

FINANCIAL STATEMENTS AND OTHER FINANCIAL  
INFORMATION

Palm Beach County Department of Airports  
For the Years Ended September 30, 2005 and 2004

Palm Beach County Department of Airports

Financial Statements and  
Other Financial Information

Years Ended September 30, 2005 and 2004

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## Report of Independent Certified Public Accountants

The Honorable Board of County Commissioners  
Palm Beach County, Florida

We have audited the accompanying financial statements of the Palm Beach County Department of Airports (the Department) as of and for the years ended September 30, 2005 and 2004, as listed in the table of contents. These financial statements are the responsibility of the Palm Beach County Department of Airports' 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Department's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and 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 Department, 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 its 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 Department as of September 30, 2005 and 2004, and its changes in financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 11, 2006, on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the Department's 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, is fairly stated in all material respects in relation to the financial statements taken as a whole.



January 11, 2006

# Palm Beach County Department of Airports

## Management's Discussion and Analysis

September 30, 2005

The following Management's 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 for the fiscal year ended September 30, 2005. The information contained in this MD & A should be considered in conjunction with the information contained in the financial statements including the notes thereto which are essential to a full understanding of the financial statement data. In addition to the 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 2005 results showed a 9.25% increase in total passenger traffic. Enplanements for the fiscal year totaled 3,216,772, representing the largest enplanement activity in any fiscal year period.

The following table shows a summary of various activities:

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Enplanements	<b>3,521,361</b>	3,216,772	2,937,681
% Increase/(Decrease)	<b>9.50%</b>	9.50%	9.04%
Air Carrier Operations	<b>69,737</b>	68,497	64,661
% Increase/(Decrease)	<b>1.81%</b>	5.90%	6.37%
Landed Weight	<b>4,547,543</b>	4,226,923	4,073,377
% Increase/(Decrease)	<b>7.59%</b>	3.77%	6.93%
Cargo Tons	<b>19,514</b>	20,175	20,905
% Increase/(Decrease)	<b>(3.27%)</b>	(3.49%)	7.14%
Parking (Transactions)	<b>1,393,944</b>	1,293,063	1,236,017
% Increase/(Decrease)	<b>7.80%</b>	4.62%	5.46%

## Financial Operations Highlights

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

- Operating revenues rose by 15.9%, increasing from \$52.7 million to \$61.1 million. Components include an increase in concession revenues of \$4.1 million, which includes parking, car rental, and terminal concessions. Increased concessions revenue was due to increased passenger traffic. Rental revenue increased \$2.7 million due to increased rental rates.
- Operating expenses increased by 5.8%, totaling \$37.9 million in fiscal year 2005. Bad debt expense was recorded in fiscal year 2005 for \$1.1 million to recognize the impact of airline bankruptcy filings, with the largest impact from Delta.
- Operating income before depreciation increased by 37.6%, totaling \$23.2 million in fiscal year 2005 due to the significant increase in operating revenues.
- The change in net assets for fiscal year 2005 totaled \$20.8 million, a decrease of \$124,000 from fiscal year 2004. This decline is largely due to the write off of assets which were repaired or replaced in the aftermath of Hurricanes Frances and Jeanne. Additionally, depreciation expense increased due to the addition of new assets during the fiscal year.

## Summary of Revenue and Expenses

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Operating Revenues	<b>\$ 61,061,150</b>	\$ 52,652,831	\$ 47,730,386
Operating Expenses	<b>37,908,547</b>	35,827,994	34,282,865
Operating Income Before Depreciation and Amortization and Other Non-Operating Income and Expenses	<b>23,152,603</b>	16,824,837	13,447,521
Depreciation and Amortization	<b>18,860,977</b>	15,720,084	15,785,313
Operating Income (Loss)	<b>4,291,626</b>	1,104,753	(2,337,792)
Other Non-Operating Income and Expenses, Net, Including Capital Contributions and Transfers	<b>16,556,182</b>	19,866,588	16,263,462
Change in Net Assets	<b>\$ 20,847,808</b>	\$ 20,971,341	\$ 13,925,670

## Financial Position Summary

Net assets may serve over time as a useful indicator of the Department's financial position. The Department's net assets exceeded liabilities by approximately \$282 million at September 30, 2005 and \$261 million at September 30, 2004. A condensed summary of the Department's net assets at September 30 is shown below:

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Assets:			
Current and Other Assets	<b>\$ 117,490,466</b>	\$ 115,092,002	\$ 109,695,544
Capital Assets	<b>299,949,563</b>	288,640,890	287,911,781
Total Assets	<b>417,440,029</b>	403,732,892	397,607,325
Liabilities:			
Current and Other Liabilities	<b>22,429,666</b>	20,641,185	23,384,908
Long-Term Debt Outstanding	<b>112,983,561</b>	121,912,713	134,014,764
Total Liabilities	<b>135,413,227</b>	142,553,898	157,399,672
Net Assets:			
Invested in Capital Assets, Net of Debt	<b>180,055,892</b>	159,336,201	143,034,391
Restricted	<b>52,576,285</b>	60,926,844	54,675,801
Unrestricted	<b>49,394,625</b>	40,915,949	42,497,461
Total Net Assets	<b>\$ 282,026,802</b>	\$ 261,178,994	\$ 240,207,653

The largest portion of the Department's net assets each year (64% at September 30, 2005) represents its investment in capital assets (e.g., land, buildings, improvements, and equipment), less the related indebtedness outstanding used to acquire 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 (19% at September 30, 2005) 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, 2005) may be used to meet any of the Department's ongoing obligations.

## Significant Events-Hurricane Wilma

During the month of October 2005, the Department was impacted by Hurricane Wilma. Palm Beach International (PBI) and all three general aviation airports were impacted by hurricane force winds. As a result, PBI was closed to commercial activity for approximately 48 hours. Revenue losses were relatively insignificant.

Physical damage to airport facilities under the Department’s responsibilities is estimated at \$4 million. Most of the damage was to PBI, with the largest single impact to concourse B roof areas. Complete roof repairs were made within 90 days of the event under emergency procurement provisions.

The Department anticipates 80% to 90% or more of hurricane damage costs to be reimbursed by insurance or Federal Emergency Management Agency (FEMA) payments.

### **Airline Signatory Rates and Charges**

The Department and certain airlines negotiated an Airline-Airport Use and Lease agreement (the Agreement) effective October 1, 2000 for five years, which establishes how the signatory airlines will be assessed rates and charges for the use of PBI. This agreement has been extended for one year, expiring September 30, 2006. At that time it is anticipated a five-year Airline-Airport agreement will be in place using similar terms and conditions. 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 costs 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. Certain airfield revenues are credited towards the Airline’s net requirement, i.e., residual rate setting methodology. The terminal cost center expenditure requirements is wholly payable by airline rents, i.e., compensatory rate setting methodology. 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 the past three fiscal years are as follows:

	<b>2005</b>	<b>2004</b>	<b>2003</b>
Landing Fee (per 1,000 lbs MGLW)	<b>\$ 1.115</b>	\$ 0.999	\$ 0.834
Average Terminal Rate (per square foot)	<b>55.47</b>	42.03	39.98
Apron Fee Rental (per linear foot)	<b>194.07</b>	184.20	176.60
Loading Bridge Rental (annual rate)	<b>30,451</b>	31,177	31,129
 Airline Cost per Enplanement	 <b>6.54</b>	 5.84	 5.90

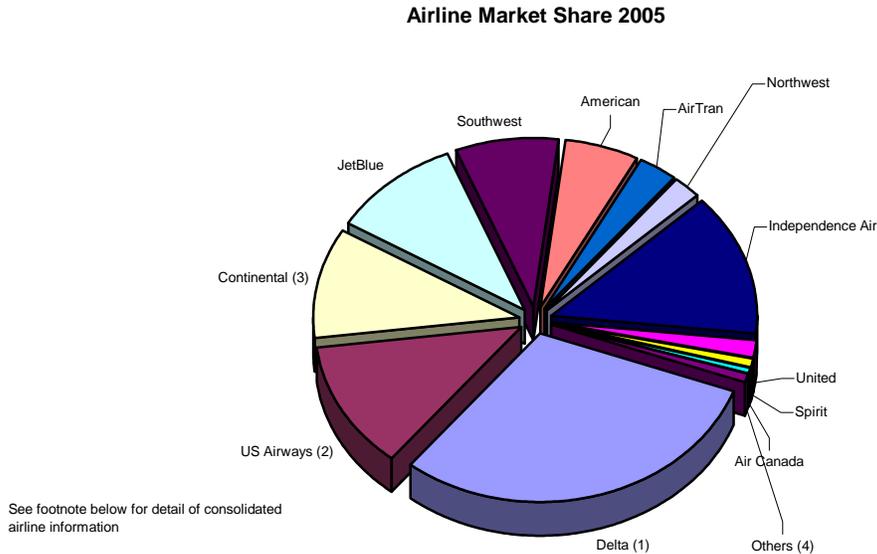
## **Airline Bankruptcy and Changing Market Share at PBI**

Delta and Northwest Airlines filed for bankruptcy protection status in September of 2005. The Department has prepetition debts from these carriers amounting to \$1.1 million. Delta accounts for approximately \$1 million of this amount. The Department considers it unlikely that these prepetition debts will be paid, and therefore has chosen to charge this amount to bad debt expense. Under the terms and conditions of the Airline agreement, bad debt expense is to be calculated in rates and recovered from airline fees in the subsequent rate period. Independence Air ceased operations in December 2005. All prepetition debt from Independence Air is fully secured by letter of credit.

