PORT OF PALM BEACH DISTRICT

FINANCIAL STATEMENTS WITH INDEPENDENT AUDITOR’S REPORT THEREON

SEPTEMBER 30, 2007

PORT OF PALM BEACH DISTRICT
SEPTEMBER 30, 2007

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NOWLEN, HOLT & MINER, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
215 FIFTH STREET, SUITE 200
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA

KATHLEEN A. MINER, CPA
ROBERT W. HELMREICH, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CPA
J. MICHAEL STEVENS, CPA
DANIEL A. KIRCHMAN, CPA
ALEXIA G. VARGA, CPA
BRIAN J. BRESCIA, PFS, CPA
DONALD D. RINZEL, CPA

BELLE GLADE OFFICE
333 S. E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Port of Palm Beach District
Riviera Beach, Florida

We have audited the accompanying basic financial statements of the Port of Palm Beach District as of and for the year ended September 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the Port of Palm Beach District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port of Palm Beach District as of September 30, 2007, and the results of its operations and cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued our report dated April 11, 2008 on our consideration of the Port of Palm Beach District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis shown on pages 3 through 10 are not a required part of the financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Palm Beach District's basic financial statements. The accompanying schedules, listed as supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and Chapter 10.550, Rules of the Auditor General and is not a required part of the basic financial statements of the Port of Palm Beach District. The schedule of expenditures of federal awards and state financial assistance and supplementary information have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole. The schedule of operating statistics presented on page 50 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 11, 2008

The following Management's Discussion and Analysis (MD&A) of the financial performance and activity of the Port of Palm Beach District (Port of Palm Beach) is provided as both an introduction to and as assistance in the understanding to the financial statements of the Port for the fiscal year ended September 30, 2007. It also provides selected comparisons to the prior fiscal year ended September 30, 2006. The information represented should be read in conjunction with the financial statements, notes and supplemental schedules found in this report.

INTRODUCTION

The Port of Palm Beach is an independent special taxing district of the State of Florida and encompasses 153 acres in the City of Riviera Beach, Florida. It was established under the provisions of the Laws of Florida Acts of 1915, Chapter 7081, as amended and supplemented. The Port of Palm Beach's taxing district includes approximately 50 % of the Palm Beach County overall land area. Additionally, the Port of Palm Beach owns approximately 35 acres on the south half of Peanut Island located directly outside the Port of Palm Beach's docks in the Lake Worth Lagoon.

The Port of Palm Beach is considered a non-operating port and derives the majority of its revenues from rents and fees collected from both importers and exporters of goods primarily to the Caribbean. Additional revenues are derived from fees charged to a day cruise operator for a gaming vessel currently using the Port of Palm Beach as their home port.

The Port of Palm Beach is the only port facility in Southeast Florida operating an on-dock rail system, with pier-side box, hopper and intermodal cars. It is the fourth busiest container port in Florida and the nineteenth busiest in the continental United States. In addition to the intermodal capacity, the Port is a major point for the shipment of bulk sugar, molasses, cement, utility fuel, produce and break-bulk cargo.

Please see the Financial Statements Note 1 – Summary of Significant Accounting Policies for additional information.

Financial Operating Highlights

- Operating Revenues decreased by $375 thousand from $13.0 million in FY 2006 to $12.6 million in FY 2007. This 2.9% decline was the result of lower Wharfage and Dockage Revenues of $460 thousand primarily from a decline in the shipment of fuel and break-bulk in FY 2007. Rental income was lower in FY 2007 by $260 thousand. The Port Executive Plaza was razed during the year to allow for the construction of the new Southgate Warehouse facility. This new facility will open in FY 2008 and has over 50,000 square feet of rentable warehouse/office space and approximately 3 acres of billable cargo laydown area for use by port tenants. Parking and cruise related fees increased by $200 thousand due to the increase in passengers in 2007. All other operating revenues increased by $145 thousand in FY 2007.

- Operating Expense decreased by $290 thousand or 2.3% from $12.6 million in FY 2006 to $12.3 million in FY 2007. Property Insurance expense declined by $235 thousand after peaking in FY 2006. A mild hurricane season accounted for Maintenance expenses being $160 thousand favorable to FY 2006. Contract Personnel expense was $155 thousand favorable, primarily the result of scheduling efforts. Potential losses from the ITG-Litigation required the Bad Debt Reserve to be increased by $70 thousand. Finally, Depreciation Expense increased by $90 thousand as the port's capital improvement plan continued. All other operating expenses increased by approximately $100 thousand.

- Operating Income was $320 thousand in FY 2007; $85 thousand lower than FY 2006.

- The Port recognized Non-Operating Expenses of $1.9 million in FY 2007. This was $295 thousand unfavorable to the prior year. Investment Earnings were $190 thousand favorable to FY 2006. Cash balances, although drawn down for capital expenditures, benefited from higher interest rates than those available in FY 2006. Interest Expense was $ 60 thousand favorable to FY 2006 as a result of lower debt balances. Excluding the grant funding received and the offsetting transfer of the Radiation Portal Monitor equipment to the Department of Homeland Security, Operating Grant Income in FY 2007 was $550 thousand lower than FY 2006 as a result of FEMA funding received in FY 2006 for hurricane related expenses.

- Income / Loss Before Contributions was a loss of $1.5 million in FY 2007 compared to a loss of $1.2 million in FY 2006

- Capital Contributions – Grants amounted to $ 3.9 million in FY 2007 compared to $2.2 million in FY 2006. This increase was primarily the result of reimbursements related to the Port's major current infrastructure improvement – Southgate Cargo Facility.

- Net Assets at the end of FY 2007 were $ 96.6 million, an increase of $ 2.3 million from the $94.3 million reported at the beginning of the year. The Loss from Operations of $1.5 million was offset by the $ 3.9 million received in Capital Contributions.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report for this proprietary (enterprise) fund consists of four parts: management's discussion and analysis, the basic financial statements, the notes to the financial statements, and supplementary information. The basic financial statements include:

- The Statement of Net Assets which present the financial position of the Port as of the last day of the fiscal year.
- The Statement of Revenues, Expenses and Changes in Net Assets which analyzes the various components of the net change in assets for the fiscal year.
- The Statement of Cash Flows which provides detail for the various components comprising the change in cash balances for the fiscal year.

STATEMENT OF NET ASSETS

The Statement of Net Assets presents the financial position of the Port at the end of the fiscal year and includes all assets and liabilities of the Port. Net assets, the difference between total assets and total liabilities, are an indicator of the current fiscal health of an organization. A summary of the Port's assets, liabilities, and net assets at September 30, 2007 is as follows:

	September 30	
	2007	**2006**
Assets		
Current assets (including restricted assets)	$ 27,512,589	$ 25,271,570
Noncurrent assets		
Facilities, net	122,037,378	120,480,057
Other noncurrent assets	1,167,551	1,316,438
Total assets	150,717,518	147,068,065
Liabilities		
Current liabilities (including payable from restricted assets)	6,730,489	3,681,469
Noncurrent liabilities		
Revenue and Capital Appreciation Bonds	47,290,172	48,886,459
Other noncurrent liabilities	73,194	203,552
Total liabilities	54,093,855	52,771,480
Net Assets		
Invested in capital assets, net of related debt	75,044,702	71,722,126
Restricted	13,183,712	14,919,000
Unrestricted	8,395,249	7,655,459
Total net assets	$ 96,623,663	$ 94,296,585

Net Assets in FY 2007 reached $96.6 million, an increase of 2.5 % or $ 2.3 million over FY 2006

- Current Assets increased by $2.2 million primarily as a result of a $3.7 million increase in Grant Receivables and a $355 thousand increase in Prepaid expense being partially offset by lower cash and investment balances.

- The increase in Facilities, net of $ 1.6 million was attributable to commencing the Southgate project in FY 2007.

- The increase in Current Liabilities was the result of contracts payable increasing by $3.0 million primarily due to contractors related to the Southgate project construction.

- The decrease in Revenue and Capital Appreciation Bonds is the result of the FY 2007 principal payment of $2.0 million being partially offset by an increase in accreted interest payable.

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS

The Change in Net Assets is an indicator of whether the overall fiscal condition of an organization has improved or worsened during the year. The following is a summary of the Statements of Revenues, Expenses and Changes in Net Assets:

	Fiscal Year Ended September 30	
	2007	**2006**
Gross operating revenues	$ 12,576,647	$ 12,951,783
Operating expenses before Depreciation	(8,242,544)	(8,624,586)
Depreciation	(4,011,840)	(3,921,769)
Operating Income	322,263	405,428
Net non-operating expenses	(1,791,776)	(2,087,131)
Asset transfers	(898,264)	(26,171)
Grant revenue	839,574	556,630
Income / (Loss) before Contributions	$ (1,528,203)	$ (1,151,244)

GROSS OPERATING REVENUES

A summary of gross operating revenues through September 30, 2007 and 2006 follows:

	Fiscal Year Ended September 30	
	2007	**2006**
Gross operating revenues:		
Wharfage	$ 4,000,634	$ 4,244,314
Rent	3,419,133	3,679,084
Dockage	1,652,796	1,865,320
Parking	599,402	446,306
Cruise and cargo terminal fees	756,518	707,375
Security Fees	764,598	805,206
Switching	382,950	319,815
Identification Badging	286,963	232,008
Utilities and miscellaneous	713,653	652,355
Total	$ 12,576,647	$ 12,951,783

Gross Operating Revenues in FY 2007 decreased by $375 thousand from FY 2006.

- Wharfage was lower than prior year by $250 thousand primarily as a result of a 24% reduction in fuel oil shipments from Florida Power and Light.
- Dockage declined by $210 thousand from FY 2006 primarily as the result of a 32% decline in break bulk shipments.
- Rent declined by $260 thousand; the PEP center was vacated and demolished to allow for the construction of the Southgate Complex.
- Parking and cruise related fees increased by $200 thousand as a result of both increased rates and a 9% increase in passengers.
- All other revenue increase $145 thousand from FY 2006

EXPENSES

A summary of operating expenses through September 30, 2007 and 2006 follows:

	Fiscal Year Ended September 30	
	2007	**2006**
Operating expenses:		
General Expenses	$ 1,920,959	$ 2,046,673
Engineering and Maintenance	1,894,295	2,353,542
Security	1,877,450	2,050,457
Administration	1,335,229	1,288,250
Business Development	431,742	452,260
Operations	670,308	321,395
Amortization	112,561	112,009
	8,242,544	8,624,586
Depreciation	4,011,840	3,921,769
Total	$ 12,254,384	$ 12,546,355

Operating Expenses decreased $380 thousand from fiscal year 2006 partially offset by a $90 thousand increase in Depreciation Expense.

