

CONSOLIDATED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

Palm Beach County Department of Airports

For the years ended September 30, 2001 and 2000
with Reports of Independent Certified Public Accountants

Palm Beach County Department of Airports

Consolidated Financial Statements and
Supplementary Information

Years ended September 30, 2001 and 2000

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Report of Independent Certified Public Accountants

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

We have audited the accompanying consolidated balance sheets of the Palm Beach County Department of Airports as of September 30, 2001 and 2000, and the related consolidated statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the management of the Palm Beach County Department of Airports. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

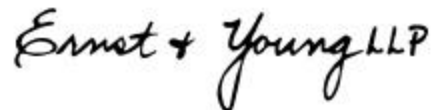
As discussed in Note 1, the consolidated financial statements referred to above present only the Palm Beach County Department of Airports, an enterprise fund of Palm Beach County, Florida, and are not intended to present fairly the financial position of Palm Beach County, Florida, and the results of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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Palm Beach County Department of Airports as of September 30, 2001 and 2000, and the consolidated results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

As described in Note 1 to the consolidated financial statements, the Palm Beach County Department of Airports adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, as of October 1, 2000. This results in a change to the Airport's method of accounting for capital contributions.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The accompanying financial information listed as other financial information in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. This information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, as of September 30, 2001 and 2000, is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report, dated February 25, 2002, on our consideration of the Palm Beach County Department of Airports' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



February 25, 2002

Palm Beach County Department of Airports

Consolidated Balance Sheets

	September 30	
	2001	2000
Assets		
Current assets:		
Cash and cash equivalents	\$ 41,025,727	\$ 39,735,993
Accounts receivable, less allowance for doubtful accounts of \$496,672 and \$41,944 in 2001 and 2000, respectively	1,296,685	2,095,605
Government grants receivable	472,161	357,750
Inventory	878,638	919,273
Total current assets	43,673,211	43,108,621
Restricted assets:		
Cash and cash equivalents	40,096,490	35,360,708
Investments	14,778,295	14,737,489
Interest receivable	421,151	296,744
Accounts receivable, less allowance for doubtful accounts of \$416 in 2001 and 2000	34,952	73,234
Total restricted assets	55,330,888	50,468,175
Property, plant and equipment:		
Land	110,694,156	102,334,299
Buildings	168,416,232	166,085,120
Improvements other than buildings	150,498,991	149,849,347
Furniture, fixtures and equipment	28,322,459	27,499,482
Construction in progress	5,815,174	943,351
	463,747,012	446,711,599
Less: accumulated depreciation	192,702,896	177,275,806
Property, plant and equipment, net	271,044,116	269,435,793
Other assets:		
Deferred bond issuance costs	1,981,676	1,393,137
Other receivable, net of discount of \$600,200	1,312,000	-
Intangible and other assets, net of accumulated amortization of \$423,578 and \$296,323 in 2001 and 2000, respectively	4,666,527	3,523,969
Total other assets	7,960,203	4,917,106
Total assets	<u>\$378,008,418</u>	<u>\$367,929,695</u>

See accompanying notes.

	September 30	
	2001	2000
Liabilities and fund equity		
Current liabilities:		
Accounts and contracts payable	\$ 2,289,196	\$ 1,210,552
Accrued loss on swap termination	2,477,800	-
Compensated absences payable	910,966	870,083
Deferred revenue	1,753,806	1,330,980
Due to State of Florida	1,124,400	1,124,400
Other current liabilities	243,901	242,827
Total current liabilities	<u>8,800,069</u>	<u>4,778,842</u>
Liabilities payable from restricted assets:		
Accounts and contracts payable	985,944	554,777
Security deposits	158,241	151,477
Interest payable on revenue bonds	3,271,570	5,555,138
Current maturities of revenue bonds	8,825,000	5,765,000
Total liabilities payable from restricted assets	<u>13,240,755</u>	<u>12,026,392</u>
Long-term liabilities:		
Loan payable	150,758	350,600
Revenue bonds payable (less current maturities and net of unamortized premium (discount) of \$1,926,490 and \$(869,941) in 2001 and 2000, respectively, and unamortized loss on refunding of \$(2,614,278) in 2001)	142,657,212	147,205,059
Total long-term liabilities	<u>142,807,970</u>	<u>147,555,659</u>
Fund equity:		
Contributed capital:		
Developers and customers	611,164	652,083
Other governments	89,159,858	92,766,285
Other county funds	9,397,125	9,397,125
Total contributed capital	<u>99,168,147</u>	<u>102,815,493</u>
Retained earnings:		
Reserved for operations, maintenance, capital outlay and debt service	42,090,133	38,372,764
Unreserved	71,901,344	62,380,545
Total retained earnings	<u>113,991,477</u>	<u>100,753,309</u>
Total fund equity	<u>213,159,624</u>	<u>203,568,802</u>
Total liabilities and fund equity	<u>\$378,008,418</u>	<u>\$367,929,695</u>

Palm Beach County Department of Airports

Consolidated Statements of Revenues, Expenses
and Changes in Retained Earnings

	Year ended September 30	
	2001	2000
Operating revenues:		
Rentals	\$ 18,041,531	\$ 19,170,207
Concessions	25,239,091	24,025,009
Landing fees	3,429,461	4,877,579
Other	1,759,193	1,906,360
Total operating revenues	48,469,276	49,979,155
Operating expenses:		
Employee compensation and benefits	7,257,816	7,080,983
General and administrative	6,339,623	5,381,054
Maintenance	4,160,124	3,523,078
Contracted security services	4,989,859	4,486,836
Contracted fire-rescue services	4,306,520	4,306,520
Utilities	2,364,456	1,931,449
Total operating expenses before depreciation and amortization	29,418,398	26,709,920
Operating income before depreciation and amortization	19,050,878	23,269,235
Depreciation and amortization:		
On assets acquired with own funds	12,222,300	12,860,817
On assets acquired from capital contributions	3,647,346	3,862,892
	15,869,646	16,723,709
Operating income	3,181,232	6,545,526
Nonoperating revenues (expenses):		
Investment income	7,501,784	4,869,760
Passenger facility charges	8,629,694	7,894,579
Loss on swap termination	(5,082,550)	-
Interest expense	(9,835,669)	(11,110,275)
Gain on disposal of assets	43,518	31,340
Amortization of revenue bond costs	(200,104)	(173,363)
Other revenues	119,450	16,084
Total nonoperating revenues (expenses)	1,176,123	1,528,125
Capital contributions	5,233,467	-
Net income	9,590,822	8,073,651
Depreciation on contributed assets	3,647,346	3,862,892
Retained earnings, beginning of year	100,753,309	88,816,766
Retained earnings, end of year	\$113,991,477	\$100,753,309

See accompanying notes.