While Delta and US Airways have historically held a market share in excess of 50% at PBI, current trends show a diversity of market share which strengthens our position somewhat. December 2005 passenger traffic at PBI, set an all time high for the month; Delta accounted for 23% of this traffic (top carrier) and jetBlue accounted for almost 19% (second leading carrier). Continental, US Airways, and Southwest accounted for the next three positions, in that order. The Delta/US Airways combination accounted for 36% of December 2005 traffic. This trend towards diversity in market share is expected to continue.

## Airline Market Share and Passenger Information

Total passenger traffic is presented below for fiscal year 2005 by airline, showing market share at Palm Beach International Airport and comparisons to fiscal year 2004.



### Total Passengers by Airline

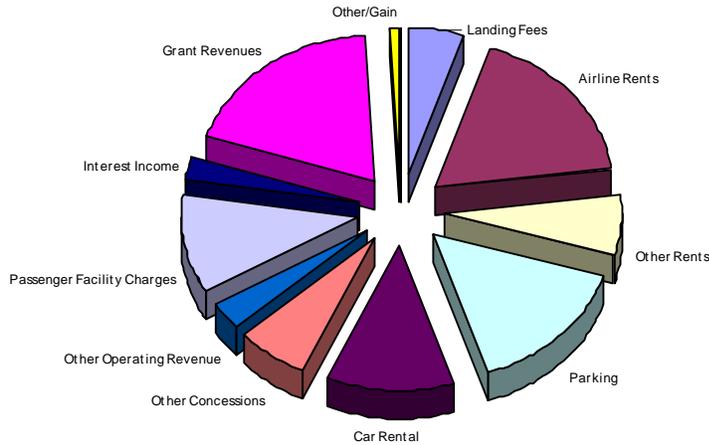
	2005	Change from 2004	% Change from 2004
Delta <sup>(1)</sup>	2,393,207	2,237,169	7%
US Airways <sup>(2)</sup>	1,048,897	949,650	10%
Continental <sup>(3)</sup>	828,489	786,640	5%
JetBlue	813,021	641,139	27%
Southwest	740,200	640,979	15%
American	413,370	452,320	-9%
AirTran	232,529	236,973	-2%
Northwest	185,364	175,121	6%
Independence Air	109,041	109,041	n/a
United	91,485	-29,426	-24%
Spirit	78,139	5,803	8%
Air Canada	29,590	-5,994	-17%
Others <sup>(4)</sup>	49,576	-20,513	-29%
<b>Total</b>	<b>7,012,908</b>	<b>593,997</b>	<b>9%</b>

### Airline Consolidation Information:

- <sup>(1)</sup> Delta includes Delta, Song, Comair, and Chataqua
- <sup>(2)</sup> US Airways includes US Airways, Henson and Mesa
- <sup>(3)</sup> Continental includes Continental and Gulfstream
- <sup>(4)</sup> Others include Atlantic Southeast, Bahamas Air, Air Midwest, Planet Airways, and Canjet

## Revenues

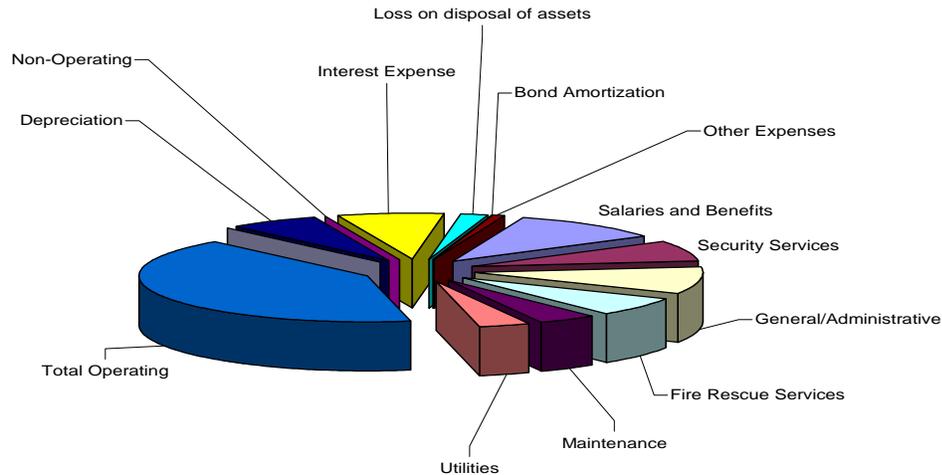
The following chart and table summarize revenues for the year ended September 30, 2005:



	2005	Percent of Total	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
<b>Operating:</b>				
Landing Fees	\$ 5,404,755	6%	\$ 1,338,711	33%
Airline Rents	16,105,820	19%	2,060,752	14%
Other Rents	5,928,366	7%	627,796	14%
Parking	14,718,885	17%	2,429,989	20%
Car Rental	10,373,459	12%	1,215,003	13%
Other Concessions	5,747,514	7%	459,989	9%
Other Operating Revenue	2,782,351	3%	276,079	11%
<b>Total Operating Revenues</b>	<b>61,061,150</b>	<b>70%</b>	<b>8,408,319</b>	<b>16%</b>
<b>Non-Operating:</b>				
Passenger Facility Charges	9,633,982	11%	812,201	9%
Investment Income	1,926,371	2%	(98,361)	-5%
Capital Contributions and Grant Revenues	14,257,136	16%	(544,410)	-4%
Gain on Disposal of Assets	–	0%	(749,493)	-100%
<b>Total Non-Operating Revenues</b>	<b>25,817,489</b>	<b>30%</b>	<b>(927,976)</b>	<b>-3%</b>
<b>Total Revenues, Capital Contributions and Transfers</b>	<b>\$ 86,878,639</b>	<b>100%</b>	<b>\$ 768,190</b>	<b>9%</b>

## Expenses

The following chart and table summarize expenses for the year ended September 30, 2005:



	2005	Percent of Total	Increase/ (Decrease) from 2004	% Increase/ (Decrease) from 2004
Operating:				
Salaries and Benefits	\$ 9,630,338	15%	\$ 302,273	3%
Security Services	6,754,072	10%	92,928	1%
General/Administrative	8,746,476	13%	1,174,220	16%
Fire Rescue Services	5,778,078	9%	399,231	7%
Maintenance	4,125,849	6%	(5,304)	0%
Utilities	2,873,734	5%	117,205	4%
<b>Total Operating</b>	<b>37,908,547</b>	<b>57%</b>	<b>2,080,553</b>	<b>6%</b>
Depreciation and Amortization	18,860,977	29%	3,140,893	20%
Non-Operating				
Interest Expense	6,320,387	10%	(420,500)	-6%
Loss on Disposal of Assets	2,173,461	3%	2,173,461	100%
Bond Amortization	101,432	0%	(33,298)	-25%
Other Expenses	666,027	1%	666,027	100%
<b>Total Non-Operating</b>	<b>9,261,307</b>	<b>14%</b>	<b>2,382,430</b>	<b>35%</b>
<b>Total Expenses</b>	<b>\$ 66,030,831</b>	<b>100%</b>	<b>\$ 7,603,876</b>	<b>13%</b>

## 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 fiscal years. Cash equivalents include cash on hand, bank deposits, and highly liquid investments with an original maturity of three months or less.

