235,815	—	—	1,118,311
Improvement and development fund	14,219,435	11,760,000	—	—	—	—
Debt service account	5,326,459	5,326,459	—	—	—	—
Renewal and replacement fund	996,433	—	—	—	—	—
S.I. – debt service fund	3,082,165	3,082,165	—	—	—	—
Debt service fund ser 01	6,598,167	6,598,167	—	—	—	—
Noise abatement and mitigation fund	2,000,640	—	—	—	—	—
Total cash disbursements	<u>122,807,184</u>	<u>62,506,049</u>	<u>1,737,589</u>	<u>2,614,504</u>	<u>11,532,209</u>	<u>1,118,311</u>
Equity transfer – in (out)						
Cash and investments on deposit, September 30, 2003	<u>\$ 93,960,763</u>	<u>\$ 5,688,743</u>	<u>\$7,707,172</u>	<u>\$1,620,195</u>	<u>\$ 4,908,379</u>	<u>\$20,710,155</u>

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the year ended September 30, 2003

	Restricted Assets Fund	Improvement and Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash disbursements:				
Operating expenses	\$ —	\$ —	\$ —	\$ 31,660
Capital expenditures	1,425,000	15,223,329	—	10,742,283
Bond interest expense	—	—	—	—
Bond issue costs	—	—	—	—
Bond discount	—	—	—	—
Unamortized loss on bond redemption	—	—	—	—
Refund of security deposits	—	—	—	—
Florida state sales tax	—	—	—	—
Matured bonds/interest	—	—	—	—
Bond called	—	—	—	—
Purchase of investment	—	—	—	—
Transfers to:				
Operations fund	84,425	9,428,351	—	—
Improvement and development fund	—	—	—	—
Debt service account	—	—	2,459,435	—
Renewal and replacement fund	—	—	996,433	—
S.I. – debt service fund	—	—	—	—
Debt service fund ser 01	—	—	—	—
Noise abatement and mitigation fund	—	—	2,000,640	—
Total cash disbursements	<u>1,489,425</u>	<u>25,578,648</u>	<u>5,458,589</u>	<u>10,773,843</u>
Equity transfer – in (out)				
Cash and investments on deposit, September 30, 2003	<u>\$2,142,209</u>	<u>\$27,159,660</u>	<u>\$22,791,765</u>	<u>\$ 332,485</u>

Note: The schedule herein has been prepared on a cash basis as required by the Resolution and does not reflect the adjustments which have been recorded to the accompanying financial statements necessary to amortize premiums or accrete discounts which are inherent in the purchase price of fixed rate investments.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account

For the year ended September 30, 2002

	<u>Total</u>	<u>Revenue Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Debt Service Fund</u>				<u>Debt Service Reserve Account</u>
				<u>2002 Debt Service Refunding</u>	<u>2001 Debt Service Refunding</u>	<u>1991 Debt Service Refunding</u>	<u>1992 Debt Service Refunding</u>	
Cash and investments on deposit, September 30, 2001	\$ 95,876,555	\$ 6,141,952	\$4,821,210	\$ -	\$ 1,087,343	\$6,338,269	\$1,900,422	\$14,453,325
Cash receipts:								
Operating receipts	53,370,482	44,123,494	-	-	-	-	-	-
Florida state sales tax	1,907,864	1,907,864	-	-	-	-	-	-
Interest collected on investments	5,364,594	404,212	416,198	4,015	57,904	2,858	8,768	1,610,319
Proceeds from grants	6,638,796	1,537,500	457,663	-	-	-	-	-
Proceeds from sale of bonds	64,096,014	-	-	64,096,014	-	-	-	-
Other receipts	289,549	87,350	156,670	19,215	5,991	-	-	-
Transfers from:								
Passenger facility charge fund	4,277,471	-	1,631,686	-	-	-	-	-
Operations fund	25,348,442	-	4,500,000	863,768	11,604,460	-	2,830,214	-
Capital projects fund	414,171	414,171	-	-	-	-	-	-
Debt service fund – debt service reserve account	177,252	87,252	-	90,000	-	-	-	-
Debt service fund	1,069,823	-	-	967,399	86,424	-	16,000	-
Debt service J.I. fund	525,057	525,057	-	-	-	-	-	-
Restricted assets fund	74,572	74,572	-	-	-	-	-	-
Improvement and development fund	11,174,304	11,050,973	-	-	-	-	-	-
Total cash receipts	174,728,391	60,212,445	7,162,217	66,040,411	11,754,779	2,858	2,854,982	1,610,319

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the year ended September 30, 2002