- General Expenses were $125 thousand below FY 2006. Insurance expense was lower in FY 2007 by $275 thousand; however, reflecting primarily of the ITG Litigation, additional Bad Debt Expense of $70 thousand was recognized in FY 2007.

- Engineering and Maintenance Expense decreased by $460 thousand from FY 2006. Of this amount, $270 thousand represented personnel related expenses that transferred to the Operations Department established in FY 2007. Maintenance and Repair Expense declined by $160 thousand in FY 2007 due primarily to the mild hurricane season experienced.

- Security Expense declined by $175 thousand from FY 2006 due almost entirely to lower Contract Service Expense. Of that amount $ 70 thousand represented Contract Services for Parking that was transferred to the Operations Department established in FY 2007.

- Operations Expense increased by $350 thousand as a result of the transfer of both personnel costs from the Engineering and Maintenance Department of $270 thousand and the transfer of $70 thousand for Contract Services for Parking transferred from the Security Department.

NON-OPERATING REVENUES AND EXPENSES AND STATEMENT OF CHANGES IN NET ASSETS

A summary of non-operating revenues / expenses and changes in net assets for FY 2007 and FY 2006 follows:

	September 30	
	2007	2006
Operating Income	$322,263	$405,428
Non-operating revenues and (expenses):		
Investment earnings	$ 1,273,597	$ 1,085,833
Operating Grant revenue	839,574	556,630
Interest expense	(2,806,939)	(2,865,855)
Loss on disposition of assets	(285,493)	(307,109)
Asset transfers	(898,264)	(26,171)
Contingency gain from insurance proceeds	27,059	-
Net non-operating expenses	$ (1,850,466)	$ (1,556,672)
Income (loss) before contributions	($1,528,203)	($1,151,244)
Capital contributions - grants	$ 3,855,281	$ 2,183,656
Change in Net Assets	2,327,078	1,032,412
Total net assets - beginning, as restated	94,296,585	93,264,173
Total net assets - ending	$ 96,623,663	$ 94,296,585

Non-Operating Expenses in fiscal 2007 were $295 thousand unfavorable to the prior year.

- Investment Earnings were $190 thousand favorable to prior year primarily due to higher interest rates earned.

- Operating Grant Income in FY 2007 was $840 thousand. This amount was almost entirely related to Department of Homeland Security funding received for the construction of Radiation Portal Monitoring Equipment. Offsetting this grant was the required transfer of this equipment to the federal government.

- Excluding these offsetting items, Operating Grant Income in FY 2006 reflected $550 thousand received from FEMA for hurricane related expenses while FY 2007 reflected negligible reimbursements from FEMA.

- In FY 2007 the Port received an insurance reimbursement of $27,059 related to a claim filed in a previous year.

Capital Contributions from grants were $ 3.9 million in fiscal 2007.

- This represented an increase of $1.7 million from the $ 2.2 million received in fiscal 2006. The primary reasons for this increase was both the increase in capital expenditures in FY 2007 over FY 2006 and the impact of a 75%/25% grant reimbursement ratio related to the Southgate Complex Project.

Net Assets increased by $ 2.3 million in FY 2007 compared to an increase of $ 1.0 million in the prior year. This incremental increase of $1.3 million resulted from:

- Operating Income was relatively consistent for the two years

- Capital contributions – grants were $1.7 million higher in FY 2007 as a result of both increased capital expenditures and a 75% state grant reimbursement on the Southgate Complex project.

- Non-Operating Expenses increased by $295 thousand in FY 2007. This was the result of increased interest income in FY 2007 of $ 190 thousand being offset by a decline in FEMA operating grant revenue of $ 550 thousand from FY 2006.

PORT OF PALM BEACH DISTRICT
Statement of Net Assets
September 30, 2007

ASSETS

Current assets:	
Cash and cash equivalents	$ 2,615,312
Investments	4,000,000
Accounts receivable (net of allowance for uncollectibles of $124,500)	1,108,487
Due from other governments	947,794
Interest receivable	9,781
Prepaid items	83,713
Restricted assets:	
Cash and cash equivalents	10,035,161
Investments	5,000,000
Grants receivable	3,299,746
Accounts receivable	33,622
Interest receivable	4,307
Prepaid items	374,666
Total current assets	**27,512,589**
Noncurrent assets:	
Deferred charges	15,212
Unamortized bond issue costs	900,966
Restricted deferred charges	251,373
Capital assets:	
Land and land rights	24,522,217
Buildings and improvements	46,669,637
Slips and improvements	22,098,778
Other improvements	49,173,483
Wharf and loading ramps	7,798,154
Machinery and equipment	1,948,150
Autos and trucks	480,258
Furniture and fixtures	144,825
Construction in progress	6,236,055
Less accumulated depreciation	(37,034,179)
Total capital assets (net of accumulated depreciation)	122,037,378
Total noncurrent assets	**123,204,929**
Total assets	**$ 150,717,518**

LIABILITIES

Current liabilities	
Accounts payable and accrued expenses	$ 889,239
Deferred revenue	307,300
Compensated absences payable	183,575
Payable from restricted assets:	
Accounts payable	107,547
Contracts payable	2,938,329
Accrued interest payable	153,470
Current portion of long-term debt	2,151,029
Total current liabilities	**6,730,489**
Noncurrent liabilities	
Security deposits	27,300
Compensated absences payable	45,894
Restricted accreted interest payable	1,547,559
Revenue bonds payable (less unamortized bond discount and deferred loss on refunding of $1,937,787)	47,893,642
Less: current portion	(2,151,029)
Total noncurrent liabilities	**47,363,366**
Total liabilities	**54,093,855**

NET ASSETS

Invested in capital assets, net of related debt	$ 75,044,702
Restricted for debt service	3,165,049
Restricted for renewal and replacement	652,583
Restricted for business development	2,506,334
Restricted for capital improvements	6,859,746
Unrestricted	8,395,249
Total net assets	**$ 96,623,663**

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Fiscal Year Ended September 30, 2007

Operating revenue	
Port facilities	**$ 12,576,647**
Operating expenses	
General expenses	1,920,959
Engineering and maintenance	1,894,295
Security	1,877,450
Administration	1,335,229
Business development	431,742
Operations	670,308
Amortization	112,561
Depreciation	4,011,840
Total operating expenses	**12,254,384**
Operating income	**322,263**
Non-operating revenues (expenses)	
Investment earnings	1,273,597
Grant revenue	839,574
Loss on disposition of assets	(285,493)
Contingency gain from insurance proceeds	27,059
Radiation portal monitor transfers	(898,264)
Interest expense	(2,806,939)
Total nonoperating revenue (expenses)	**(1,850,466)**
Income (loss) before contributions	**(1,528,203)**
Capital contributions - grants	**3,855,281**
Change in net assets	**2,327,078**
Total net assets - beginning, as restated	**94,296,585**
Total net assets - ending	**$ 96,623,663**

See notes to the financial statements

PORT OF PALM BEACH
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007

Cash flows from operating activities:	
Receipts from customers and users	$ 12,406,650
Payments to suppliers for goods and services	(4,552,740)
Payments to or on behalf of employees	(3,780,965)
Net cash provided by operating activities	**4,072,945**
Cash flows from non-capital financing activities	
Security deposits received	25,000
Grant revenues received	302,570
Radiation portal monitors purchases	(847,402)
Net cash provided by non-capital financing activities	**(519,832)**
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(3,262,109)
Interest paid on debt	(2,292,344)
Principal paid on revenue bond maturities	(2,050,000)
Proceeds from revenue bond issue	10,139,551
Payment to debt refunding escrow	(10,072,550)
Issuance cost paid for capital debt	(56,950)
Capital grants received	1,378,373
Net cash provided (used) for capital and related financing activities	**(6,216,029)**
Cash flows from investing activities	
Net decrease in investments	2,000,000
Interest received on investments	1,338,511
Net cash provided (used) by investing activities	**3,338,511**
Net increase in cash and cash equivalents	**675,595**
Cash and cash equivalents- beginning	**11,974,878**
Cash and cash equivalents - ending	**$ 12,650,473**

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2007
(Continued)

CASH AND CASH EQUIVALENTS CLASSIFIED AS :		
Unrestricted assets	$	2,615,312
Restricted assets		10,035,161
Total	$	12,650,473

Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income	$	322,263
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:		
Depreciation expense		4,011,840
Amortization of deferred lease costs		51,451
Amortization of debt issue costs		61,110
Bad debt expense		68,660
(Increase) decrease in assets		
Accounts receivable		(262,946)
Prepaid expenses		(353,480)
Increase (decrease) in liabilities		
Accounts payable and accrued expenses		157,056
Deferred income		24,289
Compensated absences		(7,298)
Total adjustments		3,750,682
Net cash provided by operating activities	**$**	**4,072,945**

See notes to the financial statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity and General Overview

The Port of Palm Beach District (Port) is an independent special taxing district established in 1915 under the provisions of Chapter 7081 of the Laws of Florida; and, as such, is a sub-division of the State of Florida. The Port is located in Palm Beach County, Florida and covers a land area of 971 square miles, or approximately half of the Palm Beach County land area. The Port is the 4^{th} busiest container port in Florida, and the 19^{th} busiest in the continental United States. The Port derives the major portion of its operating revenues from wharfage, dockage, and rental income; it is a major nodal point for the shipment of bulk sugar, molasses, cement, utility fuels, water, produce and break-bulk items.

The Port has the statutory authority to levy up to $200,000 annually of ad valorem taxes but has not levied any taxes since fiscal 1974-75. The Port is a "public enterprise fund" operated through an elected Board of five Port Commissioners and is administrated by an Executive Director.

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the Port of Palm Beach District, the primary government. There is no component unit included in these financial statements. A component unit would be included in the Port's reporting entity if its operational or financial relationship with the Port was significant.

Basis of Presentation

The Port adopted various GASB Statements as of October 1, 2001 which establishes standards for external financial reporting for all state and local governmental entities, requiring a Management's Discussion and Analysis section; statement of net assets; statement of revenues, expenses, and changes in net assets; and a statement of cash flows. They also require the classification of net assets into three components — invested in capital assets, net of related debt; restricted for specific purposes; and unrestricted.