Palm Beach County Department of Airports

Consolidated Statements of Cash Flows

	Year ended September 30	
	2001	2000
Operating activities		
Cash received from customers	\$48,735,268	\$49,854,086
Cash payments to vendors for goods and services	(8,559,872)	(12,917,360)
Cash payments to employees for services	(7,207,489)	(7,104,404)
Cash payments to other funds	(12,354,830)	(11,804,640)
Other receipts (payments)	148,633	(598)
Net cash provided by operating activities	20,761,710	18,027,084
Capital and related financing activities		
Acquisition and construction of capital assets	(17,361,586)	(17,628,254)
Proceeds from sale of assets	54,390	46,373
Repayment on loan payable	(199,842)	-
Proceeds from issuance of revenue bonds	86,822,543	-
Payment to escrow agent for advance refunding of revenue bonds	(83,858,359)	-
Swap termination fee	(3,916,750)	-
Principal repayment on revenue bonds	(5,765,000)	(5,490,000)
Passenger facility charges received	8,629,694	7,894,579
Receipt of capital grants and reimbursements	5,119,056	6,898,851
Bond issue costs	(901,752)	-
Interest and fiscal charges paid	(10,695,159)	(11,269,500)
Net cash used for capital and related financing activities	(22,072,765)	(19,547,951)
Investing activities		
Purchase of investments	(16,018,311)	(9,220,551)
Proceeds from sale and maturity of investments	16,512,236	9,233,896
Interest received on investments	6,842,646	4,971,382
Net cash provided by investing activities	7,336,571	4,984,727
Net increase in cash and cash equivalents	6,025,516	3,463,860
Cash and cash equivalents at beginning of year (including \$35,360,708 and \$42,783,675 in restricted accounts at October 1, 2000 and 1999, respectively)	75,096,701	71,632,841
Cash and cash equivalents at end of year (including \$40,096,490 and \$35,360,708 in restricted accounts at September 30, 2001 and 2000, respectively)	\$81,122,217	\$75,096,701

Continued on next page.

Palm Beach County Department of Airports

Consolidated Statements of Cash Flows (continued)

	Year ended September 30	
	2001	2000
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 3,181,232	\$ 6,545,526
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation and amortization	15,869,646	16,723,709
Provision for doubtful accounts	454,728	(622,620)
Other revenue	119,450	16,084
Changes in net assets and liabilities:		
Decrease in accounts receivable	382,474	518,621
Decrease (increase) in inventory	40,635	(57,579)
Increase in intangible and other assets	(1,267,813)	(1,285,319)
Increase (decrease) in accounts and contracts payable	1,509,811	(3,802,553)
Increase in compensated absences payable	40,883	31,247
Increase in deferred revenues	422,826	137,401
Increase (decrease) in other current liabilities	1,074	(178,494)
Increase in security deposits	6,764	1,061
Total adjustments	17,580,478	11,481,558
Net cash provided by operating activities	\$20,761,710	\$18,027,084

See accompanying notes.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements

September 30, 2001

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 (the Airports), all operated by the Palm Beach County Department of Airports (the Department of Airports).

Basis of Presentation

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

The financial statements included in this report represent the consolidated 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.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

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

Cash and Cash Equivalents

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

Inventory

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

Property, Plant and Equipment

Property, plant and equipment is recorded at cost or, if donated, at fair value at the date of donation. Maintenance and repairs are charged to expense as incurred. Major renewals and betterments which significantly add to the productive capacity or extend the useful life of

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

property and equipment 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 property, plant and equipment acquired through contributions from developers, customers and other governments is recorded as an expense in the statement of revenues, expenses and changes in retained earnings with a corresponding transfer of a like amount from contributed capital to retained earnings for contributions made in prior years.

The Department of Airports purchases certain residential parcels of land that are considered to be within the area designated as “noise-impacted” surrounding the Airports. The costs of acquisition, structure demolition and relocation of residents in this area are eligible under the Federal Aviation Administration (FAA) Noise Abatement Grant Program for reimbursement. The FAA funds approximately 80% of these costs with the remainder financed by the Department of Airports. The FAA retains a continuing interest in the properties equal to its original funding percentage and restricts the use of such properties to purposes which are compatible with noise levels associated with the operation of Airports. The total costs associated with acquiring these parcels of land are approximately \$67,588,000 and \$59,228,000 at September 30, 2001 and 2000, respectively, and is recorded under the caption “land” in the accompanying balance sheet.

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.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

Deferred Revenue

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

Restricted Assets and Reserves

Certain assets are restricted in accordance with the provisions of the Bond Resolution (Resolution) and in accordance with FAA restrictions. Assets restricted under the Resolution are designated primarily for payment of debt service and the retention of the operation and maintenance reserve, all as defined in the Resolution. Assets subject to FAA restrictions total approximately \$689,000 and \$665,000 at September 30, 2001 and 2000, respectively, and results from the sale of excess land previously contributed by the FAA and not required for aviation purposes. These assets are restricted until appropriated for FAA approved projects.

Amortization

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

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 \$9,835,669 and \$11,110,275 for the fiscal years ended September 30, 2001 and 2000, respectively, all of which was charged to expense.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

1. Significant Accounting Policies (continued)

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 balance sheet as compensated absences payable.

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

Passenger Facility Charges

The Department of Airports received approval of the FAA to impose a \$3 Passenger Facility Charge (PFC) for each passenger enplaned at the Airport. The Airport is authorized to collect up to \$63,619,840 of PFC revenue to fund construction of pre-approved capital projects. The estimated expiration date on PFC revenue collection is November 2005. The Department of Airports began imposing this charge effective April 1, 1994. For the years ended September 30, 2001 and 2000, the Department of Airports collected \$8,629,694 and \$7,894,579, respectively, of PFCs for a cumulative total of \$57,510,392 and has earned interest on unspent funds of \$6,045,446. Cumulative expenditures amount to \$47,498,560. The net unexpended monies of \$16,057,278 are included in the accompanying financial statements as restricted assets because these funds must be spent on FAA approved capital improvements.