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Cash Flow from Operating Activities	\$ <b>24,478,456</b>	\$ 15,477,803	\$ 12,867,686
Cash Flow from Investing Activities	<b>2,394,970</b>	2,604,481	2,364,937
Cash Flow from Non-Capital Financing	<b>414,317</b>	358,500	524,711
Cash Flow from Capital and Related Financing Activities	<u><b>(24,566,982)</b></u>	<u>(13,516,593)</u>	<u>(18,497,783)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	<b>2,720,761</b>	4,924,191	(2,740,449)
Cash and Cash Equivalents:			
Beginning of Year	<b>84,005,368</b>	79,081,177	81,821,626
End of Year	<u><b>\$ 86,726,129</b></u>	<u>\$ 84,005,368</u>	<u>\$ 79,081,177</u>

The Department's available cash and cash equivalents increased from \$84 million to \$86.7 million from September 30, 2004 to September 30, 2005.

## 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 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 2005, the Department expended \$32.8 million on capital activities. During 2005, completed projects totaling \$50.2 million were transferred from construction-in-progress to their respective capital accounts. The major completed projects and acquisitions were:

Security Checkpoint Expansion	\$24.4 million
Taxiway L	6.6 million
Golfview Canal Relocation	5.1 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 holds were issued in fiscal 2005. The County is contemplating issuing revenue bonds during fiscal year 2006 to construct additional long-term parking facilities for customers. Required bond proceeds for construction are estimated to be \$60 million.

## Long-Term Debt

The Department had outstanding long-term debt of \$111.9 million and \$120.9 million as of September 30, 2005 and 2004. Both amounts are net of any current maturities, unamortized premiums, or unamortized discounts. The following table reflects the debt activities that occurred during Fiscal Year 2005:

	<b>Total Outstanding 10/1/2004</b>	<b>Principal Paid</b>	<b>Total Outstanding 9/30/2005</b>
Revenue Refunding Bonds:			
Series 2001	\$ 68,320,000	\$ 8,410,000	\$ <b>59,910,000</b>
Series 2002	60,150,000	-	<b>60,150,000</b>
	<u>\$ 128,470,000</u>	<u>\$ 8,410,000</u>	<u>\$ <b>120,060,000</b></u>
Less Current Maturities			<u>\$ <b>8,830,000</b></u>
Long-Term Portion			<b>111,230,000</b>
Add Unamortized Premium			<b>3,708,620</b>
Less Unamortized Loss on Refunding			<u><b>2,966,257</b></u>
Total			<u><u>\$ <b>111,972,363</b></u></u>

## Credit Ratings and Bond Insurance

On an underlying basis (i.e., uninsured) the Department's credit ratings currently stand at: Standard and Poor's A-, Fitch A, and Moody's Investors Service A3. The Airport's ratings have remained relatively stable 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, respectively.

## **Passenger Facility Charges**

The Department, as of September 30, 2005 has collected \$99.6 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 capital expenditures totaling \$78.3 million over the same time period. As of September 30, 2005, the Department was authorized to collect \$110.9 million in PFC revenues.

## **Economic Factors and Next Year's Budgets and Rates**

- Palm Beach County has seen significant growth in population and housing.
- The County has announced an agreement with Scripps, a bio-technology research concern, to base a significant portion of their research operations in Palm Beach County. It is expected significant investments by various bio-tech related companies will be made in subsequent years.
- Palm Beach County Tourism has remained strong and continues to show increased occupancy rates in local hotels. Completion of the Convention Center will likely attract more tourism/convention trade to the County. Average occupancy rates for calendar year 2005 were 72.9%; average room rates for calendar year 2005 were \$149.30.

These factors should contribute to increased passenger traffic and market strength.

The Department of Airport's 2006 operating budget totals \$41.2 million, an increase of 8% over the prior year budget. Budgetary changes impact airline rates for fiscal 2006. Fiscal 2006 terminal rates average \$58.78 per square foot; landing fees are \$1.147 per 1,000 lbs. of landed weight. Terminal rates increased due to increased costs; landing fees decreased due to a projected increase in landing operations. Airline cost per enplanement is expected to decrease to approximately \$6.00.

## **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](mailto:msimmons@pbia.org).

Respectfully submitted,

Mike Simmons, CPA  
Airport Fiscal Director

Palm Beach County Department of Airports

Statements of Net Assets

	September 30	
	2005	2004
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 36,051,890	\$ 24,560,756
Accounts receivable, less allowance for doubtful accounts of \$1,389,463 and \$300,000 in 2005 and 2004, respectively	1,034,135	2,065,774
Government grants receivable	969,056	1,255,213
Current portion of other receivable	90,512	85,524
Inventories	1,012,760	905,434
Other current assets	425,588	55,488
Total current assets	<u>39,583,941</u>	<u>28,928,189</u>
Restricted assets:		
Cash and cash equivalents	50,674,239	59,444,612
Investments	14,017,330	14,401,413
Interest receivable	209,332	208,324
Accounts receivable, less allowance for doubtful accounts of \$3,836 and \$3,000 in 2005 and 2004, respectively	11,591	15,474
Total restricted assets	<u>64,912,492</u>	<u>74,069,823</u>
Capital assets:		
Land	126,136,585	124,771,003
Depreciable capital assets, net of accumulated depreciation	169,139,606	141,084,390
Construction in progress	4,673,372	22,785,497
Total capital assets	<u>299,949,563</u>	<u>288,640,890</u>
Other noncurrent assets:		
Deferred bond issuance costs	1,008,693	1,218,103
Other receivable, net of current portion and discount of \$345,271 and \$412,643 in 2005 and 2004, respectively	1,016,729	1,107,241
Intangible and other assets, net of accumulated amortization of \$1,440,551 and \$1,130,319 in 2005 and 2004, respectively	10,968,611	9,768,646
Total other noncurrent assets	<u>12,994,033</u>	<u>12,093,990</u>
Total assets	<u>\$ 417,440,029</u>	<u>\$ 403,732,892</u>

Palm Beach County Department of Airports

Statements of Net Assets (continued)

	September 30	
	2005	2004
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts and contracts payable	\$ 6,285,905	\$ 4,430,849
Compensated absences payable	95,139	94,315
Deferred revenue	1,248,219	225,220
Due to State of Florida	1,624,400	1,624,400
Current portion of loan payable	100,000	476,990
Other current liabilities	739,796	646,432
Total current liabilities	<u>10,093,459</u>	<u>7,498,206</u>
Liabilities payable from restricted assets:		
Accounts and contracts payable	97,970	404,619
Security deposits	248,043	232,456
Interest payable on revenue bonds	3,160,194	3,370,444
Current portion of loan payable	-	725,460
Current maturities of revenue bonds	8,830,000	8,410,000
Total liabilities payable from restricted assets	<u>12,336,207</u>	<u>13,142,979</u>
Long-term liabilities:		
Compensated absences payable	1,011,198	1,002,371
Revenue bonds payable (less current maturities and net of unamortized premium of \$3,708,620 and \$4,439,806 in 2005 and 2004, respectively, and unamortized loss on refunding of \$2,966,257 and \$3,589,464 in 2005 and 2004, respectively)	111,972,363	120,910,342
Total long-term liabilities	<u>112,983,561</u>	<u>121,912,713</u>
Total liabilities	<u>135,413,227</u>	<u>142,553,898</u>
Net assets:		
Invested in capital assets, net of related debt	180,055,892	159,336,201
Restricted:		
Passenger facility charges	25,004,479	28,698,088
Debt service	15,300,697	15,564,137
Renewal and replacement	3,186,312	6,908,849
Operation and maintenance	6,152,100	5,838,082
Capital outlay	2,932,697	3,917,688
	<u>52,576,285</u>	<u>60,926,844</u>
Unrestricted	49,394,625	40,915,949
Total net assets	<u>\$ 282,026,802</u>	<u>\$ 261,178,994</u>