Proprietary Fund Type

All activities of the Port are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

A proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Proprietary Fund Type (continued)

Port's principal operating revenues are wharfage, dockage, and rental income. Program-specific grants (operating and capital) include revenues arising from voluntary non-exchange transactions that are restricted for use in a particular program, namely grants to repair and/or purchase, construct or renovate capital assets in association with a specific program. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus

The accounting and financial reporting treatment applied by the Port is determined by "measurement focus". Measurement focus is a term used to describe which transactions are recorded within the financial statements. The transactions of the Port are accounted for on a flow of economic resources measurement focus. With this measurement focus, financial activity is reported in essentially the same manner as in commercial accounting where net income and capital maintenance are measured. All assets and all liabilities (whether current or non-current) are included in the financial statements. Net assets (i.e., total assets net of total liabilities) are segregated into three categories on the statement of net assets:

Invested in capital assets net of related debt

This component of net assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted

Net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted

Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Basis of accounting refers to the timing when transactions are recognized in the accounts and reported in the financial statements. The transactions of the Port are accounted for using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recognized when they are incurred. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

The Port complies with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Port applies all relevant Governmental Accounting Standards Board (GASB) pronouncements as well as Statements and Interpretations of the Financial Accounting Standards Board (FASB) and earlier pronouncements from the Accounting Principles Board (APB Opinions), and the Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. In accordance with GASB Statement No. 20, Paragraph 7, the Port has elected not to apply FASB Statements and interpretations issued after November 30, 1989.

Deposits and Investments

In the statement of cash flows for proprietary funds, cash is defined as currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty. Cash equivalents are short-term (i.e. original maturity is three months or less), highly liquid investments that are readily convertible to known amounts of cash and are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rate. Investments that mature within one year of acquisition are stated at cost or amortized cost. Investments with the remaining maturity of more than one year at the time of purchase are carried at fair value. The fair value of investments has been determined through the depositories' pricing service as established by general industry practices. Investments in the Local Government Surplus Funds Trust Fund (LGSF), or State Treasurer's Investment Pool, are carried at cost, which is fair value. The Fund, administered by the Florida State Board of Administration is a "2a-7 like" pool, and thus, these investments are valued using the pooled share price. Any realized gains and losses in fair value are reported in the operations of the current period.

Restricted Assets

In accordance with the 1999, 2002, 2005 and 2007 Revenue Bond covenants and resolutions of the Board of Commissioners, certain resources (consisting of cash and investments) are to be used only for specified purposes**.** When both restricted and unrestricted resources are available

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted Assets (Continued)

for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed. Certain equity balances are to be restricted as follows:

Capital improvements - net assets reserved for capital improvements represent the excess of restricted assets required for capital improvements over the related liabilities payable from restricted assets.

Renewal and replacement - net assets reserved for renewal and replacement represent the excess of restricted assets required for renewal or replacement of capital assets over the related liabilities payable from restricted assets.

Business development - net assets reserved to pay the expenses of promoting trade and commerce represent the excess of restricted assets required to pay the expenses of promoting trade and commerce over the related liabilities payable from restricted assets.

Bond sinking funds - net assets reserved for revenue bond debt service represent the excess of restricted assets required for debt service under bond covenants over the related liabilities payable from restricted assets.

Deferred Compensation Plan Assets

Employees of the Port may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Governments).

The deferred compensation plan is available to all employees of the Port. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. A third party administers the deferred compensation plan.

In 1999, the Port Adopted GASB-32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The Port modified its Deferred Compensation Plan to conform with the changes in the Internal Revenue Code brought about by the Small Business Job Protection Act of 1996 (the "Act"). The Act requires that eligible deferred compensation plans established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Compensation Plan Assets (Continued)

custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, these plan assets are no longer property of the Port and will no longer be subject to the claims of the Port's general creditors.

Because the Port has little administrative involvement and does not perform the investing function for funds in the Plan, the Port's activities do not meet the criteria for inclusion in the fiduciary funds of a government.

Accounts Receivable

The Port records accounts receivable at estimated net realizable value. Accordingly, accounts receivable at September 30, 2007 are shown net of allowances for doubtful accounts. The Port maintains an allowance for uncollectible accounts at a level which management believes is sufficient to cover potential credit losses.

Property and Equipment

Property and equipment are carried at cost, or estimated fair value for assets contributed, less accumulated depreciation. The Port defines capital assets as assets with an initial individual cost of $500 or more.

Costs for maintenance, repairs and minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as property additions. When property is disposed, the cost and related accumulated depreciation are eliminated from the accounts and any gain or loss on the disposition is reflected in the Statement of Revenue, Expenses and Changes in Fund Net Assets. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation is computed on a straight-line basis and the useful lives range from five to sixty years on the buildings and improvements and from three to twelve years on machinery, equipment and furniture. Land and related land rights are not depreciated.

Revenues

Wharfage, rentals, dockage, parking, switching and other revenues for the use of, and privileges at the Port's facilities are reported as operating revenues, and amounts received from operating grants, investment earnings, gains resulting from disposition of assets and any revenue item not earned in the ordinary course of business are reported as non-operating revenue.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unamortized Bond Costs

Unamortized Bond Discount is amortized to non-operations through interest expense using the straight-line method over the life of the bonds. Losses incurred on proprietary fund debt refunding are also amortized, using the straight line method, and are reported as a component of interest expense. The amortization period of deferred losses on refunding of debt is the remaining life of the old debt or the life of the new debt, whichever is shorter. The unamortized bond discount and deferred loss on refunding of debt amount are reported as a component of the debt liability and are deducted from long-term bonds payable. Debt issuance costs are reported on the statement of net assets as deferred charges and amortized through operations.

Compensated Absences

In accordance with GASB Statement No. 16, *Accounting for Compensated Absences,* the Port accrues a liability for compensated absences, as well as certain other salary costs associated with the payment of compensated absences. Vacation and sick leave are accrued as a liability as the benefits are earned by the employees.

Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectibility of accounts receivable, the use and recoverability of inventories, and useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

Budgetary Accounting

The Annual Operating and Capital Budget is prepared and controlled on a departmental level. The Executive Director is authorized to transfer budgeted amounts within the departments. Budget amendments which require a change in total appropriations of any department are approved by the Port's Board. The budgets are prepared on the accrual basis of accounting, which is consistent with the basis utilized for proprietary funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Determination of Operating vs. Non-Operating Revenues and Expenses

The Port derives the largest portion of its operating revenues from vessel traffic and cargo moving through the port and across its docks. Additionally, the Port is considered a landlord port in that it leases its properties to various cargo operations in return for rental payments and financial guarantees from those operators.

The expense associated with operating revenue generation is recorded in eight major categories: general expenses, engineering and maintenance, security, administration, business development, operations, depreciation, and amortization.

The Port receives certain other revenue such as interest income and grant revenue that it categorizes as non-operating revenues. These types of revenue are not a direct result of vessel traffic or cargo movement. Additionally, non-operating expenses include, among others, the interest portion of debt service payments, amortization of deferred loss on refundings and amortization of bond discounts.

NOTE 2 - DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2007, the carrying amount of the Port's book balance for deposits in "Qualified Public Depositories" was $16,752,604 and the bank balance was $16,855,472. The Port also had $1,000 in petty cash for a total carrying amount of $16,753,604. The Port's deposits include certificates of deposits in the amount of $9,000,000 with a weighted average maturity of 34 days. The certificates of deposit are reported as unrestricted and restricted investments in the statement of net assets because the certificates of deposits may not be withdrawn at any time without prior notice or penalty.

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses. The Port's deposits at year end are considered insured for custodial credit risk purposes.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments

The Port has adopted an investment policy in accordance Florida Statutes 218.415 (17). The policy authorizes investments in direct obligations of the U.S. Treasury, interest-bearing time deposits or savings accounts in qualified public depositories, the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Florida Statutes 163.01, and Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.

The Port is authorized to invest Revenue, Renewal and Replacement and Port Development account deposits with institutions participating in the State's security program under Chapter 280 of the Florida Statutes, and obligations of, or guaranteed by, the United States Government.

The Port is authorized to invest the bond proceeds and the sinking fund account deposits in the following: (1) U.S. obligations; (2) obligations fully and unconditionally secured by the full faith and credit of the United States of America; (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the non-full faith and credit of U.S. governmental agencies; (4) mortgaged-backed securities and senior debt obligations; (5) certificates of deposit secured by collateral in (1) or (2) above; (6) certificates of deposit, savings accounts, deposit account or money market deposits fully insured by FDIC; (7) commercial paper rated in the single highest classification; (8) money market funds registered under the Federal Investment Company Act; (9) pre-refunded municipal bonds rated in the single highest classification; (10) investment agreements; (11) bonds or notes issued by any state or municipality rated in the two highest long-term categories; (12) units of participation in the Local Government Surplus Funds Trust Fund; (13) federal funds or bankers acceptances; (14) repurchase agreements; (15) other forms of investments approved in writing by the Credit Facility Issuer.

The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2007, the Port held the following investments, which are reported as cash and cash equivalents in the Statement of Net Assets:

	Credit Rating	Fair Value	Weighted Average Maturity
Florida Local Government Surplus Funds Trust Fund	N/R	$ 4,391,523	34 days
Money market mutual funds	N/R	505,346	N/A
		$ 4,896,869	

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Port's investment policies limit its investments to high quality investments to control credit risk. As of September 30, 2007, the Florida Local Government Surplus Funds Trust Fund was not rated.

Concentrations of credit risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single user. The Port places no limit on the amount they may invest in any one issuer.

Custodial credit risk – For an investment, custodial credit is the risk that, in the event of the failure of the counterparty, the Port will not be able to recover the value of its investments that are in the possession of an outside party. At September 30, 2007, the certificates of deposits were insured or collateralized and the Port's money market mutual funds were not subject to custodial credit risk.