Capital Contributions

In prior years, capital contributions were recorded as direct additions to the fund equity section of the balance sheets. Beginning in Fiscal 2001, these contributions were recorded as additions to the statements of revenues, expenses and changes in retained earnings in accordance with adopting the provisions of GASB Statement No. 33 (See Note 12).

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.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

2. Cash and Cash Equivalents

Cash and cash equivalents consist of the following at September 30, 2001 and 2000:

	<u>2001</u>	<u>2000</u>
Equity in County pooled cash system	\$68,779,843	\$63,134,001
Deposits with financial institutions	12,341,274	11,961,600
Petty cash	1,100	1,100
Total	<u>\$81,122,217</u>	<u>\$75,096,701</u>
	<u>2001</u>	<u>2000</u>
Unrestricted cash and cash equivalents	\$41,025,727	\$39,735,993
Restricted cash and cash equivalents	40,096,490	35,360,708
Total	<u>\$81,122,217</u>	<u>\$75,096,701</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 \$1.1 billion and \$916 million as of September 30, 2001 and 2000, respectively, of which approximately 75% and 92% are invested in U.S. Government and Agency obligations, which are classified as Category 1 investments. Almost all remaining amounts at September 30, 2001 and 2000 were invested in the Local Government Surplus Funds Trust Fund investment pool managed by the Florida State Treasurer (State Treasurer) and the Florida Local Government Investment Trust. For purposes of categorizing the equity in pooled cash in accordance with the provisions of GASB Statement No. 3 (*Deposits with Financial Institutions, including Repurchase Agreements, and Reverse Repurchase Agreements*), the pooled cash investments in the Local Government Surplus Funds Trust Fund and the Florida Local Government Investment Trust cannot be categorized because they are not evidenced by cash or securities that exist in physical or book entry form. These financial instruments may be subject to credit or market risk. Information quantifying these risks was not available, but management believes the impact to the Department of Airports, if any, would be minimal. Category 1 includes investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. The equity in the County pooled cash system is available to the Department of Airports on a demand basis.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

2. Cash and Cash Equivalents (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 in accordance with the provisions of GASB Statement No. 3.

Investments

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

The Department of Airports carries its investments at fair value. At September 30, 2001 and 2000, investments consisted of U.S. Government Agency obligations with a carrying value of \$14,778,295 and \$14,737,489, respectively. The Department of Airports anticipates holding these investments to maturity. These investments are categorized in accordance with GASB Statement No. 3 and are considered to be in Category 1 as investments that are insured or registered or for which the securities are held by the County or its agent in the County's name. Investment income at September 30, 2001 includes net realized and unrealized gains of approximately \$535,000. Investment income at September 30, 2000 includes unrealized losses of approximately \$116,000.

3. Leases

The Department of Airports leases a major portion of its property to airlines and concessionaires. Certain of the concessionaire leases provide for minimum rentals plus a contingency portion specified as a percentage of the tenants' gross revenues. Contingent rental income under such arrangements amounted to approximately \$2,736,000 and \$2,241,000 for the years ended

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

3. Leases (continued)

September 30, 2001 and 2000, respectively. All Department of Airports' leases are operating leases.

Minimum future rentals, exclusive of contingent rentals under such leases, are approximately as follows at September 30, 2001:

Year ending September 30,	
2002	\$ 29,887,000
2003	28,873,000
2004	20,419,000
2005	18,728,000
2006	4,993,000
Thereafter	35,115,000
	<u>\$138,015,000</u>

A schedule of the carrying value of property held for lease, by major classification, as of September 30, 2001 and 2000, is as follows:

	<u>2001</u>	<u>2000</u>
Buildings	\$133,737,339	\$131,406,226
Less: accumulated depreciation	56,308,177	51,494,219
	77,429,162	79,912,007
Land	1,867,182	1,867,182
Property held for lease, net	\$ 79,296,344	\$ 81,779,189

4. 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,

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

4. Due to State of Florida (continued)

2001 and 2000, the amount to be reimbursed to the FDOT related to the advanced funds is \$1,124,400. Because the ten year period has expired, management of the Airport is currently in negotiations with the FDOT regarding the ultimate disposition of this advance.

5. Revenue Bonds Payable

Revenue bonds payable by the Department of Airports consist of the following:

	<u>2001</u>	<u>2000</u>
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	\$ 83,965,000	\$ —
Series 1992 Revenue Refunding Bonds due in annual installments of \$4,575,000 to \$4,815,000 through October 1, 1999 and \$13,345,000 to \$16,425,000 due from October 1, 2011 through October 1, 2014, with interest from 2.8% to 6.375% payable semiannually on October 1 and April 1	59,380,000	59,380,000
Series 1991 Revenue Refunding Term bonds due in annual installments of \$490,000 to \$11,735,000 through October 1, 2010, with interest from 7.5% to 7.75% payable semiannually on October 1 and April 1	6,025,000	91,495,000
Series 1989 Taxable Subordinated Indebtedness due October 1, 2010, with interest at 9.5% payable semi-annually on April 1 and October 1. Mandatory sinking fund redemptions are required in annual installments of \$135,000 to \$410,000.	2,800,000	2,965,000
	152,170,000	153,840,000
Less: current portion	8,825,000	5,765,000
	143,345,000	148,075,000
Net unamortized premium (discount)	1,926,490	(869,941)
Unamortized loss on refunding	(2,614,278)	—
Long-term portion	\$142,657,212	\$147,205,059

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

5. Revenue Bonds Payable (continued)

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 Bonds, Series 1991 (except for the sinking fund installment due October 1, 2001), paying the swap termination fee related to the Series 2001 bonds, and paying the issuance costs of the Series 2001 bonds. The Series 2001 bonds are not subject to redemption prior to maturity.