Palm Beach County Department of Airports

Statements of Revenues, Expenses and Changes in Net Assets

	Years Ended September 30	
	2005	2004
Operating revenues:		
Rentals	\$ 22,034,186	\$ 19,345,557
Concessions	30,839,858	26,734,958
Landing fees	5,404,755	4,066,044
Other	2,782,351	2,506,272
Total operating revenues	<u>61,061,150</u>	<u>52,652,831</u>
Operating expenses:		
Employee compensation and benefits	9,630,338	9,328,065
General and administrative	8,746,476	7,572,256
Maintenance	4,125,849	4,131,153
Contracted security services	6,754,072	6,661,144
Contracted fire-rescue services	5,778,078	5,378,847
Utilities	2,873,734	2,756,529
Total operating expenses before depreciation and amortization	<u>37,908,547</u>	<u>35,827,994</u>
Operating income before depreciation and amortization	23,152,603	16,824,837
Depreciation and amortization	<u>18,860,977</u>	<u>15,720,084</u>
Operating income	<u>4,291,626</u>	<u>1,104,753</u>
Nonoperating revenues (expenses):		
Investment income	1,926,371	2,024,732
Passenger facility charges	9,633,982	8,821,781
Operating grants	414,317	-
Interest expense	(6,320,387)	(6,740,887)
(Loss) Gain on disposal of assets	(2,173,461)	738,906
Impairment loss	(253,973)	-
Amortization of revenue bond costs	(101,432)	(134,730)
Other expenses	(412,054)	(3,260)
Total nonoperating revenues (expenses), net	<u>2,713,363</u>	<u>4,706,542</u>
Capital contributions	13,842,819	14,801,546
Transfers in	-	358,500
Change in net assets	<u>20,847,808</u>	<u>20,971,341</u>
Net assets at beginning of year	261,178,994	240,207,653
Net assets at end of year	<u>\$ 282,026,802</u>	<u>\$ 261,178,994</u>

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

Palm Beach County Department of Airports  
Statements of Cash Flows

	Years Ended September 30	
	2005	2004
<b>Operating activities</b>		
Cash received from customers	\$ 63,135,258	\$ 51,656,915
Cash payments to vendors for goods and services	(16,185,275)	(14,742,809)
Cash payments to employees for services	(9,614,402)	(9,150,510)
Cash payments to other funds	(12,445,071)	(12,282,533)
Other disbursements	(412,054)	(3,260)
Net cash provided by operating activities	24,478,456	15,477,803
<b>Noncapital financing activities</b>		
Transfers from other County funds	-	358,500
Operating grants received	414,317	-
Net cash provided by noncapital financing activities	414,317	358,500
<b>Capital and related financing activities</b>		
Acquisition and construction of capital assets	(33,105,210)	(15,564,456)
Proceeds from sale of capital assets	115,418	768,704
Insurance proceeds from impairment loss	702,939	-
Repayment on loan payable	(1,102,450)	(7,697,431)
Principal repayment on revenue bonds	(8,410,000)	(8,010,000)
Passenger facility charges received	9,633,982	8,821,781
Receipt of capital grants and reimbursements	14,128,976	15,105,947
Interest and fiscal charges paid	(6,530,637)	(6,941,138)
Net cash used for capital and related financing activities	(24,566,982)	(13,516,593)
<b>Investing activities</b>		
Purchase of investments	(10,040,449)	(14,280,985)
Proceeds from sale and maturity of investments	10,040,949	14,370,352
Receipt of repayments on other receivables	85,524	80,811
Interest received on investments	2,308,946	2,434,303
Net cash provided by investing activities	2,394,970	2,604,481
Net change in cash and cash equivalents	2,720,761	4,924,191
Cash and cash equivalents at beginning of year (including \$59,444,612 and \$51,920,417 in restricted accounts)	84,005,368	79,081,177
Cash and cash equivalents at end of year (including \$50,674,239 and \$59,444,612 in restricted accounts)	\$ 86,726,129	\$ 84,005,368

*Continued on next page.*

Palm Beach County Department of Airports

Statements of Cash Flows (continued)

	<b>Years Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 4,291,626	\$ 1,104,753
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	18,860,977	15,720,084
Provision for doubtful accounts	1,090,299	4,908
Other expense	(412,054)	(3,260)
Changes in assets and liabilities:		
Accounts receivable	(54,777)	(725,837)
Inventories	(107,326)	(21,496)
Intangible and other assets	(1,880,297)	(1,112,872)
Accounts and contracts payable	1,548,407	851,497
Compensated absences payable	9,651	76,044
Deferred revenues	1,022,999	(288,621)
Other current liabilities	93,364	(141,031)
Security deposits	15,587	13,634
Total adjustments	<u>20,186,830</u>	<u>14,373,050</u>
Net cash provided by operating activities	<u>\$ 24,478,456</u>	<u>\$ 15,477,803</u>
<b>Non-cash capital and related financing activities</b>		
Amortization of intangible assets	\$ 310,232	\$ 272,477
Amortization of deferred issue costs	209,410	134,730
Amortization of premium on bonds	731,186	785,080
Contributions of capital assets	13,842,819	14,801,546
Disposition of fully depreciated capital assets	-	900,040
Change in fair value of investments	(383,583)	(389,000)

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

# Palm Beach County Department of Airports

## Notes to Financial Statements

September 30, 2005 and 2004

### **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 recovered 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 or capital contributions. 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.

Certain prior year amounts have been reclassified to conform to the current year presentation.

### **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 is 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 determined on the first-in, first-out basis or market value.

**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. Capital assets are defined as those assets with an initial, individual cost of over \$1,000. Major renewals and betterments which significantly add to the productive capacity or extend the useful life of capital assets are 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 cost associated with acquiring these parcels of land are approximately \$80,781,000 and \$79,793,000 at September 30, 2005 and 2004, 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 include restricted cash and cash equivalents of approximately \$2,387,000 and \$4,589,000 at September 30, 2005 and 2004, 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. In addition, the Department of Airports also has passenger facility charge revenues that are restricted by the FAA to capital 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 \$6,320,387 and \$6,740,887 for the fiscal years ended September 30, 2005 and 2004, 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**

In 1994, the FAA began a program allowing Airports to collect a \$3 Passenger Facility Charge (PFC) per enplaned passenger. The monies collected under this program must be used for capital related improvements to the Airport facilities and all expenditures of these funds must be pre-approved by the FAA. The Department of Airports was authorized to collect up to approximately \$109.4 million through February 2007. PFC revenue is treated as nonoperating revenue in the financial statements.

##### **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, 2005 and 2004:

	<u>2005</u>	<u>2004</u>
Equity in County pooled cash system	\$ 73,971,634	\$ 71,657,823
Deposits with financial institutions	12,753,395	12,346,445
Petty cash	1,100	1,100
Total	<u>\$ 86,726,129</u>	<u>\$ 84,005,368</u>
Unrestricted cash and cash equivalents	\$ 36,051,890	\$ 24,560,756
Restricted cash and cash equivalents	50,674,239	59,444,612
Total	<u>\$ 86,726,129</u>	<u>\$ 84,005,368</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 \$1.6 billion and \$1.4 billion as of September 30, 2005 and 2004, respectively, of which approximately 91% and 88%, respectively, are invested in U.S. Government and Agency obligations. The County's investment policy for this pool requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital and surplus stock of at least \$500 million and a separate custody account at the Federal Reserve Bank that is restricted for the safekeeping of County owned securities. Almost all remaining amounts at September 30, 2005 and 2004 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, both of which are considered 2a-7 like pools. The equity in the County pooled cash system is available to the Department of Airports on a demand basis.

## Palm Beach County Department of Airports

### Notes to Financial Statements (continued)

#### **2. Cash and Cash Equivalents and Investments (continued)**

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.

#### **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, except for the State Treasurer's Investment Pool, Guaranteed Investment Contracts (nonparticipating) and Money Market Mutual Funds, which are all reported at amortized cost, which approximates fair value. At September 30, 2005 and 2004, investments held outside of the County pool consisted of U.S. Government Agency obligations with a carrying value of \$14,017,330 and \$14,401,413 respectively. The Department of Airports anticipates holding these investments to maturity. In accordance with the County's investment policy, these are registered in the name of the County and are held by a third party custodial institution in a separate custody account. Investment income for the years ended September 30, 2005 and 2004 includes net realized and unrealized losses of approximately \$384,000 and \$389,000, respectively.