A reconciliation of deposit and investments as shown on the statement of net assets for the Port is as follows:

By Category:	
Deposits	$ 16,752,604
Petty cash	1,000
Investments	4,896,869
Total deposits and investments	$21,650,473

NOTE 2 - DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

Presented in the statement of net assets	
Cash and cash equivalents	$ 2,615,312
Restricted cash and cash equivalents	10,035,161
Investments	4,000,000
Restricted investments	5,000,000
Total statements of net assets	$21,650,473

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended September 30, 2007, is as follows:

	Beginning Balance As Restated (1)	Increases	Decreases	September 30, 2007
Capital assets, not being depreciated:				
Land	$ 24,522,217	$	$	$ 24,522,217
Construction in progress	2,531,428	5,303,725	(1,599,098)	6,236,055
Total capital assets, not being depreciated	27,053,645	5,303,725	(1,599,098)	30,758,272
Capital assets, being depreciated:				
Building and improvements	46,876,854	439,015	(646,232)	46,669,637
Slips and improvements	22,048,100	58,552	(7,874)	22,098,778
Other improvements	47,849,285	1,493,977	(169,779)	49,173,483
Wharf and loading ramps	7,798,154			7,798,154
Machinery and equipment	1,942,997	134,009	(128,856)	1,948,150
Autos and trucks	516,047	37,335	(73,124)	480,258
Furniture and fixtures	143,694	10,600	(9,469)	144,825
Total capital assets, being depreciated:	127,175,131	2,173,488	(1,035,334)	128,313,285
Less: accumulated depreciation	(33,748,719)	(4,011,840)	726,380	(37,034,179)
Total capital assets, being depreciated, net	93,426,412	(1,838,352)	(308,954)	91,279,106
Total capital assets, net	$120,480,057	$ 3,465,373	$ (1,908,052)	$122,037,378

(1) See Note 12

NOTE 3 – PROPERTY AND EQUIPMENT (Continued)

The total interest expense incurred by the Port for fiscal year ended September 30, 2007, was $2,806,939 and there was no capitalized interest.

Construction Commitments
Contracts awarded but not yet completed were as follows:

Project Description	Estimated Costs
South Gate Complex	$ 9,328,187
Slip #3 Improvement	332,446
Radiation Portal Monitor	231,611
Rail Improvement Project – Waterside	93,680
Building 13 Roof Repair	12,700
Slip #2 Bollards & Bottom Filling	4,871
Middle Road Rail Corridor	1,908
	$10,005,403

NOTE 4 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Revenue bonds payable	$51,781,879	$10,139,551	$(12,090,000)	$49,831,430	$2,151,029
Less deferred amounts:					
For issuance discounts	(1,016,960)		273,853	(743,107)	
On refunding	(1,008,586)	(301,706)	115,611	(1,194,681)	
Total bonds payable	49,756,333	9,837,845	(11,700,536)	47,893,642	2,151,029
Compensated absences	236,767	362,021	(369,319)	229,469	183,575
Accreted interest payable	1,180,126	367,433		1,547,559	
Total long-term liabilities	$51,173,226	$10,567,299	$(12,069,855)	$49,670,670	$2,334,604

Revenue Bonds

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. Such revenue bonds are payable from and secured by a first lien upon and a pledge of the gross revenues derived from the operation the Port facilities on parity with the parity bonds and any pari passu additional bonds hereafter issued. The pledge of the gross

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

revenues derived from the operation of the Port facilities will not constitute a lien upon the Port facilities, or any part thereof, or any other property of the Port. The revenue bonds will not constitute an indebtedness of the Port, payable by general or special taxation, and the holders of the bonds shall not have the right to require or compel the exercise of the ad valorem taxing power of the Port, or the taxation of real estate of the Port for the payment of the principal of or interest on the bonds. Payment of the principal and interest on the bonds will be insured by a municipal or financial guaranty insurance policy issued by an insurer simultaneously with the issuance of the bonds.

The Revenue Bond indentures requires that monthly deposits be made to restricted accounts for the payment of bond principal and interest, and that certain reserve accounts be maintained. The Bond indentures also require the Port to fix, establish, maintain and collect rates, fees, rents or other charges for the services and facilities of the Port which will be sufficient at all times to (a) pay the cost of maintaining, repairing and operating the Port property; (b) provide reserves for replacement of property and equipment; (c) provide for Business Development; and (d) pay debt service, sinking fund and reserve requirements, and additionally requires that rates be maintained and revised so that “net revenues” are at least 125% of the maximum annual debt service requirement.

Revenue Improvement Bonds, Series 1999 A

In September 1999, the Port issued $25,195,000 of Revenue Improvement Bonds, Series 1999A with interest rates of 3.80%-5.5%. Interest on the Bonds will be treated as a preference item for purposes of computing the federal alternative minimum tax on individuals and corporations. The Bonds were issued for the purpose of providing all or a portion of the funds required to acquire and construct additions, extensions, and improvements to the Port Facilities; funding the Reserve Account; reimbursing the Port for certain expenditures previously made in connection with 1999 construction projects; defeasing the outstanding Revenue Refunding Bonds, Series 1977; and paying certain costs and expenses related to the issuance, including the cost of obtaining a bond insurance policy. Interest is payable semiannually on March 1 and September 1 and principal payments are due each September 1, and thereafter through September 1, 2024.

In connection with the issuance of the Series 1999A Bonds, the Port proposed certain amendments to the Resolution adopted by the Port on May 17, 1977 (Original Resolution). The 1999 Resolution amends and supplements the Original Resolution. Certain types of amendments to the Original Resolution cannot become effective unless the Port has obtained the consent of the holders of two-thirds of the principal amount of the bonds then outstanding. Purchasers of the Series 1999A Bonds represent more than two-thirds of the bonds outstanding and by their purchase have consented to the amendments. The amendments provide, among other things,

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Improvement Bonds, Series 1999 A (Continued)

(i) the ability to pay debt service on the bonds with supplemental revenues; (ii) a more liberalized list of permitted investments; (iii) the ability of the Port to take into account, in determining compliance with the rate covenant and additional bond provisions of the Original Resolution, certain sources of income to the Port which are not derived from the operation of the Port Facilities; and (iv) a more flexible and expanded mechanism by which the Port may sell, lease or otherwise dispose of certain Port property.

Debt service requirements to maturity are as follows at September 30, 2007:

	Principal	Interest	Total Debt Service
2008	$ 855,000	$ 1,028,544	$ 1,883,544
2009	755,000	986,649	1,741,649
2010	795,000	948,899	1,743,899
2011	835,000	908,354	1,743,354
2012	880,000	865,560	1,745,560
2013-2017	5,135,000	3,578,232	8,713,232
2018-2022	6,690,000	2,027,025	8,717,025
2023-2024	3,215,000	267,575	3,482,575
	$ 19,160,000	$ 10,610,838	$ 29,770,838

Revenue Refunding and Improvement Bonds, Series 2002

On December 18, 2002, the Port issued $9,576,835 of Revenue Refunding and Improvement Bonds, Series 2002. The issue includes $4,535,000 of current interest bonds, with interest rates of 3.00% to 4.00%, and $5,041,835 of capital appreciation bonds, with approximate yield to maturity of 5.40% to 5.51%. Interest on the current interest bonds is paid semiannually on March 1 and September 1. Interest on the capital appreciation bonds bear interest only at maturity which maturity amount include both the original principal amount and interest compounded semi-annually on each March 1 and September 1, commencing March 1, 2003 maturing September 1, 2022 through September 1, 2026. Principal payments on the current interest are due each September 1 through 2012 and the capital appreciation bonds each September 1 beginning 2022 through 2026. The proceeds were used to refund the outstanding Port Revenue Refunding Bonds, Series 1992, and a portion of the Revenue Improvement Bonds, Series 1996A on a current refunding basis, to finance all the costs of additions, extensions, improvements to the Port Facilities of the Port designated as the 2002 project, and to pay the costs of issuing the 2002 Bonds, including the cost of obtaining a bond insurance policy. The 2002 bonds are not

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding and Improvement Bonds, Series 2002 (Continued)

subject to redemption prior to their stated maturity dates. The remaining current interest bonds and all the capital appreciation bonds are tax exempt. The tax-exempt bonds are not subject to alternative minimum tax.
Debt service requirements to maturity are as follows at September 30, 2007:

	Principal	Interest	Total Debt Service
2008	$ 455,000	$ 87,185	$ 542,185
2009	465,000	73,080	538,080
2010	480,000	57,270	537,270
2011	490,000	39,510	529,510
2012	510,000	20,400	530,400
2013-2017			
2018-2022	911,724	1,693,276	2,605,000
2023-2026	4,130,111	9,779,889	13,910,000
	$ 7,441,835	$ 11,750,610	$ 19,192,445

Revenue Refunding Bonds, Series 2005

On July 1, 2005 the Port issued $13,090,044 of Revenue Refunding Bonds, Series 2005, with interest rates of 3.25% to 4.125%. The bonds were used to pay and defease all of the outstanding Revenue Improvement Bonds, Series 1996A; and pay the costs of issuing the 2005 Bonds, including the cost of obtaining a bond insurance policy. The tax-exempt bonds are not subject to alternative minimum tax. Interest on the current interest bonds is paid semiannually on March 1 and September 1. Interest on the capital appreciation bonds bear interest only at maturity which maturity amount include both the original principal amount and interest compounded semi-annually on each March 1 and September 1, commencing September 1, 2005 maturing September 1, 2013. Principal payments on the current interest are due each September 1 through 2021, commencing on September 1, 2009, and the capital appreciation bonds which are due September 1, 2013.

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding Bonds, Series 2005 (Continued)

Debt service requirements to maturity are as follows at September 30, 2007:

	Principal	Interest	Total Debt Service
2008	$ 90,000	$ 497,931	$ 587,931
2009	235,000	495,006	730,006
2010	255,000	487,075	742,075
2011	260,000	478,150	738,150
2012	275,000	468,725	743,725
2013-2017	4,060,044	2,315,821	6,375,865
2018-2021	7,915,000	892,652	8,807,652
	$13,090,044	$5,635,360	$18,725,404

Revenue Refunding Bonds, Series 2007

On September 12, 2007 the Port issued $10,139,551 of Revenue Refunding Bonds, Series 2007, with an interest rate of 4.39025%. The bonds were used to refinance all of the outstanding Revenue Improvement Bonds, Series 1996B; and pay the costs of issuing the 2007 Bonds, including the cost of obtaining a bond insurance policy. The tax-exempt bonds are subject to alternative minimum tax. Principal and interest are payable semiannually on March 1 and September 1, with interest payments beginning March 1, 2008 and principal payments beginning on September 1, 2008. The bonds mature on September 1, 2018.

Debt service requirements to maturity are as follows at September 30, 2007:

	Principal	Interest	Total Debt Service
2008	$ 751,029	$ 431,525	$ 1,182,554
2009	769,258	412,156	1,181,414
2010	799,338	378,386	1,177,724
2011	838,119	343,295	1,181,414
2012	871,172	306,501	1,177,673
2013-2017	4,977,132	922,766	5,899,898
2018	1,133,503	49,761	1,183,264
	$10,139,551	$2,844,390	$12,983,941

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Current Refunding

The Revenue Refunding Bonds, Series 2007 were issued to retire the Revenue Improvement Bonds, Series 1996B. The principal and interest debt service requirements of the 2007 Bonds are $607,049 less than the debt service requirements of the 1996B Bonds. The economic gain on the current refunding transaction was $476,598. The 1996B Bonds were retired on October 15, 2007.