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

Series 1992

Series 1992, \$90,690,000 Airport System Revenue Refunding Bonds, dated February 1, 1992, consisted of \$31,310,000 of Serial bonds and \$59,380,000 of Term Bonds and were issued for the purpose of redeeming \$87,235,000 Airport System Revenue Bonds, Series 1984A and Series 1984B on March 6, 1992 and to pay the issuance costs of the Series 1992 bonds.

The Series 1992 bonds will be called for redemption on October 1, 2002 and will be refunded through the issuance of Series 2002, \$60,150,000 Airport System Revenue Refunding Bonds.

Series 1991

Series 1991, \$94,815,000 Airport System Revenue Refunding Term Bonds, dated September 30, 1991; proceeds were applied to the early redemption on October 1, 1991 of \$94,815,000 of Series 1984A Florida Airport System Revenue Bonds.

All of the Series 1991 bonds, except for the sinking fund installment due October 1, 2001 in the principal amount of \$6,025,000, were refunded by the Series 2001 bonds in July 2001 and will be redeemed on October 1, 2001.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

5. Revenue Bonds Payable (continued)

Series 1989

Series 1989, \$3,850,000 Airport System Taxable Subordinated Indebtedness, dated June 1, 1989, consisted of Term Bonds and were issued to pay the costs associated with \$94,815,000 Refunding Escrow Deposits (REDs) to provide for redemption of Airport System Revenue Bonds, Series 1984A on October 1, 1991, including the issuance costs of the Series 1989 bonds.

The bonds were called for redemption on October 1, 2001 and the outstanding principal balance of \$2,800,000 was paid.

The annual debt service requirements for all outstanding bonds for the next five years and thereafter are as follows:

Year ending September 30,	Principal	Interest	Total
2002	\$ 8,825,000	\$ 7,849,988	\$ 16,674,988
2003	7,635,000	7,468,238	15,103,238
2004	8,010,000	7,067,738	15,077,738
2005	8,410,000	6,647,238	15,057,238
2006	8,830,000	6,161,588	14,991,588
Thereafter	110,460,000	29,942,990	140,402,990
	<u>\$152,170,000</u>	<u>\$65,137,780</u>	<u>\$217,307,780</u>

6. Loan Payable

Under the interest rate swap agreement executed between the County and Merrill Lynch Capital Services, Inc. (MLCS) for the forward issuance of \$83,965,000 Palm Beach County, Florida, Airport System Revenue Refunding Bonds, Series 2001 and \$60,150,000 Palm Beach County, Florida, Airport System Revenue Refunding Bonds, Series 2002, the Department of Airports received a lump-sum payment from MLCS of \$350,600 in February 1998 to pay costs of issuance related to the Series 2001 and Series 2002 bonds. The Department of Airports repaid \$199,842 with interest at 6.22% in July 2001. The remaining \$150,758 will be repaid, with interest at 6.38%, in July 2002.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

6. Loan Payable (continued)

During the year ended September 30, 2000, the County amended its agreement with MLCS in the form of an option, whereby, upon the payment of \$2,950,000 to the County, MLCS would have the right to cancel the swap agreement related to the \$61,110,000 Palm Beach County, Florida, Airport System Revenue Refunding Bonds, Series 2002. The payment to the County was based upon the movements of taxable, tax-exempt and U.S. Treasury securities and the time remaining on the original swap contract.

In May 2001, the County entered into termination agreements with MLCS to terminate its interest rate swap agreements. On July 3, 2001 the Department of Airports paid \$3,916,750 to terminate the agreement related to the Series 2001 bonds. In addition, the Department of Airports accrued the termination payment of \$2,477,800 due on July 3, 2002 related to the Series 2002 bonds. Furthermore, in conjunction with the termination of the swap agreement related to the Series 2000 bonds, MLCS has 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 noncurrent receivable at September 30, 2001 and a reduction of the loss on swap termination.

7. Defined Benefit Pension Plan

Plan Description

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

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

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

7. Defined Benefit Pension Plan (continued)

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 7.3% 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, 2001, 2000 and 1999 were approximately \$446,000, \$522,000 and \$680,000, respectively, and were equal to the required contributions for each year.

8. 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 \$3,165,000 and \$2,952,000 for the years ended September 30, 2001 and 2000, respectively. In addition, the Department of Airports also pays solid waste disposal fees to the Solid Waste Authority of Palm Beach County, a dependent special district and component unit of Palm Beach County, Florida. Fees paid to the Solid Waste Authority for the years ended September 30, 2001 and 2000 totaled approximately \$173,000 and \$182,000, respectively. At September 30, 2001 and 2000, there were no amounts receivable from other funds and departments of Palm Beach County and \$62,998 and \$68,974, respectively, was payable to other County funds and departments.

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 \$4,834,000 and \$4,352,000 for the years ended September 30, 2001 and 2000, respectively. The Department of Airports also contracts with the Fire-Rescue Department for fire-rescue services at Palm Beach International Airport. The cost of these services was approximately \$4,307,000 for the years ended September 30, 2001 and 2000.

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

9. Major Customers

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

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

Major airlines, based on this criteria are as follows:

<u>Airline</u>	<u>Percent of Activity Based Upon Enplaned Passengers</u>	
	<u>2001</u>	<u>2000</u>
Delta Airlines, Inc.	34.07%	34.98%
USAir, Inc.	24.56	23.04
Continental Airlines, Inc.	12.88	12.29
Southwest Airlines Company	6.21	—
TWA	0.65	6.29
American Airlines, Inc.	4.38	5.14
Others	17.25	18.26
	100.00%	100.00%

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

10. Contributed Capital

The following is a summary of the changes in the contributed capital accounts of the Department of Airports for the years ended September 30, 2001 and 2000:

	Developers and Customers	Governments	Other County Funds	Total
Balance, September 30, 1999	\$689,808	\$90,026,929	\$9,397,125	\$100,113,862
Capital grants received	27,541	6,536,982	–	6,564,523
Depreciation transfer	(65,266)	(3,797,626)	–	(3,862,892)
Balance, September 30, 2000	652,083	92,766,285	9,397,125	102,815,493
Depreciation transfer	(40,919)	(3,606,427)	–	(3,647,346)
Balance, September 30, 2001	\$611,164	\$89,159,858	\$9,397,125	\$99,168,147

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.