#### **Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The investments in U.S. Government Agency securities and County pooled cash are subject to interest rate risk as a function of the length of time to maturity. The County's

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

**2. Cash and Cash Equivalents and Investments (continued)**

investment policy limits the maturity of investments in U.S. Government Agency securities to 10 years or less. The breakdown of investments by maturity at September 30, 2005 and 2004 consists of the following:

	<b>Maturity in Years</b>			
	Fair Value	Less Than 1 Year	1 Year but Less Than 3 Years	3 Years but Less Than 8 Years
September 30, 2005				
U.S. Government Securities	80,614,211	8,663,020	44,881,356	27,069,835
Bank Deposits	12,774,385	12,774,385	-	-
Investment in State Treasurer's Investment Pool	5,765,106	5,765,106	-	-
Investment in Florida County Investment Trust	1,129,946	-	1,129,946	-
Corporate Bonds	458,711	458,711	-	-
<b>Total Bank Deposits &amp; Investments</b>	<b>100,742,359</b>	<b>27,661,222</b>	<b>46,011,302</b>	<b>27,069,835</b>

	<b>Maturity in Years</b>			
	Fair Value	Less Than 1 Year	1 Year but Less Than 3 Years	3 Years but Less Than 8 Years
September 30, 2004				
U.S. Government Securities	76,908,294	161,179	58,437,298	18,309,817
Bank Deposits	12,388,089	12,388,089	-	-
Investment in State Treasurer's Investment Pool	7,393,759	7,393,759	-	-
Investment in Florida County Investment Trust	1,201,038	-	1,201,038	-
Corporate Bonds	514,501	-	514,501	-
<b>Total Bank Deposits &amp; Investments</b>	<b>98,405,681</b>	<b>19,943,027</b>	<b>60,152,837</b>	<b>18,309,817</b>

**Credit Risk:** Credit risk is the risk that an issuer will not fulfill its obligations. The County's investment policy addresses credit risk by limiting allowable investments in commercial paper and bankers acceptances with ratings of A-1 or P-1 or higher by Standard and Poor and Moody's, respectively. Investments in corporate securities are limited to ratings of AA or higher by Standard and Poor's and Moody's. Corporate securities are limited to no more than 20% of the total market value, excluding commercial paper, which is limited to 25% of the total market value.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

**2. Cash and Cash Equivalents and Investments (continued)**

No-load money market mutual funds are allowable if they are rated in the highest rating category of the Nationally Recognized Statistical Rating Organization (NRSRO). The credit quality ratings and concentrations of securities held at September 30, 2005, and 2004 are as follows:

September 30, 2005	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>	<u>Standard &amp; Poor's Rating</u>	<u>Moody's Rating</u>
U.S. Government Securities	80,614,211	80.0%	AAA	Aaa
Bank Deposits	12,774,385	12.7%	-	-
Investment in State Treasurer's Investment Pool	5,765,106	5.7%	A-1	P-1
Investment in Florida County Investment Trust	1,129,946	1.1%	AAAf	-
Corporate Bonds	458,711	0.5%	AAA	Aaa
<b>Total Bank Deposits &amp; Investments</b>	<u>100,742,359</u>	<u>100.0%</u>		

September 30, 2004	<u>Fair Value</u>	<u>Percentage of Total Portfolio</u>	<u>Standard &amp; Poor's Rating</u>	<u>Moody's Rating</u>
U.S. Government Securities	76,908,294	78.2%	AAA	Aaa
Bank Deposits	12,388,089	12.6%	-	-
Investment in State Treasurer's Investment Pool	7,393,759	7.5%	A-1	P-1
Investment in Florida County Investment Trust	1,201,038	1.2%	AAAf	-
Corporate Bonds	514,501	0.5%	AAA	Aaa
<b>Total Bank Deposits &amp; Investments</b>	<u>98,405,681</u>	<u>100.0%</u>		

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

**2. Cash and Cash Equivalents and Investments (continued)**

Custodial Credit Risk: Custodial credit risk is defined as the risk that in the event of a failure of the counterparty, the government will not be able to recover the value of its investments that are in the possession of an outside party. The County's investment policy requires that all securities be insured or registered in the name of the County and held by a third party custodial institution, with capital surplus stock of at least \$500 million and a separate custody account at the Federal

Reserve Bank be specifically designated as restricted for the safekeeping of the County's owned securities. All investments in U.S. Government Agency securities are considered fully insured or collateralized pursuant to the custodial credit risk categories of GASB Statement No. 3.

Concentration Risk: Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single issuer. The County's investment policy limits investments in corporate securities to 2% of total investment value per single issuer.

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

**3. Capital Assets**

	<b>Balance at October 1, 2004</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance at September 30, 2005</b>
<b>Depreciable capital assets</b>					
Buildings	\$ 188,822,797	\$ 1,795,771	\$10,113,628	\$27,971,423	\$ 208,476,363
Improvements other than buildings	147,948,237	–	317,143	18,937,172	166,568,266
Furniture, fixtures and equipment	31,047,497	1,147,387	780,632	–	31,414,252
Total depreciable capital assets	367,818,531	2,943,158	11,211,403	46,908,595	406,458,881
Less accumulated depreciation					
Buildings	94,549,533	10,018,040	6,889,698	–	97,677,875
Improvements other than buildings	106,054,751	7,078,266	307,632	–	112,825,385
Furniture, fixtures and equipment	26,129,141	1,454,439	728,281	–	26,816,015
Total accumulated depreciation	226,734,141	18,550,745	7,965,611	–	237,319,275
Depreciable capital assets, net of accumulated depreciation	\$ 141,084,390	\$(15,607,587)	\$ 1,365,582	\$46,908,595	\$ 169,139,606
<b>Nondepreciable capital assets</b>					
Land	\$ 124,771,003	\$ 1,365,582	\$ –	\$ –	\$ 126,136,585
Construction in progress	22,785,497	28,796,470	–	(46,908,595)	4,673,372

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

**3. Capital Assets (continued)**

Capital assets consist of the following:

	<b>Balance at October 1, 2003</b>	<b>Additions</b>	<b>Retirements</b>	<b>Transfers</b>	<b>Balance at September 30, 2004</b>
<b>Depreciable capital assets</b>					
Buildings	\$ 183,730,273	\$ –	\$ –	\$ 5,092,524	\$ 188,822,797
Improvements other than buildings	144,143,065	146,672	–	3,658,500	147,948,237
Furniture, fixtures and equipment	30,987,705	962,210	902,418	–	31,047,497
<b>Total depreciable capital assets</b>	<b>358,861,043</b>	<b>1,108,882</b>	<b>902,418</b>	<b>8,751,024</b>	<b>367,818,531</b>
<b>Less accumulated depreciation</b>					
Buildings	86,955,356	7,594,177	–	–	94,549,533
Improvements other than buildings	99,636,837	6,417,914	–	–	106,054,751
Furniture, fixtures and equipment	25,594,380	1,435,517	900,040	–	26,129,857
<b>Total accumulated depreciation</b>	<b>212,186,573</b>	<b>15,447,608</b>	<b>900,040</b>	<b>–</b>	<b>226,734,141</b>
<b>Depreciable capital assets, net of accumulated depreciation</b>	<b>\$ 146,674,470</b>	<b>\$(14,338,726)</b>	<b>\$ 2,378</b>	<b>\$8,751,024</b>	<b>\$ 141,084,390</b>
<b>Nondepreciable capital assets</b>					
Land	\$ 122,489,483	\$ 2,308,940	\$ 27,420	\$ –	\$ 124,771,003
Construction in progress	18,747,828	12,788,693	–	(8,751,024)	22,785,497

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 \$5,173,000 and \$8,177,000 for the years ended September 30, 2005 and 2004, 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	
2006	\$ 31,808,000
2007	14,838,000
2008	14,491,000
2009	3,440,000
2010	3,160,000
Thereafter	30,237,000
	<u>\$ 97,974,000</u>

A schedule of the carrying value of property held for lease, by major classification, as of September 30, 2005 and 2004, is as follows:

	<u>2005</u>	<u>2004</u>
Buildings	\$ 171,486,932	\$ 143,666,839
Less: accumulated amortization	<u>79,062,170</u>	<u>72,967,964</u>
	<b>92,424,762</b>	70,698,875
Land	<u>1,867,182</u>	<u>1,867,182</u>
Property held for lease, net	<u><b>\$ 94,291,944</b></u>	<u>\$ 72,566,057</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, 2005 and 2004, 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 Department of Airports 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, 2005 and 2004:

	<u>2005</u>	<u>2004</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	<b>\$ 60,150,000</b>	\$ 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	<b>59,910,000</b>	68,320,000
	<b>120,060,000</b>	128,470,000
Less: current portion	<b>8,830,000</b>	8,410,000
	<b>111,230,000</b>	120,060,000
Net unamortized premium	<b>3,708,620</b>	4,439,806
Unamortized loss on refunding	<b>(2,966,257)</b>	(3,589,464)
Long-term portion	<b>\$ 111,972,363</b>	\$ 120,910,342

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 gain (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 nine 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 non interest bearing. The current portion of the loan at September 30, 2005 was \$100,000 which represents the final amount of retainage withheld on the project.

