

# **PORT OF PALM BEACH DISTRICT**



## **COMPREHENSIVE ANNUAL FINANCIAL REPORT**

**FISCAL YEAR ENDED SEPTEMBER 30, 2013**

**PORT OF PALM BEACH DISTRICT**  
**COMPREHENSIVE ANNUAL FINANCIAL REPORT**  
**FISCAL YEAR ENDED SEPTEMBER 30, 2013**



Prepared by the Finance Department

Paul Zielinski  
Deputy Port Director & Chief Financial Officer

Daniel Kirchman, CPA  
Controller

PORT OF PALM BEACH DISTRICT  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
SEPTEMBER 30, 2013

TABLE OF CONTENTS

	<u>Pages</u>
INTRODUCTORY SECTION	
Principal Officials	1
Organizational Chart	2
FINANCIAL SECTION	
Independent Auditor's Report	3 – 5
Management's Discussion and Analysis	6 – 17
Statement of Net Position	18 – 19
Statement of Revenues, Expenses and Changes in Net Position	20
Statement of Cash Flows	21 – 22
Notes to the Financial Statements	23 – 50
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Funding Progress - Other Postemployment Benefits	51
OTHER SUPPLEMENTARY INFORMATION	
Bond Amortization Schedules:	
\$ 9,576,835 Revenue Refunding Bonds – Series 2002	52
\$13,090,044 Revenue Refunding Bonds – Series 2005	53
\$10,139,551 Revenue Refunding Bonds – Series 2007	54
\$14,301,991 Revenue Refunding Bonds – Series 2013	55
Combined Revenue Bonds	56
Schedule of Port Facilities Revenues	57
Schedule of Operating Expenses	58 – 59
Schedule of Revenues and Expenses	60
Budgetary Comparison Schedule	61
Schedule of Operating Statistics (Unaudited)	62

PORT OF PALM BEACH DISTRICT  
 COMPREHENSIVE ANNUAL FINANCIAL REPORT  
 SEPTEMBER 30, 2013

TABLE OF CONTENTS

	<u>Pages</u>
<b>STATISTICAL SECTION (UNAUDITED)</b>	
Net Position	63
Operating Revenues by Source	64
Chart – Operating Revenues by Source	65
Operating Expenses	66
Chart – Operating Expenses	67
Chart – Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization	68
Chart – Net Operating Revenues and Operating Expenses	69
Non-Operating Revenues (Expenses)	70
Changes in Net Position	71
Operating Statistics	72
Revenue Bond Coverage	73
 <b>COMPLIANCE SECTION</b>	
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 <i>Government Auditing Standards</i>	74 – 75
Independent Auditor’s Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Auditor General	76 – 77
Schedule of Expenditures of Federal Awards and State Financial Assistance	78
Schedule of Findings and Questioned Costs	79 – 81
Summary Schedule of Prior Audit Findings	82
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	83 – 85