Insurance

The Department of Airports participates in the county-wide self-insurance programs for Casualty Insurance, Health Insurance and Workers' Compensation Insurance. While each of these programs is subject to potential losses in excess of the amounts that have been accrued and funded as of September 30, 2001 and 2000, management believes it is unlikely that the amounts

Palm Beach County Department of Airports

Notes to Consolidated Financial Statements (continued)

11. Commitments and Contingencies (continued)

of such potential losses, if any, would be material. In addition, the Department of Airports also has a commercial policy that provides insurance in the event of a disaster.

Contract Commitments

The Department of Airports has several uncompleted design and construction contracts for improvements to the airport system. At September 30, 2001, the remaining commitment on these uncompleted contracts was \$9,885,439, which is summarized as follows:

<u>Contract Amount</u>	<u>Approved Payments</u>	<u>Retainage Payable</u>	<u>Remaining Contract Commitment</u>
<u>\$27,748,344</u>	<u>\$17,567,140</u>	<u>\$295,765</u>	<u>\$9,885,439</u>

12. Accounting Change

In fiscal 2001, the Department of Airports adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. In accordance with GASB Statement No. 33, the Department of Airports changed its method of accounting for capital contributions by recognizing such contributions as revenues during the fiscal year, rather than as additions to contributed capital. The amount of such revenue recognized during the fiscal year ended September 30, 2001 was \$5,233,467.

13. Subsequent Events

Due to the tragic events that occurred on September 11, 2001, there was a nationwide shutdown of air travel for a short period. While the long-term impact of the event is undeterminable for the airline industry including airports, it appears that revenues to the Department of Airports could be adversely impacted in the short term. The Department of Airports cannot reasonably estimate this impact at the date of this report but has the ability to adjust its rates and charges if revenues do not recover as budgeted.

Other Financial Information

Palm Beach County Department of Airports

Schedule of Amounts on Deposit and Investments

September 30, 2001

Description	Par Amount	Cost	Fair Value
Revenue fund:			
Petty cash		\$ 1,100	\$ 1,100
Cash and cash equivalents:		6,140,853	6,140,853
Equity in pooled cash (2)		<u>\$ 6,141,953</u>	<u>\$ 6,141,953</u>
Renewal and replacement fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 4,821,210</u>	<u>\$ 4,821,210</u>
Debt service fund—2001 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 71,214	\$ 71,214
Bank of America – money market account (1)		<u>1,016,128</u>	<u>1,016,128</u>
		<u>\$ 1,087,342</u>	<u>\$ 1,087,342</u>
Debt service fund—1992 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 21,345	\$ 21,345
Bank of America – money market account (1)		<u>1,879,077</u>	<u>1,879,077</u>
		<u>\$ 1,900,422</u>	<u>\$ 1,900,422</u>
Debt service fund—1991 refunding account:			
Cash and cash equivalents:			
Bank of America – money market account (1)		<u>\$ 6,338,270</u>	<u>\$ 6,338,270</u>
Debt service fund—debt service reserve account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 57	\$ 57
Bank of America – money market account (1)		<u>148,931</u>	<u>148,931</u>
U.S. Government and Agencies:			
FNMA, 6.1%, due 10/21/02 (3)	\$ 500,000	491,655	517,150
FHLMC, 5.125%, due 10/15/08 (3)	8,415,000	8,060,880	8,437,720
FHLB, 7.74%, due 10/02/01 (3)	5,360,000	<u>5,366,373</u>	<u>5,360,536</u>
		<u>\$14,067,896</u>	<u>\$14,464,394</u>

(Continued on next page).

Palm Beach County Department of Airports

Schedule of Amounts on Deposit and Investments (continued)

September 30, 2001

Description	Par Amount	Cost	Fair Value
Subordinated indebtedness-debt service fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 19,096	\$ 19,096
Bank of America – money market account (3)		2,949,072	2,949,072
First Union National Bank – money market account (3)		9,796	9,796
		\$ 2,977,964	\$ 2,977,964
Subordinated indebtedness-debt service revenue fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 2,012	\$ 2,012
U.S. Government and agencies:			
FHLB, 5.29%, due 01/27/06 (3)	\$445,000	444,368	462,889
		\$ 446,380	\$ 464,901
Restricted assets fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 688,700	\$ 688,700
Improvement and development fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$39,917,326	\$39,917,326
Passenger facility charge fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$15,846,139	\$15,846,139
Noise abatement and mitigation fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 1,251,891	\$ 1,251,891

Notes:

- (1) Held on deposit or as safekeeping agent by Bank of America, N.A., 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, 2001, approximately 75% 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 Wachovia National Bank, Florida.

Palm Beach County Department of Airports

Schedule of Amounts on Deposit and Investments

September 30, 2000

Description	Par Amount	Cost	Fair Value
Revenue fund:			
Petty cash		\$ 1,100	\$ 1,100
Cash and cash equivalents:		6,359,631	6,359,631
Equity in pooled cash (2)		<u>\$ 6,360,731</u>	<u>\$ 6,360,731</u>
Renewal and replacement fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 4,242,472</u>	<u>\$ 4,242,472</u>
Debt service fund—1991 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 47,119	\$ 47,119
Barnett Bank – money market account (1)		9,278,131	9,278,131
		<u>\$ 9,325,250</u>	<u>\$ 9,325,250</u>
Debt service fund—1992 refunding account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 9,760	\$ 9,760
Barnett Bank – money market account (1)		1,917,261	1,917,261
		<u>\$ 1,927,021</u>	<u>\$ 1,927,021</u>
Debt service fund—debt service reserve account:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 57	\$ 57
Barnett Bank – money market account (1)		455,121	455,121
U.S. Government and Agencies:			
FNMA, 6.1%, due 10/21/02 (3)	\$ 500,000	491,655	495,781
FNMA, 5.5%, due 02/02/01 (3)	8,415,000	8,445,845	8,374,608
FHLB, 7.74%, due 10/02/01 (3)	5,360,000	5,366,373	5,419,228
		<u>\$14,759,051</u>	<u>\$14,744,795</u>
Merrill Lynch loan:			
Cash and cash equivalents:			
Equity in pooled cash (2)		<u>\$ 34,752</u>	<u>\$ 34,752</u>
Subordinated indebtedness-debt service fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 992	\$ 992
Barnett Bank – money market account (3)		298,975	298,975
First Union National Bank – money market account (3)		12,112	12,112
		<u>\$ 312,079</u>	<u>\$ 312,079</u>

(Continued on next page).