A summary of changes in long term liabilities for the years ended September 30, 2005 and 2004 is as follows:

	<b>Balance at October 1, 2004</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at September 30, 2005</b>	<b>Due Within One Year</b>
Revenue refunding bonds:					
Series 2002	\$ 60,150,000	\$ -	\$ -	\$ <b>60,150,000</b>	\$ -
Series 2001	68,320,000	-	8,410,000	<b>59,910,000</b>	8,830,000
Loan payable	1,202,450	-	1,102,450	<b>100,000</b>	100,000
Compensated absences payable	1,096,686	17,500	7,849	<b>1,106,337</b>	95,139
	<u>\$ 130,769,136</u>	<u>\$ 17,500</u>	<u>\$ 9,520,299</u>	<u><b>121,266,337</b></u>	<u>\$ 9,025,139</u>
Less current maturities				<u><b>9,025,139</b></u>	
Long-term portion				<b>112,241,198</b>	
Add unamortized bond premium				<b>3,708,620</b>	
Less unamortized loss on refunding				<u><b>2,966,257</b></u>	
Total				<u><u><b>\$ 112,983,561</b></u></u>	

Palm Beach County Department of Airports

Notes to Financial Statements (continued)

**6. Revenue Bonds and Loan Payable (continued)**

	<b>Balance at October 1, 2003</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance at September 30, 2004</b>	<b>Due Within One Year</b>
Revenue refunding bonds:					
Series 2002	\$ 60,150,000	\$ -	\$ -	\$ 60,150,000	\$ -
Series 2001	76,330,000	-	8,010,000	68,320,000	8,410,000
Loan payable	8,899,881	-	7,697,431	1,202,450	1,202,450
Compensated absences payable	1,020,642	112,505	36,461	1,096,686	94,315
	<u>\$ 146,400,523</u>	<u>\$ 112,505</u>	<u>\$ 15,743,892</u>	<u>130,769,136</u>	<u>\$ 9,706,765</u>
Less current maturities				<u>9,706,765</u>	
Long-term portion				121,062,371	
Add unamortized bond premium				4,439,806	
Less unamortized loss on refunding				<u>3,589,464</u>	
Total				<u>\$ 121,912,713</u>	

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Year ending September 30,			
2006	\$ 8,830,000	\$ 6,077,561	\$ 14,907,561
2007	9,315,000	5,648,436	14,963,436
2008	9,960,000	5,195,661	14,885,661
2009	10,225,000	4,724,686	14,949,686
2010	10,635,000	4,227,724	14,862,724
2011-2015	71,365,000	10,885,881	82,250,881
	<u>\$ 120,060,000</u>	<u>\$ 36,759,949</u>	<u>\$ 156,819,949</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, 2005 and 2004 the net amount receivable was \$1,107,241 (net of discount of \$345,271) and \$1,192,765 (net of discount of \$412,643), 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 issues 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 7.83% 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, 2005, 2004 and 2003 were approximately \$550,000, \$517,000 and \$413,000, 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 \$3,505,000 and \$4,192,000 for the years ended September 30, 2005 and 2004, respectively. In addition, the Department of Airports 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, 2005 and 2004 totaled approximately \$165,000 and \$162,000, respectively. At September 30, 2005 and 2004, there were no amounts receivable from other funds and departments of Palm Beach County and \$352,062 and \$265,364, respectively, was payable to other County funds and departments. These amounts are included in accounts and contracts payable in the statement of net assets.

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 \$6,344,000 and \$6,661,000 for the years ended September 30, 2005 and 2004, 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 \$5,778,000 and \$5,389,000 for the years ended September 30, 2005 and 2004, 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 number of 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 criterion, are as follows:

<b>Airline</b>	<b>Percent of Activity Based Upon Enplaned Passengers</b>	
	<b>Years Ended September 30</b>	
	<b>2005</b>	<b>2004</b>
Delta Airlines, Inc.	<b>32.80%</b>	33.01%
USAir, Inc.	<b>15.02</b>	14.79
Continental Airlines, Inc.	<b>10.85</b>	11.14
Southwest Airlines Company	<b>10.62</b>	9.99
Jet Blue Airways Corporation	<b>11.56</b>	9.99
American Airlines, Inc.	<b>5.77</b>	7.04
Others	<b>13.38</b>	14.04
	<b>100.00%</b>	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)**

**Self-Insurance**

The Department of Airports participates in the County-wide self-insurance programs for casualty, health and workers' compensation risks and paid premiums of \$1,387,757 and \$1,712,086, for the years ended September 30, 2005 and 2004, respectively. 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, 2005 and 2004, 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 property policy that provides insurance in the event of wind damage.

**Contract Commitments**

The Department of Airports has several uncompleted design and construction contracts for improvements to the airport system. At September 30, 2005, the remaining commitment on these uncompleted contracts was \$7,354,116, which is summarized as follows:

<u>Contract Amount</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitment</u>
<u>\$ 50,311,086</u>	<u>\$ 41,592,916</u>	<u>\$ 1,364,054</u>	<u>\$ 7,354,116</u>

**Other**

During the month of September 2004, the Department was significantly impacted by hurricanes Frances and Jeanne. Palm Beach International (PBI) and all three general aviation airports were impacted by hurricane force winds. While all the necessary repairs to the Department's facilities were made during 2005, the Department has yet to receive insurance proceeds for approximately \$1.5 million in filed claims. No amounts have been accrued pending approval of the claims.

## Palm Beach County Department of Airports

### Notes to Financial Statements (continued)

#### **12. Subsequent Events**

During the month of October 2005, the Department was significantly impacted by Hurricane Wilma. PBI and all three general aviation airports were impacted by hurricane force winds. As a result, PBI was closed to commercial activity for approximately 48 hours. While revenue losses were relatively insignificant, physical damage to airport facilities is estimated at \$4 million. Most of the damage was to PBI. The Department anticipates that 80% to 90% or more of the hurricane damage costs will be reimbursed by insurance or FEMA payments.

Subsequent to September 30, 2005, the County Commission authorized the sale of Department owned land to a local college for a selling price of \$3 million. In addition, the Commission also approved the construction of a parking garage on airport property at a cost of approximately \$55 million. Revenue bonds will be issued to finance the construction. As of the date of the financial statements, no contract has been signed nor have the bonds been issued.

# Other Financial Information

Palm Beach Department of Airports  
Schedule of Amounts on Deposit and Investments

September 30, 2005

Description	Par Amount	Cost	Fair Value
Revenue fund:			
Petty cash		\$ 1,100	\$ 1,100
Cash and cash equivalents:			
Equity in pooled cash (2)		9,377,076	9,377,076
		<u>\$ 9,377,076</u>	<u>\$ 9,377,076</u>
		<u>\$ 9,378,176</u>	<u>\$ 9,378,176</u>
Renewal and replacement fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 3,209,201	\$ 3,209,201
		<u>\$ 3,209,201</u>	<u>\$ 3,209,201</u>
Debt service fund—2001 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 21,318	\$ 21,318
Bank of America – money market account (1)		10,365,676	10,365,676
		<u>\$ 10,386,994</u>	<u>\$ 10,386,994</u>
Debt service fund—2002 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 397,343	\$ 397,343
Bank of America – money market account (1)		1,740,228	1,740,228
		<u>\$ 2,137,571</u>	<u>\$ 2,137,571</u>
Debt service fund—debt service reserve account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 60	\$ 60
Bank of America – money market account (1)		647,491	647,491
U.S. Government and Agencies:			
FNMA, 2.65%, due 9/8/06 (3)		4,966,000	4,938,091
FHLMC, 5.125%, due 10/15/08 (3)		8,060,880	8,580,691
FHLB, 4.6%, due 8/22/08 (3)		503,359	498,595
		<u>\$ 14,177,790</u>	<u>\$ 14,664,928</u>