Defeased Debt

Pursuant to the GASB Statement No. 7, *Advanced Refunding Resulting in Defeasance of Debt*, the Port of Palm Beach District does not report defeased/refunded bond funds on its statement of net assets.

The total remaining principal balance due on bond issues defeased is as follows as of September 30, 2007:

Revenue Refunding Bonds, Series 1996A	$ 2,005,000
Revenue Improvement Bonds, Series 1996B	10,040,000
	$12,045,000

NOTE 5 – FEMA GRANTS

As a result of Hurricane Wilma, which hit the Port on October 24, 2005, and Hurricane Jeanne, which hit the Port on September 25, 2004, the Port incurred substantial costs to repair and replace capital assets and clean up debris from these hurricanes. A significant portion of these costs were eligible for reimbursement from the state via pass-through funds from the Federal Emergency Management Agency (FEMA). As of September 30, 2007, the Port recorded $29,554 in FEMA operating grants and $624,234 in FEMA capital grants. There were several reimbursable projects still incomplete at September 30, 2007 and they are expected to be finalized during the 2007/08 fiscal year. The Port recorded a contingent liability of $318,220 for FEMA reimbursements received that exceeded actual costs and did not include insurance recoveries that is included in accounts payable and accrued expense under the current liabilities section of the statement of net assets.

NOTE 6 – CONTRACTS AND CONTINGENCIES

Contingencies

The Port is involved in various litigations and claims arising in the course of operations. In the opinion of the Port's management, the ultimate resolution of these claims would not be material to the financial position of the Port. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

NOTE 6 – CONTRACTS AND CONTINGENCIES (Continued)

Collective Bargaining Agreement

The Port renewed its collective bargaining agreement with the National Association of Government Employees, which was effective as of October 1, 2006. The agreement is for a three-year term and is automatically renewed for an additional year thereafter unless either party gives notice of termination. The agreement defines both employee and management rights, including: paid holidays, personal time off (PTO), work hours and overtime, pension and health insurance benefits. The union is prohibited by law from going on strike and has also agreed not to strike, but to settle any grievances through arbitration or the courts.

NOTE 7 - FLORIDA PORTS FINANCING COMMISSION

On July 17, 1996, the Florida Ports Financing Commission (the "Commission") was created pursuant to Section 3 20.20(3) and Chapter 163, Part I, Florida Statutes through an Interlocal Agreement among certain participating ports within the State of Florida. The Commission's purpose is to provide a cost-effective means of financing various capital projects for the State of Florida's ports by issuing bonds and transferring the proceeds thereof to the individual ports. The Ports Commission has provided funding from two different bond issuances. The issuance of $222,320,000 Florida Ports Financing Commission Revenue Bonds (State Transportation Trust Fund), Series 1996 (the "Bonds") issued on December 19, 1996 to provide funds to finance the costs of acquiring and constructing capital projects undertaken by 14 ports located in the State of Florida (the "Ports"), including the Port of Palm Beach District (the "Port"); and subsequent issuance of $153,115,000 representing Revenue Bonds (State Transportation Trust Fund - Intermodal Program), Series 1999. The Commission loaned the proceeds of the bonds (the "Loans") to the Ports pursuant to separate loan agreements (the "Loan Agreements") entered into between each of the Ports individually and the Commission.

The Loan Agreement entered into by the Port provides that the Port will repay its loan solely from moneys due from the State Transportation Trust Fund. Pursuant to Section 320.20(3), Florida Statutes, $15,000,000 and $10,000,000, respectively, of the revenues received by the State of Florida motor vehicle registration fees is to be deposited annually in the State Transportation Trust Fund for funding Projects (the "State Moneys"). Basic payments under the Loan Agreement are payable solely from moneys on deposit in the State Transportation Trust Fund. The Department of Transportation and the Commission entered into two separate master agreements, one for each bond series, pursuant to which the Department of Transportation agrees to transfer the State Moneys annually into an escrow account held by the State Department of Insurance, Division of Treasury, on behalf of the Trustee which may be drawn by the Trustee in order to pay the debt service on the Bonds as the same becomes due. The Port has assigned all of its rights, title and interest to the moneys allocated to the Port from State Moneys to the Trustee on behalf of the Commission, to pay its portion of the debt service on the bonds.

NOTE 7 - FLORIDA PORTS FINANCING COMMISSION (Continued)

In addition to the basic payments, the Port agreed to pay on demand to the Commission or the Trustee Additional Payments constituting: (a) its proportionate share of certain ongoing fees, costs and expenses related to the financing program; (b) all reasonable fees and expenses of the Commission and the administrator of the financing program; (c) its proportionate share of rebate obligations relating to the Bonds pursuant to Section 148(f) of the Internal Revenue Code of 1986; and (d) any unallowable costs required to be repaid by the borrower under the Loan Agreement (the "Additional Payments").

The Port has covenanted to appropriate in its annual budget from legally available non-ad valorem revenues of its Port facilities sufficient moneys to make such Additional Payments. Such covenant is applicable solely to the Additional Payments and does not cover the basic payments.

The Bonds do not create nor constitute an obligation or debt of the State of Florida, any political subdivision thereof or any public corporation, port or governmental agency existing under the laws of the State of Florida. The Bonds do not constitute the giving, pledging or loan of the faith and credit of the State of Florida or any political subdivision thereof or any public corporation, port or governmental agency existing under the laws of the State of Florida. The Bonds are payable solely from State Moneys as the basic payments of the borrowers.

The Port has not recorded a liability for the bonds since it does not have any obligation except for moneys due from the State Transportation Trust Fund.

The financing program of the Commission described above is in substance a grant program, inasmuch as all debt service payments on the Bonds are payable solely from moneys in the State Transportation Trust Fund.

The program was structured with Loan Agreements in order to satisfy certain legal requirements. Bondholders have no recourse to the borrowers, including the Port, for payment of the principal and interest on the Bonds.

The Port recorded grant revenue from the Florida Ports Financing Commission Revenue Bonds Series 1999 of $8,168 for the year ended September 30, 2007.

The grant program is summarized as follows:

Project	Agreement Date	Grant Amount	Amount Received
Main gate relocation	9/1/99	$1,488,380	$1,339,542

NOTE 8 - LEASING ACTIVITIES

The Port has entered into operating leases with tenants for the use of space at various Port facilities including vacant land, buildings, terminals, offices and commercial space for periods up to 40 years. Generally, the leases are long-term leases that provide for minimum annual rentals and/or wharfage guarantees. (See also Note 10) Most leases contain a provision for periodic rental increases based on the Consumer Price Index. It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with the entire facility. Total revenues from long-term leases for the period ended September 30, 2007 was $3,419,133.

Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. Minimum future rentals under non-cancelable operating leases having an initial term in excess of one year as of September 30 are as follows:

2008	$ 2,877,842
2009	1,471,518
2010	1,426,912
2011	1,433,561
2012	1,419,722
Later years	9,984,717
Total minimum future rentals	$ 18,614,272

NOTE 9 – EMPLOYEE RETIREMENT PLAN

Plan Description

All full-time employees of the Port are participants in the Florida Retirement System (FRS), a cost-sharing, multiple-employer retirement plan that was established in 1970. Benefit provisions are established under Chapter 121, Florida Statutes, which may be amended by the Florida Legislature. Membership in the FRS is compulsory for all full-time and part-time employees working in regularly established positions. The FRS is controlled by the State Legislature and administered by the State of Florida, Department of Administration, Division of Retirement. Established in 1970 with the consolidation of the then existing state-administered retirement systems, the Florida Retirement System provides retirement, disability, or death benefits to 252,060 retirees or their designated beneficiaries and 31,688 Deferred Retirement Option Program participants, and offers a wide range of information services to 664,819 non-retired members. The primary system is a defined benefit plan for all state, county, district school board, community college and university employees. There are some cities and special districts that

NOTE 9 – EMPLOYEE RETIREMENT PLAN (Continued)

Plan Description (Continued)

participate in the system. Optional retirement programs (defined contribution plans) for some State University System, State Community College System, and Senior Management employees are also available. The Public Employee Optional Retirement Program, a defined contribution plan alternative to the defined benefit plan for non-retired members, became available starting in 2002.

Defined Benefit Plan

The FRS provides for vesting of benefits after six years of creditable service. Members receive one month of service credit for each month in which any salary is reported for work performed. Members may also purchase additional credit to increase their retirement benefits under FRS. Normal retirement benefits are available to employees who retire at or after age 62 with six or more years of service and thirty years of service, regardless of age. Early retirement may be taken after an employee has vested and is within 20 years of retirement age; however there is a 5% benefit reduction for each year remaining from an employees' retirement age to their normal retirement age. The benefits received by retirees and beneficiaries are increased by a 3% cost-of-living adjustment each July based on their June benefit amount.

Service retirement benefits are computed on the basis of age and/or years of service, average final compensation (AFC), and service credit. Credit for each year of service is expressed as a percentage of AFC (the average of the 5 highest fiscal years of earnings). The total percentage value of the benefit received is determined calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned. The FRS also provides disability and survivor benefits.

The Port has no responsibility to the System other than to make periodic payments required by State Statutes. The Florida Division of Retirement issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to State of Florida, Division of Retirement, Cedars PO Box 9000, Tallahassee, Florida 32315-9000 or by calling 1-877-377-1737.

Effective July 1, 1998, the Florida Legislature established a Deferred Retirement Option Program ("DROP"). The DROP is available under the FRS when the member first reaches eligibility for normal retirement. DROP allows a member to retire while continuing employment for up to 60 months. While in DROP, the member's retirement benefits accumulate in the FRS Trust Fund and earn monthly interest equivalent to an annual rate of 6.5%. Upon termination, the DROP account is paid out as a lump sum payment, a rollover, or a combination partial lump sum payment and rollover, and monthly benefits are paid to the member in the amount as calculated upon entry into DROP.