Palm Beach County Department of Airports

Schedule of Amounts on Deposit and Investments (continued)

September 30, 2000

Description	Par Amount	Cost	Fair Value
Subordinated indebtedness-debt service revenue fund:			
U.S. Government and agencies:			
FHLB, 5.345%, due 02/16/01 (3)	\$450,000	\$ 450,000	\$ 447,872
Restricted assets fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 664,700	\$ 664,700
Improvement and development fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$38,287,543	\$38,287,543
Passenger facility charge fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$10,493,055	\$10,493,055
Noise abatement and mitigation fund:			
Cash and cash equivalents:			
Equity in pooled cash (2)		\$ 2,993,920	\$ 2,993,920

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, 2000, approximately 92% 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 Wachovia National Bank, Florida.

Palm Beach County Department of Airports

Schedule of Cash Receipts and Disbursements by Fund and Account

For the year ended September 30, 2001

	<u>Total</u>	<u>Revenue Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Debt Service Fund</u>			<u>Debt Service Reserve Account</u>
				<u>2001 Debt Service Refunding</u>	<u>1991 Debt Service Refunding</u>	<u>1992 Debt Service Refunding</u>	
Cash and investments on deposit, September 30, 2000	\$ 89,851,038	\$ 6,360,731	\$4,242,472	\$ -	\$9,325,250	\$1,927,021	\$14,759,515
Cash receipts:							
Operating receipts	56,514,302	47,561,339	-	-	-	-	-
Florida state sales tax	1,815,189	1,815,189	-	-	-	-	-
Interest collected on investments	8,858,886	624,620	466,996	13,320	175,660	40,063	1,156,827
Proceeds from grants	5,119,057	-	569,880	-	-	-	-
Proceeds from maturity of investment	8,862,872	-	-	-	-	-	8,415,000
Proceeds from sale of bonds	86,952,776	-	-	86,952,776	-	-	-
Merrill Lynch Loan	321,464	-	-	-	-	-	-
Other receipts	365,748	11,414	354,334	-	-	-	-
Transfers from:							
Passenger facility charge fund	1,068,630	-	290,814	-	-	-	-
Noise abatement & mitigation fund	3,265,901	-	-	-	-	-	-
S.I. - debt service reserve fund	21,822	-	-	-	-	-	-
Operations fund	33,637,730	-	2,000,000	993,521	10,845,659	3,734,783	-
Capital projects fund	466,996	466,996	-	-	-	-	-
Debt service fund - debt service reserve account	1,437,228	1,137,228	-	300,000	-	-	-
Debt service fund	1,575,173	-	-	1,575,173	-	-	-
Restricted assets fund	59,445	59,445	-	-	-	-	-
Improvement and development fund	14,307,441	11,687,441	-	-	-	-	-
Total cash receipts	<u>224,650,660</u>	<u>63,363,672</u>	<u>3,682,024</u>	<u>89,834,790</u>	<u>11,021,319</u>	<u>3,774,846</u>	<u>9,571,827</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, 2001

	Merrill Lynch Loan	Debt Service S.I. Fund		Restricted Assets Fund	Improvement and Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
		1989 S.I. Debt Service	1989 S.I. Debt Service Reserve				
Cash and investments on deposit, September 30, 2000	\$ 34,752	\$ 312,079	\$450,000	\$664,700	38,287,543	\$10,493,055	\$2,993,920
Cash receipts:							
Operating receipts	—	—	—	24,000	8,860	8,629,694	290,409
Florida state sales tax	—	—	—	—	—	—	—
Interest collected on investments	2,314	49,134	38,853	59,445	4,840,635	1,285,961	105,058
Proceeds from grants	—	—	—	—	325,448	—	4,223,729
Proceeds from maturity of investment	—	—	447,872	—	—	—	—
Proceeds from sale of bonds	—	—	—	—	—	—	—
Merrill Lynch loan	321,464	—	—	—	—	—	—
Other receipts	—	—	—	—	—	—	—
Transfers from:							
Passenger facility charge fund	—	—	—	—	777,816	—	—
Noise abatement & mitigation fund	—	—	—	—	—	—	3,265,901
S.I. - debt service reserve fund	—	21,822	—	—	—	—	—
Operations fund	—	413,767	—	—	15,650,000	—	—
Capital projects fund	—	—	—	—	—	—	—
Debt service fund - debt service reserve account	—	—	—	—	—	—	—
Debt service fund	—	—	—	—	—	—	—
Restricted assets fund	—	—	—	—	—	—	—
Improvement and development fund	—	2,620,000	—	—	—	—	—
Total cash receipts	323,778	3,104,723	486,725	83,445	21,602,759	9,915,655	7,885,097

(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, 2001

	<u>Total</u>	<u>Revenue Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Debt Service Fund</u>			<u>Debt Service Reserve Account</u>
				<u>2001 Debt Service Refunding</u>	<u>1991 Debt Service Refunding</u>	<u>1992 Debt Service Refunding</u>	
Cash disbursements:							
Operating expenses	28,138,818	28,122,848	—	—	—	15,970	—
Capital expenditures	17,928,951	—	2,636,290	—	—	—	—
Bond interest expense	10,869,860	—	—	(22,580)	6,833,127	3,785,475	—
Bond issue costs	5,169,102	—	—	4,818,502	—	—	—
Bond discount	130,232	—	—	130,232	—	—	—
Unamortized loss on bond redemption	4,165,264	—	—	4,165,264	—	—	—
Refund of security deposits	4,650	4,650	—	—	—	—	—
Florida state sales tax	1,817,223	1,817,223	—	—	—	—	—
Matured bonds/interest	5,765,000	—	—	—	5,600,000	—	—
Bond called	79,656,029	—	—	79,656,029	—	—	—
Purchase of investment	8,903,678	—	—	—	—	—	8,440,789
Transfers to:							
Operations fund	13,351,110	—	466,996	—	—	—	1,137,228
Improvement and development fund	16,427,816	15,650,000	—	—	—	—	—
Debt service account	14,880,442	14,580,442	—	—	—	—	300,000
Renewal and replacement fund	2,518,853	2,000,000	—	—	—	—	—
S.I. - debt service fund	3,055,589	413,767	—	—	—	—	—
Debt service fund ser 01	2,568,694	993,521	—	—	1,575,173	—	—
Noise abatement and mitigation fund	3,265,902	—	—	—	—	—	—
Total cash disbursements	<u>218,617,213</u>	<u>63,582,451</u>	<u>3,103,286</u>	<u>88,747,447</u>	<u>14,008,300</u>	<u>3,801,445</u>	<u>9,878,017</u>
Equity transfer - in (out)	<u>(7,930)</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Cash and investments on deposit, September 30, 2001	<u>\$ 95,876,555</u>	<u>\$ 6,141,952</u>	<u>\$4,821,210</u>	<u>\$ 1,087,343</u>	<u>\$ 6,338,269</u>	<u>\$1,900,422</u>	<u>\$14,453,325</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, 2001