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Palm Beach Department of Airports

Schedule of Amounts on Deposit and Investments (continued)

September 30, 2005

Description	Par Amount	Cost	Fair Value
Restricted assets fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 2,386,684</u>	<u>\$ 2,386,684</u>
Improvement and development fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 32,965,921</u>	<u>\$ 32,965,921</u>
Passenger facility charge fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 25,011,566</u>	<u>\$ 25,011,566</u>
Noise abatement and mitigation fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 602,418</u>	<u>\$ 602,418</u>

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, 2005, approximately 91% 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 Department of Airports  
Schedule of Amounts on Deposit and Investments

September 30, 2004

Description	Par Amount	Cost	Fair Value
Revenue fund:			
Petty cash		\$ 1,100	\$ 1,100
Cash and cash equivalents:			
Equity in pooled cash (2)		7,951,054	7,951,054
		<u>\$ 7,952,154</u>	<u>\$ 7,952,154</u>
Renewal and replacement fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 6,908,849	\$ 6,908,849
Debt service fund—2001 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 55,194	\$ 55,194
Bank of America – money market account (1)		10,087,562	10,087,562
		<u>\$ 10,142,756</u>	<u>\$ 10,142,756</u>
Debt service fund—2002 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 333,111	\$ 333,111
Bank of America – money market account (1)		1,733,761	1,733,761
		<u>\$ 2,066,872</u>	<u>\$ 2,066,872</u>
Debt service fund—debt service reserve account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 58	\$ 58
Bank of America – money market account (1)		525,122	525,122
U.S. Government and Agencies:			
FNMA, 2.65%, due 9/8/05 (3)	\$ 4,966,000	4,966,000	4,970,668
FHLMC, 5.125%, due 10/15/08 (3)	8,415,000	8,060,880	8,927,810
FHLB, 3.0%, due 8/15/05 (3)	500,000	503,359	502,935
		<u>\$ 14,055,419</u>	<u>\$ 14,926,593</u>

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Palm Beach Department of Airports

Schedule of Amounts on Deposit and Investments (continued)

September 30, 2004

Description	Par Amount	Cost	Fair Value
Restricted assets fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 5,239,278	\$ 5,239,278
Improvement and development fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 22,679,140	\$ 22,679,140
Passenger facility charge fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 28,698,088	\$ 28,698,088
Noise abatement and mitigation fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ (206,949)	\$ (206,949)

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, 2004, approximately 88% 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, 2005

	Total	Revenue Fund	Renewal and Replacement Fund	Debt Service Fund		Debt Service Reserve Account
				2002 Debt Service Refunding	2001 Debt Service Refunding	
Cash and investments on deposit, September 30, 2004	\$ 98,406,781	\$ 7,952,154	\$ 6,908,849	\$ 2,066,872	\$ 10,142,756	\$ 14,926,593
Cash receipts:						
Operating receipts	69,612,301	59,778,157	-	-	-	-
Florida state sales tax	1,686,772	1,686,772	-	-	-	-
Interest collected on investments	1,927,826	204,749	106,574	98,610	143,218	201,456
Net customer deposits received	18,368	18,368	-	-	-	-
Proceeds from grants	14,366,656	-	-	-	-	-
Sale of land	-	-	-	-	-	-
Other receipts	1,044,506	-	821,759	85,524	-	-
Transfers from:						
Passenger facility charge fund	13,893,548	-	212,432	-	-	-
Noise abatement & mitigation fund	14,090,686	-	-	-	-	-
Operations fund	15,071,179	-	-	3,445,537	11,625,642	-
Capital projects fund	-	-	-	-	-	-
Renewal and replacement fund	2,865,532	115,532	-	-	-	-
Debt service fund – debt service reserve account	463,121	463,038	-	19	64	-
Debt service fund	131,368	131,368	-	-	-	-
Restricted assets fund	2,135,955	69,755	-	-	-	-
Improvement and development fund	5,778,734	5,778,734	-	-	-	-
Total cash receipts	143,086,552	68,246,473	1,140,765	3,629,690	11,768,924	201,456

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, 2005

	<u>Restricted Assets Fund</u>	<u>Improvement &amp; Development Fund</u>	<u>Passenger Facility Charge Fund</u>	<u>Noise Abatement and Mitigation Fund</u>
Cash and investments on deposit, September 30, 2004	\$ 5,239,278	\$ 22,679,140	\$ 28,698,088	\$ (206,949)
Cash receipts:				
Operating receipts	-	-	9,641,070	193,074
Florida state sales tax	-	-	-	-
Interest collected on investments	62,806	547,923	565,956	(3,466)
Net customer deposits received	-	-	-	-
Proceeds from grants	-	11,606,842	-	2,759,814
Sale of land	-	-	-	-
Other receipts	14,100	100,454	-	22,669
Transfers from:	-	-	-	-
Passenger facility charge fund	-	13,681,116	-	-
Noise abatement & mitigation fund	-	14,090,686	-	-
Operations fund	-	-	-	-
Capital projects fund	-	-	-	-
Renewal and replacement fund	-	2,750,000	-	-
Debt service fund – debt service reserve account	-	-	-	-
Debt service fund	-	-	-	-
Restricted assets fund	-	1,316,200	-	750,000
Improvement and development fund	-	-	-	-
Total cash receipts	<u>76,906</u>	<u>44,093,221</u>	<u>10,207,026</u>	<u>3,722,091</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, 2005

	Total	Revenue Fund	Renewal and Replacement Fund	Debt Service Fund		
				2002 Debt Service Refunding	2001 Debt Service Refunding	Debt Service Reserve Account
Cash disbursements:						
Operating expenses	\$ 36,563,768	\$ 35,853,248	\$ -	\$ 4,240	\$ 7,431	\$ -
Capital expenditures	33,091,898	81,891	1,974,881	-	-	-
Bond interest expense	6,530,638	-	-	3,458,625	3,072,013	-
Bond issue costs	-	-	-	-	-	-
Florida state sales tax	1,723,447	1,723,447	-	-	-	-
Matured bonds/interest	8,410,000	-	-	-	8,410,000	-
Transfers to:						
Operations fund	6,558,427	-	115,532	96,126	35,242	463,038
Improvement and development fund	31,838,002	14,090,686	2,750,000	-	-	-
Passenger facility charge fund	-	-	-	-	-	-
Debt service reserve account	-	-	-	-	-	-
Renewal and replacement fund	212,432	-	-	-	-	-
Debt service fund ser 02	3,445,556	3,445,537	-	-	-	19
Debt service fund ser 01	11,625,706	11,625,642	-	-	-	64
Restricted assets fund	-	-	-	-	-	-
Noise abatement and mitigation fund	750,000	-	-	-	-	-
Total cash disbursements	<u>140,749,874</u>	<u>66,820,451</u>	<u>4,840,413</u>	<u>3,558,991</u>	<u>11,524,686</u>	<u>463,121</u>
Cash and investments on deposit, September 30, 2005	<u>\$ 100,743,459</u>	<u>\$ 9,378,176</u>	<u>\$ 3,209,201</u>	<u>\$ 2,137,571</u>	<u>\$ 10,386,994</u>	<u>\$ 14,664,928</u>

Palm Beach County Department of Airports

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

For the Year Ended September 30, 2005

	<u>Restricted Assets Fund</u>	<u>Improvement and Development Fund</u>	<u>Passenger Facility Charge Fund</u>	<u>Noise Abatement and Mitigation Fund</u>
Cash disbursements:				
Operating expenses	\$ -	\$ 698,849	\$ -	\$ -
Capital expenditures	793,545	27,328,857	-	2,912,724
Bond interest expense	-	-	-	-
Bond issue costs	-	-	-	-
Florida state sales tax	-	-	-	-
Matured bonds/interest	-	-	-	-
Transfers to:				
Operations fund	69,755	5,778,734	-	-
Improvement and development fund	1,316,200	-	13,681,116	-
Passenger facility charge fund	-	-	-	-
Debt service reserve account	-	-	-	-
Renewal and replacement fund	-	-	212,432	-
Debt service fund Ser 02	-	-	-	-
Debt service fund Ser 01	-	-	-	-
Restricted assets fund	-	-	-	-
Noise abatement and mitigation fund	750,000	-	-	-
Total cash disbursements	<u>2,929,500</u>	<u>33,806,440</u>	<u>13,893,548</u>	<u>2,912,724</u>
Cash and investments on deposit, September 30, 2005	<u>\$ 2,386,684</u>	<u>\$ 32,965,921</u>	<u>\$ 25,011,566</u>	<u>\$ 602,418</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, 2004