NOTE 9 – EMPLOYEE RETIREMENT PLAN (Continued)

Defined Contribution Plan

Some of the Port's employees elected to participate in the FRS's Investment Plan instead of the Retirement Plan which became available in 2002. The FRS Investment Plan is a defined contribution retirement plan qualified under section 401(a) of the Internal Revenue Code. The employer pays all contributions which are made to each participant's account under the plan. These employer contributions are a percentage of salary, set by state law, based on retirement membership class, which is identical to the FRS defined contribution plan. The employer's contributions are deposited in an account in the employee's name. Benefits are based on the total value of the employee's account at distribution. This amount is based on employer contributions plus interest and earnings on those contributions, less fees and plan charges. Benefits are fully vested after completing one year of service, and includes all employer contributions and earnings on those contributions. There is no "normal" retirement age. When an employee's employment ends, the employee can take the value of their account with them, regardless of their age, roll the balance over to another employer's retirement plan (if permitted by that plan) or IRA (Individual Retirement Account), or leave the value of the account in the FRS Investment Plan until a later date when the employee may take a distribution.

Funding Policy

The FRS funding policy provides for monthly employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due. Level percentages of payroll employer contribution rates, established by state law, are determined using the entry-age normal actuarial cost method. If an unfunded actuarial liability reemerges as a result of future plan benefit changes, assumption changes, or methodology changes, it is assumed any unfunded actuarial liability would be amortized over 30 years, using level dollar amounts. Except for gains reserved for rate stabilization, it is anticipated future actuarial gains and losses are amortized on a rolling 10% basis, as a level dollar amount.

Members of the FRS are not required to make employee contributions to establish service credit for work performed in a regularly established position; employers pay all required contributions. Effective July 1, 2002, the Florida Legislature established a uniform contribution rate system for the FRS, covering both the FRS Pension Plan and the FRS Investment Plan.

The Port's Executive Director qualifies for the Senior Management Service Class (SMSC) membership and all other employees qualify for Regular Class membership.

NOTE 9 – EMPLOYEE RETIREMENT PLAN (Continued)

Funding Policy (Continued)

The rates as a percentage of covered payroll at September 30, 2007 are as follows:

Senior Management Service Class	13.12%
Regular Class	9.85%
DROP	10.91%

The contribution requirements of the Port are established and may be amended by the Florida Legislature. The Port's contributions to the FRS defined benefit plan for the years ending September 30, 2005, 2006, and 2007 were $137,778, $190,442, and $213,678, respectively, which were equal to the required contributions. The Port's contribution to the FRS defined contribution plan for the year ended September 30, 2007, was $53,386, which was equal to the required contribution.

State law requires that actuarial valuations of all public retirement systems be performed annually. The last such evaluation was performed as of July 1, 2006.

Annually, the System publishes an unaudited report, which provides schedules of funding progress, employer contributions, historical trends and notes to required supplementary information. The most recent available report is for the plan year ended June 30, 2006.

Pursuant to Florida Statute 121.055 and 60S-1.0057, any member of the Florida Retirement System or an existing system who is eligible for membership in the Senior Management Service Class may elect to participate in the Senior Management Service Optional Annuity Program. The Executive Director has not elected to participate.

NOTE 10 - MAJOR CUSTOMERS

During fiscal 2007, the Port had billings from major customers, each providing more than 10% of the total Port facilities' revenues. Port facilities' revenues from each of these customers were as follows for the year ended September 30, 2007:

Tropical Shipping USA, LLC / Birdsall, Inc.	$ 5,193,473
ITG Vegas, Inc. (dba Palm Beach Princess)	$ 1,679,489

NOTE 11 - RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port manages the exposure to these risks through the purchase of commercial insurance with high limits of coverage. The Port has not significantly reduced insurance coverage from the prior year nor did the amount of settlement exceed the insurance coverage for each of the past three fiscal years.

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

In the financial statements for September 30, 2005, errors were made in accounting for the disposition and sale of the Port Center. The errors had no effect on the change in net assets for the years ended September 30, 2007. The land and net assets for the year ended September 30, 2005 was overstated by $369,423. This error was corrected and has the following effect on the beginning net assets.

Beginning net assets, as previously reported	$94,666,008
Decrease in land due to sale of Port Center not including the land allocated to the building	(369,423)
Beginning net assets, as corrected	$94,296,585

NOTE 13 – SUBSEQUENT EVENT

Local Government Surplus Funds Trust Fund

As discussed in Note 2, at September 30, 2007, The Port had $4,391,523 invested in the State Board of Administration's Local Government Surplus Funds Trust Fund Investment Pool (Pool). On November 29, 2007, the State Board of Administration implemented a temporary freeze on the assets held in the Pool due to an unprecedented amount of withdrawals from the Fund coupled with the absence of market liquidity for certain securities within the Pool. The significant amount of withdrawals followed reports that the Pool held asset-backed commercial paper that was subject to sub prime mortgage risk. On December 4, 2007, based on recommendations from an outside financial advisor, the State Board of Administration restructured the Pool into two separate pools. Pool A consisted of all money market appropriate assets, which was approximately $12 billion or 86% of Pool assets. Pool B consisted of assets that either defaulted on a payment, paid more slowly than expected, and/or had any significant credit and liquidity risk, which was approximately $2 billion or 14% of Pool assets. At the time of the restructuring, all current pool participants had their existing balances proportionately allocated into Pool A and Pool B.

NOTE 13 – SUBSEQUENT EVENT (Continued)

Local Government Surplus Funds Trust Fund (Continued)

Currently, Pool A participants may withdraw 37% of their balance or $4 million, whichever is greater, without penalty. Withdrawals from Pool A in excess of the above limit are subject to a 2% redemption fee. New investments in Pool A are not subject to the redemption fee or withdrawal restrictions. Future withdrawal provisions from Pool A will be subject to further evaluation based on the maturities of existing investments and the liquidity requirements of the Pool. On December 21, 2007, Standard and Poor's Ratings Services assigned its "AAAM" principal stability fund rating to Pool A.

Currently, Pool B participants are prohibited from withdrawing any amount from the Pool and a formal withdrawal policy has not yet been developed. Market valuations of the assets held in Pool B are not readily available. In addition, full realization of the principle value of Pool B assets is not readily determinable.

On November 29, 2007, the Port withdrew their entire balance of $4,412,485 from the Pool. As of March 31, 2008, the Port had no monies invested in Pool A and B, respectively. Additional information regarding the Local Government Surplus Funds Trust Fund may be obtained from the State Board of Administration.

Bond Insurers

The following revenue bonds issued by the Port in prior years are insured by XL Capital Assurance:

Revenue Refunding and Improvement Bonds, Series 2002
Refunding Revenue Bonds, Series 2005

On January 24, 2008 and February 7, 2008, Fitch Ratings (“Fitch”) and Moody’s Investors Service (“Moody’s”) respectively, downgraded the Insurer Financial Strength rating of XL Capital Assurance from AAA and Aaa to A & A3, respectively.

The Revenue Improvement Bonds, Series 1999A issued by the Port in a prior year are insured by MBIA, Inc. On April 4, 2008, Fitch Ratings downgraded the Insurer Financial Strength rating of MBIA, Inc. from AAA to AA.

PORT OF PALM BEACH DISTRICT
Schedule of Investments
September 30, 2007 and 2006

				2007		2006	
	Yield	Purchase Date	Maturity Date	Carrying Costs	Accrued Interest	Carrying Costs	Accrued Interest
Restricted							
Certificate of Deposit	5.24%	09/24/07	10/25/07	$ 4,000,000	$ 4,020	$ 4,000,000	$ 1,172
Certificate of Deposit						2,000,000	17,852
Certificate of Deposit	5.24%	09/28/07	10/29/07	1,000,000	287	1,000,000	3,617
Total investments - restricted				5,000,000	4,307	7,000,000	22,641
Unrestricted							
Certificate of Deposit	5.25%	08/29/07	10/29/07	2,000,000	9,206	3,000,000	52,744
Certificate of Deposit	5.25%	09/28/07	11/30/07	2,000,000	575	1,000,000	3,616
Total investments - unrestricted				4,000,000	9,781	4,000,000	56,360
Total investments				**$ 9,000,000**	**$ 14,088**	**$ 11,000,000**	**$ 79,001**

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
$25,195,000 Revenue Refunding Bonds - Series 1999A
September 30, 2007

Year Ending September 30	Interest	Retirement of Bonds	Total
2008	$ 1,028,544	$ 855,000	$ 1,883,544
2009	986,649	755,000	1,741,649
2010	948,899	795,000	1,743,899
2011	908,354	835,000	1,743,354
2012	865,560	880,000	1,745,560
2013	819,360	925,000	1,744,360
2014	770,335	970,000	1,740,335
2015	718,925	1,025,000	1,743,925
2016	663,831	1,080,000	1,743,831
2017	605,781	1,135,000	1,740,781
2018	544,775	1,200,000	1,744,775
2019	478,775	1,265,000	1,743,775
2020	409,200	1,335,000	1,744,200
2021	335,775	1,405,000	1,740,775
2022	258,500	1,485,000	1,743,500
2023	176,825	1,565,000	1,741,825
2024	90,750	1,650,000	1,740,750
	$10,610,838	$19,160,000	$29,770,838

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
$9,576,835 Revenue Refunding Bonds - Series 2002
September 30, 2007

Year Ending September 30	Interest	Retirement of Bonds	Total
2008	$ 87,185	$ 455,000	$ 542,185
2009	73,080	465,000	538,080
2010	57,270	480,000	537,270
2011	39,510	490,000	529,510
2012	20,400	510,000	530,400
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022	1,693,276	911,724	2,605,000
2023	1,749,258	855,742	2,605,000
2024	1,799,169	805,831	2,605,000
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	$11,750,610	$ 7,441,835	$19,192,445

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
$13,090,044 Revenue Refunding Bonds - Series 2005
September 30, 2007

Year Ending September 30	Interest	Retirement of Bonds	Total
2008	$ 497,931	$ 90,000	$ 587,931
2009	495,006	235,000	730,006
2010	487,075	255,000	742,075
2011	478,150	260,000	738,150
2012	468,725	275,000	743,725
2013	683,369	590,044	1,273,413
2014	458,413	815,000	1,273,413
2015	425,813	850,000	1,275,813
2016	391,813	885,000	1,276,813
2017	356,413	920,000	1,276,413
2018	319,613	955,000	1,274,613
2019	281,413	2,230,000	2,511,413
2020	192,213	2,320,000	2,512,213
2021	99,413	2,410,000	2,509,413
	$ 5,635,360	$13,090,044	$18,725,404

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
$10,139,551 Revenue Refunding Bonds - Series 2007
September 30, 2007