	Merrill Lynch Loan	Debt Service S.I. Fund S.I. Debt Service	S.I. Debt Service Reserve	Restricted Assets Fund	Improvement and Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash disbursements:							
Operating expenses	-	-	-	-	-	-	-
Capital expenditures	-	-	-	-	5,665,535	-	9,627,126
Bond interest expense	-	273,838	-	-	-	-	-
Bond issue costs	350,600	-	-	-	-	-	-
Bond discount	-	-	-	-	-	-	-
Unamortized loss on bond redemption	-	-	-	-	-	-	-
Refund of security deposits	-	-	-	-	-	-	-
Florida state sales tax	-	-	-	-	-	-	-
Matured bonds/interest	-	165,000	-	-	-	-	-
Bond called	-	-	-	-	-	-	-
Purchase of investment	-	-	462,889	-	-	-	-
Transfers to:							
Operations fund	-	-	-	59,445	11,687,441	-	-
Improvement and development fund	-	-	-	-	-	777,816	-
Debt service account	-	-	-	-	-	-	-
Renewal and replacement fund	-	-	-	-	-	518,853	-
S.I. - debt service fund	-	-	21,822	-	2,620,000	-	-
Debt service fund ser 01	-	-	-	-	-	-	-
Noise abatement and mitigation fund	-	-	-	-	-	3,265,902	-
Total cash disbursements	<u>350,600</u>	<u>438,838</u>	<u>484,711</u>	<u>59,445</u>	<u>19,972,976</u>	<u>4,562,571</u>	<u>9,627,126</u>
Equity transfer - in (out)	<u>(7,930)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash and investments on deposit, September 30, 2001	<u>\$ -</u>	<u>\$2,977,964</u>	<u>\$452,014</u>	<u>\$688,700</u>	<u>\$39,917,326</u>	<u>\$15,846,139</u>	<u>\$1,251,891</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, 2000

	Total	Revenue Fund	Renewal and Replacement Fund	Debt Service Fund		Debt Service Reserve Account
				1991 Debt Service Refunding	1992 Debt Service Refunding	
Cash and investments on deposit, September 30, 1999	\$ 86,400,522	\$ 7,081,831	\$2,321,017	\$ 4,101,210	\$6,924,335	\$14,775,979
Cash receipts:						
Concessions	24,456,781	24,456,781	—	—	—	—
Rentals	19,003,650	18,956,000	—	—	—	—
Landing fees	4,371,542	4,042,863	—	—	—	—
Other income	10,100,421	2,155,554	—	—	—	—
Florida state sales tax	1,938,814	1,938,814	—	—	—	—
Interest collected on investments	5,232,131	459,190	238,447	300,995	283,126	883,506
Proceeds from grants	6,871,351	—	545,659	—	—	—
Proceeds from maturity of investment	505,000	—	—	—	—	505,000
Other receipts	124,323	14,050	110,273	—	—	—
Transfers from:						
Passenger facility charge fund	18,773,854	—	5,002,037	—	—	—
S.I. - debt service reserve fund	24,053	—	—	—	—	—
Operations fund	32,169,003	—	1,400,000	12,530,545	3,722,415	—
Capital projects fund	235,381	235,381	—	—	—	—
Debt service fund - debt service reserve account	913,315	913,315	—	—	—	—
Restricted assets fund	56,093	56,093	—	—	—	—
Improvement and development fund	8,022,878	8,022,878	—	—	—	—
Total cash receipts	132,798,590	61,250,919	7,296,416	12,831,540	4,005,541	1,388,506

(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, 2000

	Merrill Lynch Loan	Debt Service S.I. Fund S.I. Debt Service	S.I. Debt Service Reserve	Restricted Assets Fund	Improvement and Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash and investments on deposit, September 30, 1999	\$32,666	\$301,911	\$450,000	\$929,201	\$26,730,347	\$20,413,980	\$2,338,045
Cash receipts:							
Concessions	-	-	-	-	-	-	-
Rentals	-	-	-	-	-	-	47,650
Landing fees	-	-	-	-	-	-	328,679
Other income	-	-	-	12,051	-	7,932,372	444
Florida state sales tax	-	-	-	-	-	-	-
Interest collected on investments	2,086	8,872	24,053	56,691	1,901,505	920,557	153,103
Proceeds from grants	-	-	-	-	2,606,434	-	3,719,258
Proceeds from maturity of investment	-	-	-	-	-	-	-
Merrill Lynch loan	-	-	-	-	-	-	-
Other receipts	-	-	-	-	-	-	-
Transfers from:							
Passenger facility charge fund	-	-	-	-	11,932,856	-	1,838,961
S.I. - debt service reserve fund	-	24,053	-	-	-	-	-
Operations fund	-	416,043	-	-	14,100,000	-	-
Capital projects fund	-	-	-	-	-	-	-
Debt service fund - debt service reserve account	-	-	-	-	-	-	-
Restricted assets fund	-	-	-	-	-	-	-
Improvement and development fund	-	-	-	-	-	-	-
Total cash receipts	2,086	448,968	24,053	68,742	30,540,795	8,852,929	6,088,095