	<u>Debt Service S.I. Fund</u>		<u>Restricted Assets Fund</u>	<u>Improvement and Development Fund</u>	<u>Passenger Facility Charge Fund</u>	<u>Noise Abatement and Mitigation Fund</u>
	<u>S.I. Debt Service</u>	<u>S.I. Debt Service Reserve</u>				
Cash and investments on deposit, September 30, 2001	\$2,977,964	\$452,014	\$ 688,700	\$39,917,326	\$15,846,139	\$1,251,891
Cash receipts:						
Operating receipts	—	—	1,858,761	17,205	7,153,150	217,872
Florida state sales tax	—	—	—	—	—	—
Interest collected on investments	477	27,602	75,348	1,756,780	937,179	62,934
Proceeds from grants	—	—	—	1,175,529	—	3,468,104
Proceeds from sale of bonds	—	—	—	—	—	—
Other receipts	—	—	—	—	—	20,323
Transfers from:						
Passenger facility charge fund	—	—	—	—	—	2,645,785
Operations fund	—	—	—	5,550,000	—	—
Capital projects fund	—	—	—	—	—	—
Debt service fund – debt service reserve account	—	—	—	—	—	—
Debt service fund	—	—	—	—	—	—
Restricted assets fund	—	—	—	—	—	—
Improvement and development fund	—	—	—	—	123,331	—
Total cash receipts	477	27,602	1,934,109	8,499,514	8,213,660	6,415,018

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the year ended September 30, 2002

	Total	Revenue Fund	Renewal and Replacement Fund	Debt Service Fund				Debt Service Reserve Account
				2002 Debt Service Refunding	2001 Debt Service Refunding	1991 Debt Service Refunding	1992 Debt Service Refunding	
Cash disbursements:								
Operating expenses	\$ 33,128,240	\$33,124,079	\$ -	\$ -	\$ 1,631	\$ -	\$ 2,530	\$ -
Capital expenditures	14,606,981	-	3,480,949	-	-	-	-	-
Bond interest expense	7,196,562	-	-	-	3,048,384	229,703	3,785,475	-
Bond issue costs	559,058	-	-	559,058	-	-	-	-
Bond discount	300,750	-	-	300,750	-	-	-	-
Unamortized loss or redemption	2,088,960	-	-	2,088,960	-	-	-	-
Refund of security deposits	56,710	56,710	-	-	-	-	-	-
Florida state sales tax	1,904,634	1,904,634	-	-	-	-	-	-
Matured bonds/interest	8,825,000	-	-	-	-	6,025,000	-	-
Bonds called	62,122,980	-	-	62,122,980	-	-	-	-
Transfers to:								
Passenger facility charge fund	123,331	-	-	-	-	-	-	-
Operations fund	12,152,025	-	414,171	-	-	-	-	87,252
Improvement and development fund	5,550,000	5,550,000	-	-	-	-	-	-
Debt service account	2,846,214	2,830,214	-	-	-	-	-	16,000
Renewal and replacement fund	6,131,686	4,500,000	-	-	-	-	-	-
Debt service fund series 2002	1,921,167	863,768	-	-	-	-	967,399	90,000
Debt service fund series 2001	11,690,884	11,604,460	-	-	-	86,424	-	-
Noise abatement and mitigation fund	2,645,785	-	-	-	-	-	-	-
Total cash disbursements	<u>173,850,967</u>	<u>60,433,865</u>	<u>3,895,120</u>	<u>65,071,748</u>	<u>3,050,015</u>	<u>6,341,127</u>	<u>4,755,404</u>	<u>193,252</u>
Cash and investments on deposit, September 30, 2002	<u>\$ 96,753,979</u>	<u>\$ 5,920,532</u>	<u>\$8,088,307</u>	<u>\$ 968,663</u>	<u>\$9,792,107</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$15,870,392</u>

Continued on next page.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account (continued)

For the year ended September 30, 2002

	<u>Debt Service S.I. Fund</u>		<u>Restricted</u>	<u>Improvement</u>	<u>Passenger</u>	<u>Noise</u>
	<u>S.I. Debt</u>	<u>S.I. Debt</u>	<u>Assets</u>	<u>and</u>	<u>Facility</u>	<u>Abatement</u>
	<u>Service</u>	<u>Service</u>	<u>Fund</u>	<u>Development</u>	<u>Charge</u>	<u>and Mitigation</u>
	<u>Service</u>	<u>Reserve</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Cash disbursements:						
Operating expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital expenditures	-	-	-	4,278,560	-	6,847,472
Bond interest expense	133,000	-	-	-	-	-
Refund of security deposits	-	-	-	-	-	-
Florida state sales tax	-	-	-	-	-	-
Matured bonds/interest	2,800,000	-	-	-	-	-
Transfers to:						
Passenger facility charge fund	-	-	-	123,331	-	-
Operations fund	45,441	479,616	74,572	11,050,973	-	-
Improvement and development fund	-	-	-	-	-	-
Debt service account	-	-	-	-	-	-
Renewal and replacement fund	-	-	-	-	1,631,686	-
Noise abatement and mitigation fund	-	-	-	-	2,645,785	-
Total cash disbursements	<u>2,978,441</u>	<u>479,616</u>	<u>74,572</u>	<u>15,452,864</u>	<u>4,277,471</u>	<u>6,847,472</u>
Cash and investments on deposit, September 30, 2002	<u>\$ -</u>	<u>\$ -</u>	<u>\$2,548,237</u>	<u>\$32,963,976</u>	<u>\$19,782,328</u>	<u>\$ 819,437</u>

Note: The schedule herein has been prepared on a cash basis as required by the Resolution and does not reflect the adjustments which have been recorded to the accompanying financial statements necessary to amortize premiums or accrete discounts which are inherent in the purchase price of fixed rate investments.