**PORT OF PALM BEACH DISTRICT**

**PRINCIPAL OFFICIALS  
AS OF SEPTEMBER 30, 2013**

**PORT BOARD MEMBERS**

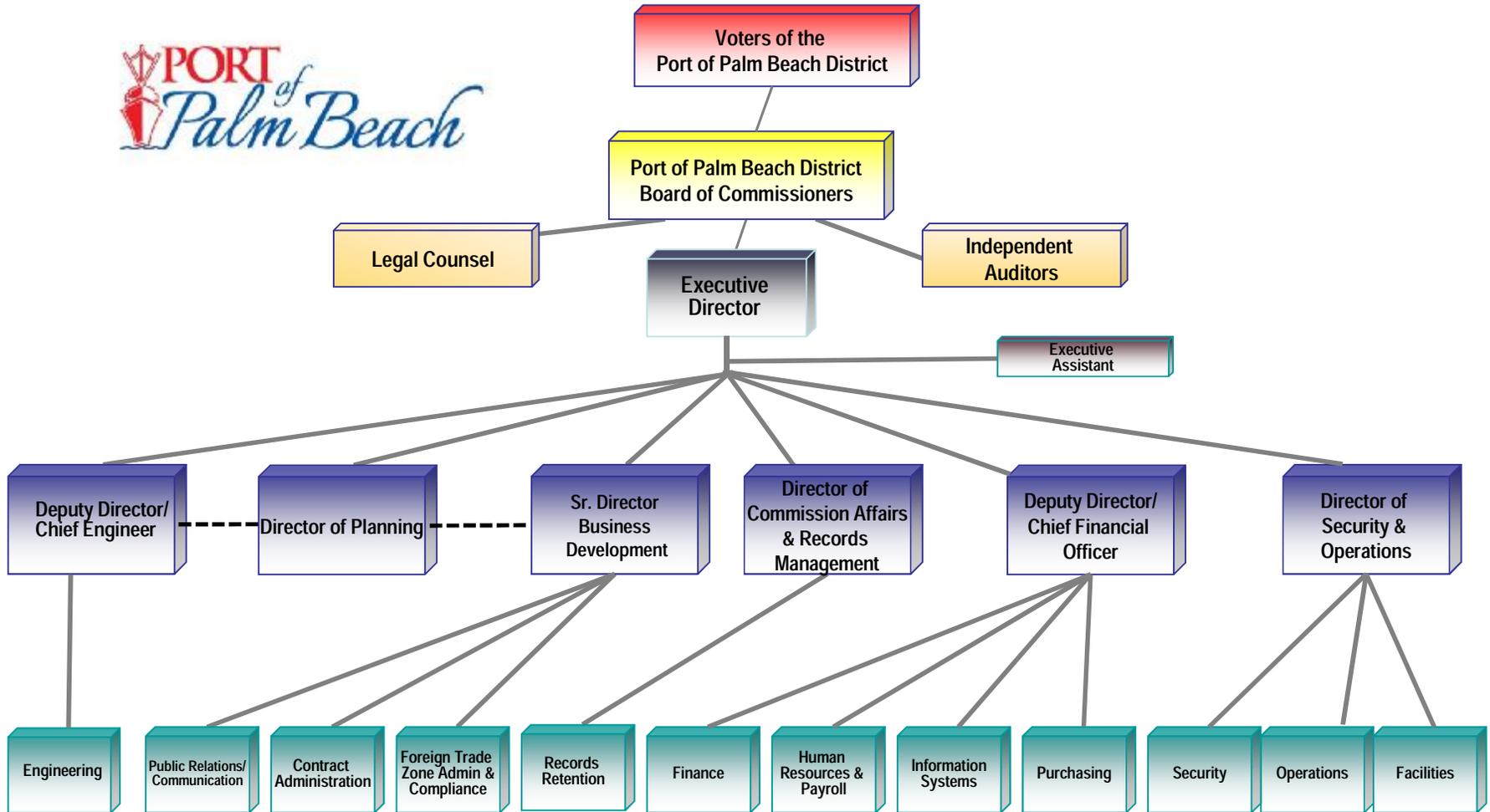
George E. Mastics	Chairman
Edward R. Opper	Vice Chairman
Jean L. Enright	Secretary/Treasurer
Blair J. Ciklin	Commissioner
Wayne M. Richards	Commissioner

**PORT STAFF**

Manuel Almira	Executive Director
Thomas Lundeen, P.E.	Deputy Director / Port Engineer
Paul J. Zielinski	Deputy Director / Chief Financial Officer
Jarra Kaczwarra	Senior Director of Business Development
Peggy Gandiaga	Director of Commission Affairs
Ken Hern	Director of Security and Operations
Carl Baker	Director of Planning
Daniel Kirchman, CPA	Port Controller
Richard Laird	Director of Information Systems
Beatrice Greffin	Manager of Human Resources
Tacaria Anderson-Jones	Manager of Contract Compliance and Accounts Receivable

# Port of Palm Beach District Organizational Chart

September 30, 2013





# NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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NORTHBRIDGE CENTRE  
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POST OFFICE BOX 347  
WEST PALM BEACH, FLORIDA 33402-0347  
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EVERETT B. NOWLEN (1990-1994), CPA  
EDWARD T. HOLT, CPA  
WILLIAM R. MINER, CPA  
ROBERT W. HENDRIX, JR., CPA  
JANET R. BARCEVICH, CPA  
TERRY L. MORTON, JR., CPA  
N. RONALD BENNETT, CVA, ASV, CFF, CPA  
ALEXIA G. VARGA, CFE, CPA  
EDWARD T. HOLT, JR., PFS, CPA  
BRIAN J. BRESCIA, CFP®, CPA

KATHLEEN A. MINER, CPA  
J. MICHAEL STEVENS, CPA  
JARRETT A. PERRY, CPA  
KARA D. PETERSON, CFE, CPA  
MARK J. BYMASTER, CFE, CPA  
RUDINA TORO, CPA  
DYAN M. FLOTT, CFP®, CFE  
TIMOTHY H. SCHMEDES, CFP®, CPA  
WILLIAM, CPA