Year Ending September 30	Interest	Retirement of Bonds	Total
2008	$ 431,525	$ 751,029	$ 431,525
2009	412,156	769,258	412,156
2010	378,386	799,338	378,386
2011	343,295	838,119	343,295
2012	306,501	871,172	306,501
2013	268,257	912,667	268,257
2014	228,191	953,233	228,191
2015	186,344	992,830	186,344
2016	142,758	1,037,415	142,758
2017	97,216	1,080,987	97,216
2018	49,761	1,133,503	49,761
	$ 2,844,390	$10,139,551	$ 2,844,390

PORT OF PALM BEACH DISTRICT
Schedule of Port Facilities Revenues
For the Fiscal Years Ended
September 30, 2007 and 2006

	2007	2006
Wharfage	$ 3,117,086	$ 3,278,944
Rent	3,419,133	3,679,084
Dockage	1,652,796	1,865,320
Parking	599,402	446,306
Passenger wharfage	883,548	965,370
Storage	233,698	183,422
Water	160,524	157,853
Line handling	78,975	80,015
Miscellaneous	134,981	110,590
Switching	382,950	319,815
Licenses	68,000	71,550
Identification badging	286,963	232,008
Terminal operating fee	218,604	185,072
Ferry security fees		82,140
Security fee	764,598	723,066
Cargo terminal fee	470,749	450,413
Harbor master fee	67,165	71,890
Vessel bunkers	37,475	48,925
Total Port Facilities Revenue	**$ 12,576,647**	**$ 12,951,783**

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses
For the Fiscal Years Ended
September 30, 2007 and 2006

	2007	2006
General expenses		
Insurance and surety bonds	$ 765,578	$ 999,074
Retirement	245,218	212,375
Group insurance	646,015	629,242
Other benefits	3,926	4,097
Audit and other accounting services	83,841	71,683
Bad debt expense	68,660	
FPFC Administrative fee	24,000	35,217
Trustee fees	10,925	14,146
Ad valorem taxes	7,139	
Consulting	40,701	47,313
Contingency	22,216	33,351
Miscellaneous	2,740	175
Total general expenses	**1,920,959**	**2,046,673**
Engineering and maintenance		
Salaries	463,153	760,497
Payroll taxes	33,255	56,279
Maintenance and repairs - buildings and grounds	420,108	580,850
Electricity	379,692	317,776
Water	277,608	291,369
Janitorial and trash removal	112,016	118,925
Maintenance and repairs - equipment	53,551	37,400
Dredging study	36,715	76,363
Engineering fees	10,973	7,830
Boundary and condition survey	5,933	4,106
Fuel and oil - port vehicles	46,627	47,245
Telephone	9,482	16,231
Uniforms	9,567	8,006
Shop maintenance and supplies	26,858	26,126
Contingency		3,895
Miscellaneous	8,757	644
Total engineering and maintenance	**1,894,295**	**2,353,542**
Security		
Salaries	673,051	684,607
Payroll taxes	49,049	50,423
Contract services	892,674	1,114,575
Security equipment	17,256	7,780
Identification badges	215,660	166,145
Uniforms	11,451	11,508
Telephone	7,004	8,248
Maintenance and repairs	8,191	1,086
Contingency	1,557	4,823
Miscellaneous	1,557	1,262
Total security	**1,877,450**	**2,050,457**

(Continued)

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses (Continued)
For the Fiscal Years Ended
September 30, 2007 and 2006

	2007	2006
Administration		
Salaries	$ 964,830	$ 916,905
Payroll taxes	70,154	68,881
Electric and water	8,329	10,673
Telephone	33,276	39,195
Maintenance and repairs	8,433	5,111
Computer maintenance	8,902	13,341
Supplies, stationary and printing	41,601	43,019
Postage	6,347	5,411
Training, seminars and consulting	20,148	26,240
Dues and subscriptions	507	1,339
Publications	3,455	4,239
Legal fees and expenses	165,608	149,030
Miscellaneous	3,639	4,866
Total administration	**1,335,229**	**1,288,250**
Business development		
Salaries	197,356	176,192
Payroll taxes	14,932	12,726
Retirement	17,946	13,931
Advertising and promotion	53,836	39,603
Trade development	36,214	56,616
Community grants	17,841	54,217
Community outreach	24,241	33,873
Dues and subscriptions	53,775	54,825
Publications	13,375	9,274
Miscellaneous	2,226	1,003
Total business development	**431,742**	**452,260**
Operations		
Salaries	251,190	-
Payroll taxes	18,972	-
Contract services - parking	68,687	-
Cruise line transportation	56,152	50,408
Maintenance and repairs - train	31,100	36,263
Maintenance and repairs - track	45,666	38,287
Switching Services	169,569	161,462
Fuel and oil - train	21,486	24,382
Equipment rental	5,951	6,650
Miscellaneous	1,535	3,943
Total operations	**670,308**	**321,395**
Amortization	**112,561**	**112,009**
Depreciation	**4,011,840**	**3,921,769**
Total operating expenses	**$ 12,254,384**	**$ 12,546,355**

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses
For the Fiscal Years Ended
September 30, 2007 and 2006

	2007	2006
Revenue		
Port facilities	**$ 12,576,647**	**$ 12,951,783**
Expenses		
General expenses	1,920,959	2,046,673
Engineering and maintenance	1,894,295	2,353,542
Security	1,877,450	2,050,457
Administration	1,335,229	1,288,250
Business development	431,742	452,260
Operations	670,308	321,395
Amortization	112,561	112,009
Depreciation	4,011,840	3,921,769
Total operating expenses	**12,254,384**	**12,546,355**
Operating income	**322,263**	**405,428**
Non-operating revenues (expenses)		
Investment earnings	1,273,597	1,085,833
Grant revenue	839,574	556,630
Loss on disposition of assets	(285,493)	(307,109)
Contingency gain from insurance proceeds	27,059	
Radiation portal monitor transfers	(898,264)	
Road improvement transfers		(26,171)
Interest expense	(2,806,939)	(2,865,855)
Total non-operating revenues (expenses)	**(1,850,466)**	**(1,556,672)**
Income (loss) before contributions	**(1,528,203)**	**(1,151,244)**
Capital contributions - grants	**3,855,281**	**2,183,656**
Change in net assets	**$ 2,327,078**	**$ 1,032,412**

PORT OF PALM BEACH DISTRICT
Budgetary Comparison Schedule
For the Fiscal Year Ended
September 30, 2007

	Actual	Budget	Variance Over (Under)
Operating revenues			
Wharfage	$ 3,117,086	$ 3,860,158	$ (743,072)
Rent	3,419,133	3,296,080	123,053
Dockage	1,652,796	1,950,245	(297,449)
Parking	599,402	568,585	30,817
Passenger Wharfage	883,548	825,000	58,548
Storage	233,698	185,000	48,698
Water	160,524	162,000	(1,476)
Line handling	78,975	80,635	(1,660)
Miscellaneous	134,981	107,495	27,486
Switching	382,950	455,000	(72,050)
Licenses	68,000	75,000	(7,000)
Harbor Master Fees	67,165	65,700	1,465
Vessel Bunkers	37,475	51,350	(13,875)
Identification badging	286,963	239,000	47,963
Security Fee	764,598	732,600	31,998
Cargo terminal fee	470,749	510,015	(39,266)
Terminal operating fee	218,604	198,200	20,404
Total operating revenues	12,576,647	13,362,063	(785,416)
Operating expenses			
General expenses	1,920,959	2,390,436	(469,477)
Engineering and maintenance	1,894,295	1,974,520	(80,225)
Security	1,877,450	1,921,469	(44,019)
Administration	1,335,229	1,243,145	92,084
Business development	431,742	505,355	(73,613)
Operations	670,308	625,385	44,923
Amortization	112,561	132,328	(19,767)
Depreciation	4,011,840	3,967,000	44,840
Total operating expenses	12,254,384	12,759,638	(505,254)
Non-operating revenue (expenses)			
Investment earnings	1,273,597	700,000	573,597
Grant revenue	839,574		839,574
Contingency gain from insurance proceeds	27,059		27,059
Loss on disposition of assets	(285,493)		(285,493)
Radiation portal monitor transfers	(898,264)		(898,264)
Interest expense	(2,806,939)	(2,242,705)	(564,234)
Total non-operating revenue (expenses)	(1,850,466)	(1,542,705)	(307,761)
Income (loss) before contributions	(1,528,203)	(940,280)	(587,923)
Capital contributions - grants	3,855,281		3,855,281
Change in net assets	$ 2,327,078	$ (940,280)	$ 3,267,358

PORT OF PALM BEACH DISTRICT
Schedule of Operating Statistics
For the Fiscal Years Ended
September 30, 2007 and 2006
(Unaudited)

	2007	2006	PERCENT CHANGE
CARGO TONNAGE			
General Cargo			
Container	1,221,095	1,138,130	7.29%
Break-bulk	109,113	161,539	(32.45%)
Sub-Total	1,330,208	1,299,669	2.35%
Bulk and Dry Cargo			
Asphalt	61,634	35,317	74.52%
Cement	146,383	193,349	(24.29%)
Fuel Oil	958,497	1,261,868	(24.04%)
Miscellaneous	20,247		n/a
Molasses	159,388	111,687	42.71%
Sugar	607,443	374,780	62.08%
Sub-Total	1,953,592	1,977,001	(1.18%)
TOTAL ALL CARGO	3,283,800	3,276,670	0.22%
TOTAL TEUs	257,507	244,004	5.53%
RAIL CARS	10,985	10,409	5.53%
VESSELS	2,831	2,462	14.99%
PASSENGERS	566,408	520,557	8.81%

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of Federal Awards
And State Financial Assistance
For the Year Ended September 30, 2007

Grantor/Program Title	CFDA CSFA Number	Grant Number		Federal/State Expenditures
Federal Awards				
U.S. Department of Homeland Security				
Federal Emergency Management Agency				
Passed through Florida Department of Community Affairs				
Public Assistance Grants (Presidentially Declared Disasters)	97.036	06-WL-&K-10-60-20-549	$	650,981
Public Assistance Grants (Presidentially Declared Disasters)	97.036	05-PA-E-10-60-20-008		2,807
Passed through Florida Division of Emergency Management				
Homeland Security Grants	97.067	07DS-5N-11-16-02-259		54,200
Total Federal Awards			$	707,988
State Financial Assistance				
Florida Department of Transportation				
Seaport Grants	55.005	N/A	$	3,168,680
Intermodal Development Program	55.015	N/A		8,168
Total State Financial Assistance			$	3,176,848

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

The schedule of expenditures of federal awards and state financial assistance is a summary of the Port's federal awards programs and state projects for the year ended September 30, 2007, and is presented in accordance with the requirements of OMB Circular A-133. The schedule has been prepared in accordance with generally accepted accounting principles.