Palm Beach County Department of Airports

Schedule of Bonds Issued, Paid, Purchased or Redeemed

For the year ended September 30, 2003

<u>Airport System Revenue Bond</u>	<u>Date of Issue</u>	<u>Interest Rate Range</u>	<u>Bonds Outstanding September 30, 2002</u>	<u>Bonds Issued</u>	<u>Bonds Paid, Purchased or Redeemed</u>	<u>Bonds Outstanding September 30, 2003</u>
Revenue refunding bonds: Series 2002			\$ 60,150,000	\$ -	\$ -	\$ 60,150,000
Revenue refunding bonds: Series 2001			83,965,000	-	7,635,000	76,330,000
			<u>\$144,115,000</u>	<u>\$ -</u>	<u>\$7,635,000</u>	<u>\$136,480,000</u>

Palm Beach County Department of Airports

Schedule of Bonds Issued, Paid, Purchased or Redeemed

For the year ended September 30, 2002

<u>Airport System Revenue Bond</u>	<u>Date of Issue</u>	<u>Interest Rate Range</u>	<u>Bonds Outstanding September 30, 2001</u>	<u>Bonds Issued</u>	<u>Bonds Paid, Purchased or Redeemed</u>	<u>Bonds Outstanding September 30, 2002</u>
Revenue refunding bonds: Series 2002	July 1, 2002	5.75%	\$ —	\$60,150,000	\$ —	\$ 60,150,000
Revenue refunding bonds: Series 2001	July 1, 2001	4.0% - 5.5%	83,965,000	—	—	83,965,000
Revenue refunding bonds: Series 1992	February 1, 1992	2.8% - 6.375%	59,380,000	—	59,380,000	—
Revenue refunding bonds: Series 1991	September 30, 1991	7.5% - 7.75%	6,025,000	—	6,025,000	—
			<u>\$149,370,000</u>	<u>\$60,150,000</u>	<u>\$65,405,000</u>	<u>\$144,115,000</u>
<u>Airport System Taxable Subordinated Indebtedness</u>						
Series 1989	June 1, 1989	9.5%	<u>\$ 2,800,000</u>	<u>\$ —</u>	<u>\$ 2,800,000</u>	<u>\$ —</u>

Compliance Reports

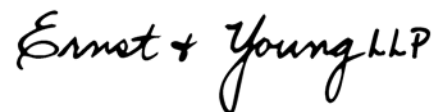
Report of Independent Certified Public Accountants On Bond Resolution Compliance

To the Honorable Board of
County Commissioners
Palm Beach County, Florida

We have audited, in accordance with auditing standards generally accepted in the United States, the statements of net assets of the Palm Beach County Department of Airports as of September 30, 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the years then ended, and have issued our report thereon dated December 30, 2003.

In connection with our audit, nothing came to our attention that caused us to believe that the Palm Beach County Department of Airports was not in compliance with the terms, covenants, provisions or conditions of Section 710 of the Palm Beach County Airport System Revenue Bond Resolution R-84-427, adopted April 3, 1984, which was amended in full by the Palm Beach County Airport System Revenue Bond Resolution R-84-1659 adopted on November 1, 1984 (as amended and supplemented) insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the Board of County Commissioners of Palm Beach County, Florida, and management and is not intended to be and should not be used by anyone other than these specified parties.



December 30, 2003

Report of Independent Certified Public Accountants
on Compliance and on Internal Control over Financial Reporting
Based on an Audit of the Financial Statements in Accordance
with *Government Auditing Standards*

To the Honorable Board of
County Commissioners
Palm Beach County, Florida

We have audited the accompanying statement of net assets of the Palm Beach County Department of Airports as of September 30, 2003, and the related statements of revenues, expenses and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated December 30, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

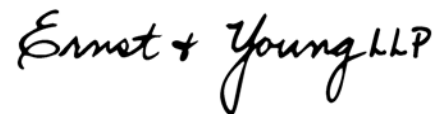
As part of obtaining reasonable assurance about whether the Palm Beach County Department of Airports' financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Palm Beach County Department of Airports' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components

does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Board of County Commissioners of Palm Beach County, management, and federal and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.



December 30, 2003