(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, 2000

	Total	Revenue Fund	Renewal and Replacement Fund	Debt Service Fund		Debt Service Reserve Account
				1991 Debt Service Refunding	1992 Debt Service Refunding	
Cash disbursements:						
Operating expenses	\$ 27,876,046	\$27,858,585	\$ -	\$ -	\$ 17,461	\$ -
Capital expenditures	21,809,671	-	5,139,580	-	-	-
Bond interest expense	11,541,694	-	-	7,082,500	4,170,394	-
Refund of security deposits	12,990	12,990	-	-	-	-
Florida state sales tax	1,931,441	1,931,441	-	-	-	-
Matured bonds/interest	5,490,000	-	-	525,000	4,815,000	-
Purchase of investment	491,655	-	-	-	-	491,655
Transfers to:						
Operations fund	9,227,667	-	235,381	-	-	913,315
Improvement and development fund	26,032,856	14,100,000	-	-	-	-
Debt service account	16,252,960	16,252,960	-	-	-	-
Renewal and replacement fund	6,402,037	1,400,000	-	-	-	-
S.I. - debt service reserve fund	440,096	416,043	-	-	-	-
Noise abatement and mitigation fund	1,838,961	-	-	-	-	-
Total cash disbursements	<u>129,348,074</u>	<u>61,972,019</u>	<u>5,374,961</u>	<u>7,607,500</u>	<u>9,002,855</u>	<u>1,404,970</u>
Cash and investments on deposit, September 30, 2000	<u>\$ 89,851,038</u>	<u>\$ 6,360,731</u>	<u>\$4,242,472</u>	<u>\$9,325,250</u>	<u>\$1,927,021</u>	<u>\$14,759,515</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, 2000

	Merrill Lynch Loan	Debt Service S.I. Fund S.I. Debt Service	S.I. Debt Service Reserve	Restricted Assets Fund	Improvement and Development Fund	Passenger Facility Charge Fund	Noise Abatement and Mitigation Fund
Cash disbursements:							
Operating expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Capital expenditures	-	-	-	277,150	10,960,721	-	5,432,220
Bond interest expense	-	288,800	-	-	-	-	-
Refund of security deposits	-	-	-	-	-	-	-
Florida state sales tax	-	-	-	-	-	-	-
Matured bonds/interest	-	150,000	-	-	-	-	-
Purchase of investment	-	-	-	-	-	-	-
Transfers to:							
Operations fund	-	-	-	56,093	8,022,878	-	-
Improvement and development fund	-	-	-	-	-	11,932,856	-
Debt service account	-	-	-	-	-	-	-
Renewal and replacement fund	-	-	-	-	-	5,002,037	-
S.I. - debt service reserve fund	-	-	24,053	-	-	-	-
Noise abatement and mitigation fund	-	-	-	-	-	1,838,961	-
Total cash disbursements	-	438,800	24,053	333,243	18,983,599	18,773,854	5,432,220
Cash and investments on deposit, September 30, 2000	\$34,752	\$312,079	\$450,000	\$664,700	\$38,287,543	\$10,493,055	\$2,993,920

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, 2001

<u>Airport System Revenue Bond</u>	<u>Date of Issue</u>	<u>Interest Rate Range</u>	<u>Bonds Outstanding September 30, 2000</u>	<u>Bonds Issued</u>	<u>Bonds Paid, Purchased or Redeemed</u>	<u>Bonds Outstanding September 30, 2001</u>
Revenue refunding bonds: Series 2001	July 1, 2001	4.0% - 5.5%	\$ -	\$83,965,000	\$ -	\$ 83,965,000
Revenue refunding bonds: Series 1992	February 1, 1992	2.8% - 6.375%	59,380,000	-	-	59,380,000
Revenue refunding bonds: Series 1991	September 30, 1991	7.5% - 7.75%	91,495,000	-	85,470,000	6,025,000
			<u>\$150,875,000</u>	<u>\$83,965,000</u>	<u>\$85,470,000</u>	<u>\$149,370,000</u>
 <u>Airport System Taxable Subordinated Indebtedness</u>						
Series 1989	June 1, 1989	9.5%	<u>\$ 2,965,000</u>	<u>\$ -</u>	<u>\$ 165,000</u>	<u>\$ 2,800,000</u>

Palm Beach County Department of Airports

Schedule of Bonds Issued, Paid, Purchased or Redeemed

For the year ended September 30, 2000

<u>Airport System Revenue Bond</u>	<u>Date of Issue</u>	<u>Interest Rate Range</u>	<u>Bonds Outstanding September 30, 1999</u>	<u>Bonds Issued</u>	<u>Bonds Paid, Purchased or Redeemed</u>	<u>Bonds Outstanding September 30, 2000</u>
Revenue refunding bonds: Series 1992	February 1, 1992	2.8% - 6.375%	\$ 64,195,000	\$ -	\$4,815,000	\$ 59,380,000
Revenue refunding bonds: Series 1991	September 30, 1991	7.5% - 7.75%	92,020,000	-	525,000	91,495,000
			<u>\$156,215,000</u>	<u>\$ -</u>	<u>\$5,340,000</u>	<u>\$150,875,000</u>
 <u>Airport System Taxable Subordinated Indebtedness</u>						
Series 1989	June 1, 1989	9.5%	<u>\$ 3,115,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 2,965,000</u>

Compliance Reports

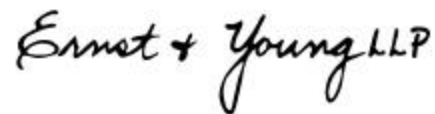
Report of Independent Certified Public Accountants On Bond Resolution Compliance

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

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated balance sheets of the Palm Beach County Department of Airports as of September 30, 2001 and 2000, and the related consolidated statements of revenues, expenses and changes in retained earnings and cash flows for the years then ended, and have issued our report thereon dated February 25, 2002.

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

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



February 25, 2002

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

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

We have audited the accompanying consolidated balance sheet of the Palm Beach County Department of Airports as of September 30, 2001, and the related consolidated statements of revenues, expenses and changes in retained earnings and cash flows for the year then ended, and have issued our report thereon dated February 25, 2002. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

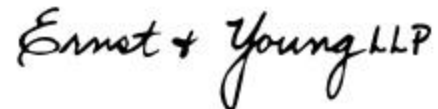
As part of obtaining reasonable assurance about whether the Palm Beach County Department of Airports' consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provision of laws, regulations, contracts and grants, noncompliance with which could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

Internal Control over Financial Reporting

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

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

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



February 25, 2002