NOTE 2 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Port for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable federal and state laws and regulations.

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NOWLEN, HOLT & MINER, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
215 FIFTH STREET, SUITE 200
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
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ALEXIA G. VARGA, CPA
BRIAN J. BRESCIA, PFS, CPA
DONALD D. RINZEL, CPA

BELLE GLADE OFFICE
333 S. E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Commissioners
Port of Palm Beach District
Riviera Beach, Florida

We have audited the financial statements of the Port of Palm Beach District, as of and for the year ended September 20, 2007, and have issued our report thereon dated April 11, 2008. We conducted our audit in accordance with U.S. generally accepted auditing standards 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 Port of Palm Beach District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Port of Palm Beach District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Port of Palm Beach District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Port of Palm Beach District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Port of Palm Beach District's financial statements that is more than inconsequential will not be prevented or detected by the Port of Palm Beach District's internal control. We consider Finding 2007-1 described in the accompanying Schedule of Findings and Questioned Costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Port of Palm Beach District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we consider the Finding above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Port of Palm Beach District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions 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.*

We noted certain matters that we reported to management of Port of Palm Beach District, in the accompanying Management Letter dated April 11, 2008.

The Port of Palm Beach District's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Port of Palm Beach District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, the audit committee, management, the Florida Office of the Governor, the Florida Department of Transportation, the Auditor General of the State of Florida, and 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.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 11, 2008

NOWLEN, HOLT & MINER, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
215 FIFTH STREET, SUITE 200
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
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POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Port of Palm Beach District
Riviera Beach, Florida

Compliance

We have audited the compliance of the Port of Palm Beach District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* and the requirements described in the Florida Department of Financial Services State Projects Compliance Supplement that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007. The Port of Palm Beach District's major federal programs and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs and state projects is the responsibility of the Port of Palm Beach District's management. Our responsibility is to express an opinion on the Port of Palm Beach District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards***,** issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations;* and Chapter 10.550, Rules of the Florida Auditor General. Those standards, OMB Circular A-133, and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Port of Palm Beach District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Port of Palm Beach District's compliance with those requirements.

In our opinion, the Port of Palm Beach District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs and state projects for the year ended September 30, 2007.

Internal Control Over Compliance

The management of the Port of Palm Beach District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs and state projects. In planning and performing our audit, we considered the Port of Palm Beach District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program and state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port of Palm Beach District's control over compliance

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program or state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program or state project that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as Finding 2007-2 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of a federal program or state project will not be prevented or detected by the entity's internal control. We consider Finding 2007-2 to be a material weakness.

The Port or Palm Beach District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the Port of Palm Beach District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Commissioners, audit committee, management, the Florida Office of the Governor, the Florida Department of Transportation, the Auditor General of the State of Florida, and 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.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 11, 2008

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2007

Section I—Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness identified? __X__ yes ______ no
- Significant deficiency identified that is not considered to be a material weakness? ______ yes __X__ none reported

Noncompliance material to financial statements noted? ______ yes __X__ no

Federal Awards

Internal control over major programs/projects:

- Material weakness identified? __X__ yes ______ no
- Significant deficiency identified that is not considered to be a material weakness? ______ yes __X__ none reported

Type of auditor's report issued on compliance for major programs/project: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 or Chapter 10.550 Rules of the Auditor General? ______ yes __X__ no

Identification of Major Programs

CFDA Numbers	Name of Federal Program or Cluster
	DEPARTMENT OF HOMELAND SECURITY
97.036	• Disaster Grants – Public Assistance

CSFA Numbers	Name of State Project
	FLORIDA DEPARTMENT OF TRANSPORATION
55.005	• Seaport Grants

Dollar threshold used to distinguish between type A and type B programs: $300,000

Auditee qualified as low-risk auditee? __X__ yes _____ no

Section II—Financial Statement Findings

Finding 2007-1

Condition: The Port does not have an adequate set of policies and procedures in place for properly recording the FEMA grant activity. Grant receivables, liabilities and revenue were not being recorded for the current fiscal years activity and not reconciled to actual amounts that were billable, billed and received.

Criteria: To prevent errors, omissions, and fraudulent acts, policies and adequate procedures must be established/applied/enforced consistently and regularly.

Effect: The FEMA grants are managed by the Department of Commission Affairs. During the audits for the periods ended September 30, 2006 and 2007, we noted that the FEMA grant activity was not properly recorded and provided to the Finance department in a timely manner. Consequently, the FEMA grants could not be recorded as receivable, liability and revenue items. Only FEMA payments received were posted to the general ledger hurricane expense account in the prior fiscal year and to the receivable account in the current fiscal year. We had to prepare FEMA spreadsheets, by each hurricane, using the project worksheets, client prepared project activity sheets and files, the general ledger, FEMA web site, and review of invoices to determine the proper revenue and receivable on the accrual basis for the fiscal years 2006 and 2007 and the contingent liability. During the prior fiscal year the client prepared activity sheets did not list expenses on the accrual basis and did not use the proper reimbursement rates and had to be corrected. During the current fiscal year the reimbursement rates had to be corrected due to an increase in the federal portion. Therefore significant audit adjustments were required for the prior and current fiscal years. We also noted that there were several projects under Hurricane Wilma that had incurred expenses and reimbursement requests had not been submitted.

Recommendation: We recommend that the Grant Administrator update and review the project activity sheets and the project worksheets and submit reimbursement requests on a quarterly basis and forward this information to the Finance department. This will enable the Finance department to properly record the FEMA receivable, revenue and liability amounts in a timely manner.

Management Response: Management agrees with the recommendation and will be effecting the necessary changes as soon as possible.

Section III—Federal Award Findings and Questioned Costs

Major Federal Program

DEPARTMENT OF HOMELAND SECURITY

Disaster Grants – Public Assistance CFDA No. 97.036

Finding 2007-2

Condition: The Port does not have an adequate set of policies and procedures in place for properly recording the FEMA grant activity. Grant receivables, liabilities and revenue were not being recorded for the current fiscal years activity and not reconciled to actual amounts that were billable, billed and received.

See comment 2007-1, for additional information.

Major State Projects

FLORIDA DEPARTMENT OF TRANSPORATION

Seaport Grants CSFA No. 55.005

No findings or questioned costs are reported.

Section IV—Federal Summary Schedule of Prior Audit Findings

No findings or questioned costs were reported in the prior year.

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NOWLEN, HOLT & MINER, P.A.
CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
215 FIFTH STREET, SUITE 200
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
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BELLE GLADE OFFICE
333 S. E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

MANAGEMENT LETTER

Board of Commissioners
Port of Palm Beach District
Riviera Beach, Florida

We have audited the basic financial statements of the Port of Palm Beach District, as of and for the year ended September 30, 2007, and have issued our report thereon dated April 11, 2008.

We conducted our audit in accordance with United States generally accepted auditing standards, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards.* Disclosures in that report, which is dated April 11, 2008, should be considered in assessing the results of our audit.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local government entity audits in the State of Florida and require that we address certain compliance and other matters in the management letter, if not already addressed in the auditor's report on internal control over financial reporting and on compliance and other matters.

PRIOR YEAR COMMENTS

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report.

The prior year comment regarding segregation of duties over payroll preparation has been addressed and no longer applies. The prior year comment regarding FEMA grant administration has not been adequately addressed and still applies. See Findings 2007-1 and 2007-2 in the accompanying Schedule of Findings and Questioned Costs.

CURRENT YEAR COMMENTS

Investment of Public Funds

Section 10.554(1)(i)2., Rules of the Auditor General, requires our audit to include a review of the Port of Palm Beach District's compliance with Section 218.415, Florida Statutes, regarding the investment of public funds. The results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes, by the Port of Palm Beach District, for the year ended September 30, 2007.

Current Year Recommendations

Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit for the fiscal year ended September 30, 2007, we did not have any such recommendations, except as disclosed in the Schedule of Findings and Questioned Costs.

Violations of Contracts and Grant Provisions or Abuse

Section 10.554(1)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts and grant agreements or abuse that have an effect on the financial statements that is less than material but more than inconsequential. In connection with our audit for the fiscal year ended September 20, 2007, we did not have any such findings.

Matters Inconsequential to the Financial Statements

Section 10.554(1)(i)5., Rules of the Auditor General, requires based on professional judgment, the reporting of the following matters that are inconsequential to the financial statements, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred, and would have an immaterial effect on the financial statements; (2) improper expenditures or illegal acts that would have an immaterial effect on the financial statements; and (3) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures; (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit for the fiscal year ended September 30, 2007, we did not have any such findings.

Oversight Unit and Component Units

Section 10.554(1)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements and has been repeated here.

The Port of Palm Beach District is an independent special taxing district established in 1915 under the provisions of Chapter 7081 of the Laws of Florida; and, as such, is a sub-division of the State of Florida. Based upon the application of criteria defined in publications cited in Chapter 10.553, Rules of the Auditor General, the Port has determined that there are no potential component units operating within the jurisdiction of the Port that would be required to be considered for inclusion in the financial reporting entity.

Consideration of Financial Emergency Criteria

Section 10.554(1)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, the results of our procedures did not disclose that the Port of Palm Beach District has met any of the conditions described in Section 218.503(1) during the fiscal year ended September 30, 2007.

Annual Financial Report

Section 10.554(1)(i)7.b., Rules of the Auditor General requires that we determine whether the annual financial report for the Port of Palm Beach District for the fiscal year ended September 30, 2007, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2007. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Sections 10.554(1)(i)7.c.and 10.556(7), Rules of the Auditor General, require that we apply financial condition assessment procedures. In connection with our audit, we applied financial condition assessment procedures. It is management’s responsibility to monitor the Port of Palm Beach District’s financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provide by management. The results of our procedures did not disclose any maters that are required to be reported.

Response to Management Letter

We did not audit management’s response to the management letter presented in the accompanying Schedule of Findings and Questioned Costs and express no opinion on it

This management letter is intended solely for the information of the Port of Palm Beach District Board of Commissioners, audit committee, management, the Florida Office of the governor, the Florida Department of Transportation, the Auditor General of the State of Florida, and 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.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 11, 2008