	<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, 2003	\$ 93,960,763	\$ 5,588,743	\$ 7,707,172	\$ 1,620,195	\$ 4,908,379	\$ 20,710,155
Cash receipts:						
Operating receipts	60,629,606	51,609,712	—	—	—	—
Florida state sales tax	1,302,640	1,302,640	—	—	—	—
Interest collected on investments	2,047,819	200,628	175,486	84,094	52,412	295,356
Net customer deposits received	12,955	12,955	—	—	—	—
Proceeds from grants	15,105,946	—	—	—	—	—
Sale of land	665,000	—	—	—	—	—
Other receipts	640,447	—	111,136	80,811	—	—
Transfers from:	—	—	—	—	—	—
Passenger facility charge fund	3,577,028	—	—	—	—	—
Noise abatement & mitigation fund	—	—	—	—	—	—
Operations fund	22,360,400	—	—	3,451,446	11,650,024	—
Capital projects fund	—	—	—	—	—	—
Renewal and replacement fund	80,343	80,343	—	—	—	—
Debt service fund – debt service reserve account	752,542	752,543	—	—	—	—
Debt service fund	5,326,375	—	—	293,561	5,032,814	—
Restricted assets fund	101,966	101,966	—	—	—	—
Improvement and development fund	8,890,380	7,350,610	16,183	—	—	—
Total cash receipts	<u>121,493,447</u>	<u>61,411,397</u>	<u>302,805</u>	<u>3,909,912</u>	<u>16,735,250</u>	<u>295,356</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, 2004

	<u>Restricted Assets Fund</u>	<u>Improvement &amp; Development Fund</u>	<u>Passenger Facility Charge Fund</u>	<u>Noise Abatement and Mitigation Fund</u>
Cash and investments on deposit, September 30, 2003	\$ 3,142,209	\$ 27,159,660	\$ 22,791,765	\$ 332,485
Cash receipts:				
Operating receipts	-	-	8,821,781	198,113
Florida state sales tax	-	-	-	-
Interest collected on investments	109,035	519,694	637,983	(26,869)
Net customer deposits received	-	-	-	-
Proceeds from grants	-	12,747,369	-	2,358,577
Sale of land	665,000	-	-	-
Other receipts	-	448,500	-	-
Transfers from:	-	-	-	-
Passenger facility charge fund	-	3,368,666	-	208,362
Noise abatement & mitigation fund	-	-	-	-
Operations fund	-	7,258,930	-	-
Capital projects fund	-	-	-	-
Renewal and replacement fund	-	-	-	-
Debt service fund – debt service reserve account	-	-	-	-
Debt service fund	-	-	-	-
Restricted assets fund	-	-	-	-
Improvement and development fund	1,500,000	-	23,587	-
Total cash receipts	<u>2,274,035</u>	<u>24,343,159</u>	<u>9,483,351</u>	<u>2,738,183</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, 2004

	<u>Total</u>	<u>Revenue Fund</u>	<u>Replacement</u>	<u>Debt Service Fund</u>		<u>Reserve Account</u>
				<u>Service</u>	<u>Service</u>	
Cash disbursements:						
Operating expenses	\$ 36,062,352	\$ 35,392,702	\$ -	\$ 4,610	\$ 8,360	\$ -
Capital expenditures	23,650,041	-	1,020,785	-	-	-
Bond interest expense	6,941,138	-	-	3,458,625	3,482,513	-
Bond issue costs	-	-	-	-	-	-
Florida state sales tax	1,294,884	1,294,884	-	-	-	-
Matured bonds/interest	8,010,000	-	-	-	8,010,000	-
Transfers to:	-	-	-	-	-	-
Operations fund	8,285,462	-	80,343	-	-	752,543
Improvement and development fund	10,627,596	7,258,930	-	-	-	-
Passenger facility charge fund	23,587	-	-	-	-	-
Debt service reserve account	-	-	-	-	-	-
Renewal and replacement fund	224,525	-	-	-	-	-
Debt service fund Ser 02	3,745,007	3,451,446	-	-	-	293,561
Debt service fund Ser 01	16,682,838	11,650,024	-	-	-	5,032,814
Restricted assets fund	1,500,000	-	-	-	-	-
Noise abatement and mitigation fund	-	-	-	-	-	-
Total cash disbursements	<u>117,047,430</u>	<u>59,047,986</u>	<u>1,101,128</u>	<u>3,463,235</u>	<u>11,500,873</u>	<u>6,078,918</u>
Cash and investments on deposit, September 30, 2004	<u>\$ 98,406,781</u>	<u>\$ 7,952,154</u>	<u>\$ 6,908,849</u>	<u>\$ 2,066,872</u>	<u>\$ 10,142,756</u>	<u>\$ 14,926,593</u>

Palm Beach County Department of Airports

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

For the Year Ended September 30, 2004

	<u>Restricted Assets Fund</u>	<u>Improvement and Development Fund</u>	<u>Passenger Facility Charge Fund</u>	<u>Noise Abatement and Mitigation Fund</u>
Cash disbursements:				
Operating expenses	\$ —	\$ 656,680	\$ —	\$ —
Capital expenditures	75,000	19,276,639	—	3,277,617
Bond interest expense	—	—	—	—
Bond issue costs	—	—	—	—
Florida state sales tax	—	—	—	—
Matured bonds/interest	—	—	—	—
Transfers to:	—	—	—	—
Operations fund	101,966	7,350,610	—	—
Improvement and development fund	—	—	3,368,666	—
Passenger facility charge fund	—	23,587	—	—
Debt service reserve account	—	—	—	—
Renewal and replacement fund	—	16,163	208,362	—
Debt service fund Ser 02	—	—	—	—
Debt service fund Ser 01	—	—	—	—
Restricted assets fund	—	1,500,000	—	—
Noise abatement and mitigation fund	—	—	—	—
Total cash disbursements	<u>176,966</u>	<u>28,823,679</u>	<u>3,577,028</u>	<u>3,277,617</u>
Cash and investments on deposit, September 30, 2004	<u>\$ 5,239,278</u>	<u>\$ 22,679,140</u>	<u>\$ 28,698,088</u>	<u>\$ (206,949)</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, 2005

<u>Airport System Revenue Refunding Bond</u>	<u>Bonds Outstanding September 30, 2004</u>	<u>Bonds Issued</u>	<u>Bonds Paid, Purchased or Redeemed</u>	<u>Bonds Outstanding September 30, 2005</u>
Revenue refunding bonds:				
Series 2002	\$ 60,150,000	\$ -	\$ -	\$ 60,150,000
Revenue refunding bonds:				
Series 2001	68,320,000	-	8,410,000	<b>59,910,000</b>
	<u>\$ 128,470,000</u>	<u>\$ -</u>	<u>\$ 8,410,000</u>	<u><b>\$ 120,060,000</b></u>

Palm Beach County Department of Airports  
 Schedule of Bonds Issued, Paid, Purchased or Redeemed  
 For the Year Ended September 30, 2004

<u>Airport System Revenue Refunding Bond</u>	<u>Bonds Outstanding September 30, 2003</u>	<u>Bonds Issued</u>	<u>Bonds Paid, Purchased or Redeemed</u>	<u>Bonds Outstanding September 30, 2004</u>
Revenue refunding bonds: Series 2002	\$ 60,150,000	\$ —	\$ —	\$ 60,150,000
Revenue refunding bonds: Series 2001	76,330,000	—	8,010,000	68,320,000
	<u>\$ 136,480,000</u>	<u>\$ —</u>	<u>\$ 8,010,000</u>	<u>\$ 128,470,000</u>

# Compliance Reports

## Report of Independent Certified Public Accountants on Bond Resolution Compliance

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, 2005, 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 January 11, 2006.

In connection with our audit, nothing came to our attention that caused us to believe that the Palm Beach County Department of Airports failed to comply 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.



January 11, 2006

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

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 (the Department) as of September 30, 2005, 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 January 11, 2006. 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.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the Department's 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 an opinion 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 that might be material weaknesses. A material weakness is a reportable 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 caused by error or fraud 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

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

*Ernst + Young LLP*

January 11, 2006