## INDEPENDENT AUDITOR'S REPORT

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

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833 S.F. 2nd STREET  
POST OFFICE BOX 358  
BELLE GLADE, FLORIDA 33430-0358  
TELEPHONE (561) 698-5812  
FAX (561) 698-6248

### Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Palm Beach District as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Port of Palm Beach District as of September 30, 2013, and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 17 and the schedule of funding progress – other postemployment benefits on page 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Palm Beach District's basic financial statements. The introductory section, accompanying schedules listed as other supplementary information on pages 52 through 62, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The prior year other supplementary information has been derived from the Port of Palm Beach District's 2012 basic financial statements and, in our report dated April 25, 2013 we expressed an unqualified opinion on those financial statements. The schedule of expenditures of federal awards and state financial assistance on page 78 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 also not a required part of the basic financial statements.

The other supplementary information on pages 52 through 61 and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including

comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, schedule of operating statistics presented on page 62, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2014, 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, 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* in considering the Port of Palm Beach District's internal control over financial reporting and compliance.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
April 29, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Port of Palm Beach District (Port), we offer readers of the Port's financial statements this narrative overview and analysis of the financial activities of the Port of Palm Beach District for the fiscal years ended September 30, 2013 and 2012. The information presented should be read in conjunction with the financial statements, notes and supplemental schedules found in this report.

### FINANCIAL HIGHLIGHTS

- The assets of the Port exceeded its liabilities at the close of the most recent fiscal year by \$91,260,148 (*net position*). Of this amount, \$8,669,880 (*unrestricted net position*) may be used to meet the Port's ongoing obligations to creditors.
- The Port's total net position increased by \$5,802,712. This increase consists of \$903,774 of income before contributions, and \$4,898,938 of capital contributions.
- At the end of the current fiscal year, unrestricted net position was 106% of cash operating expenses.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Port's basic financial statements. The Port's basic financial statements are comprised of two components: fund financial statements and notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Governmental accounting policy, practice and procedures fall under the auspices of the Government Accounting Standards Board ("GASB"). The Port's financial transactions and subsequent statements are prepared according to the GASB Statement 34 reporting model, as mandated by the GASB. The purpose of the GASB 34 reporting model is to consolidate two basic forms of governmental accounting, governmental (such as municipalities) and proprietary (those entities which generate their own revenues and therefore are similar to a private business such as the Port).

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Port has only one fund category: proprietary fund.

**Proprietary Funds.** The Port maintains only one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the basic financial statements. The Port is considered a proprietary form of government and its financial transactions are recorded in a single Enterprise Fund.

The basic financial statements report information about the Port using the full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Please refer to Note 1 in the accompanying financial statements for a summary of the Port's significant accounting policies.

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and notes to the financial statements. The basic financial statements include:

The ***Statement of Net Position*** which presents the financial position of the Port at the end of the fiscal year. The statement includes all assets and liabilities of the Port, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

The ***Statement of Revenues, Expenses and Changes in Net Position*** present information showing how the Port's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The ***Statement of Cash Flows*** presents changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of when earnings are recorded, when an obligation arises, noncash amortization expense or depreciation of capital assets.

The basic proprietary fund financial statements can be found on pages 18 – 22 of this report.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 23 – 50 of this report.

***Other Information.*** In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Port's progress in funding its obligation to provide OPEB benefits to its employees, *other supplementary information*, and *statistical data*. This information can be found on pages 52 – 73 of this report.

## **Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. Assets exceeded liabilities as of September 30, 2013 and 2012 by \$91,260,148 and \$85,457,436, respectively.

The following table reflects the condensed statement of net position:

**Port of Palm Beach District's Net Position**

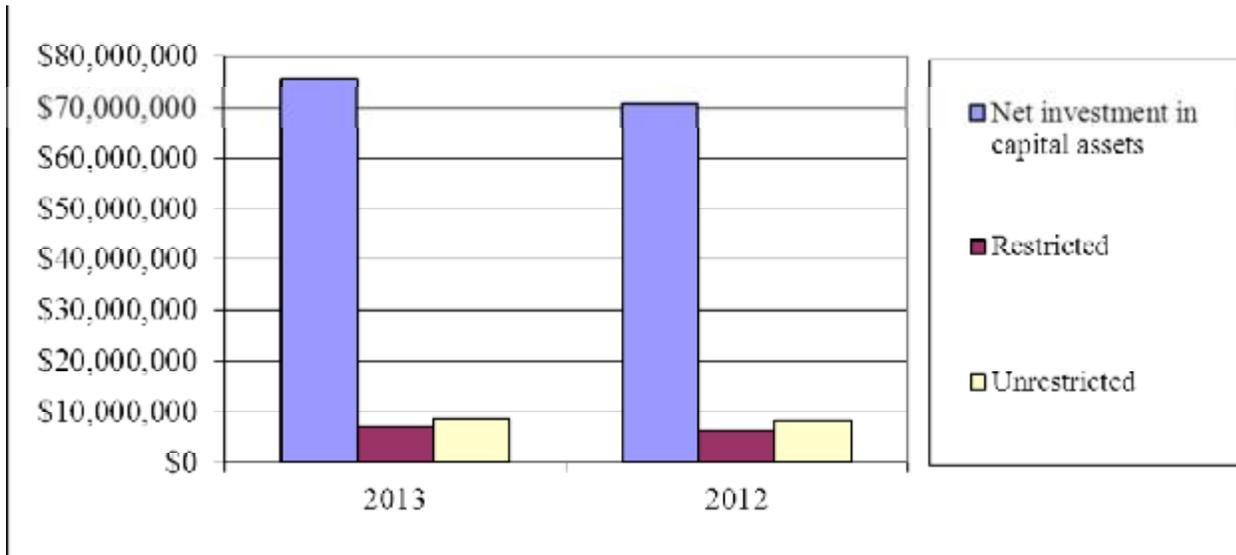
	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 25,306,684	\$ 23,308,831
Capital assets, net	110,196,858	107,890,613
Total assets	<u>135,503,542</u>	<u>131,199,444</u>
Current liabilities	8,238,464	7,234,446
Noncurrent liabilities	36,004,930	38,507,562
Total liabilities	<u>44,243,394</u>	<u>45,742,008</u>
Net investment in capital assets	75,618,050	70,964,253
Restricted	6,972,218	6,236,123
Unrestricted	8,669,880	8,257,060
Total net position	<u>\$ 91,260,148</u>	<u>\$ 85,457,436</u>

Current and other assets increased by approximately \$2.00 million as a result of a \$0.26 million decrease in cash and cash equivalents that was primarily due to the purchase of capital assets, revenue bonds debt, feasibility study, master plan, and grant subrecipient payments which exceeded the cash provided by the Port's operations and interest earnings. Receivables and prepaid items increased by approximately \$2.24 million that was due to outstanding reimbursement requests due from the Florida Department of Transportation Seaport grants and prepaid general commercial insurance premiums that offset a modest decrease in trade receivables. The remaining \$0.02 million increase was due to \$0.17 of additional deferred charges for the master plan update and \$0.15 amortization and write-off of bond issue costs that offset the additional issue costs of the series 2013 revenue refunding bonds.

The increase in Current Liabilities of approximately \$1.00 million is primarily the result of deferred grant revenue increasing by \$1.49 million as a result of a \$3.00 million advance from the Florida Department of Transportation to pay for sheet piling needed for the Slip #3 redevelopment grant project. This advance is being repaid as reductions from reimbursement requests as the sheet piling is purchased and paid for and then recognized as capital contributions - grants. This off set a decrease in deferred revenue of \$0.73 million, as a result of the Port recognizing \$0.5 million from a new metal exporter tenant for first year's total annual financial guarantee received in advance under the terms of the lease and operating agreement in FY 2012, the other \$0.23 million is the remaining balance of prepayments and revenue recognized from various tenants. There was an additional \$0.14 million decrease in payables, accrued expenses and customer deposits. Also, the accrued interest decreased by \$0.08 million and the current portion of long-term debt increased by \$0.46 million primarily as a result of a larger portion of next year's revenue bond debt payments being principal.

The decrease in Noncurrent Liabilities of approximately \$2.50 million is primarily the result of a decrease in the long-term debt of \$2.70 million from principal revenue bond payments that offset a slight increase of additional debt from the issuance of the series 2013 revenue refunding bonds. Bond issue discounts and deferred loss on refunding had a net decrease of \$0.11 from amortization and the write-off of bond discount and loss on refunding that offset the additional deferred loss on refunding the series 1999A revenue bonds with the issuance of the series 2013 revenue bonds. Accreted interest payable increased by \$0.28 million from additional capital appreciation interest on the series 2002 revenue bonds that offset the payoff of the accreted interest on the series 2005 revenue bonds. The remaining \$0.03 million increase was in compensated absences, and other postemployment benefits.

### Net Position



By far the largest portion of the Port's net position as of September 30, 2013 and 2012 (83%) reflects its net investment in capital assets (e.g., land, buildings, slips, wharfs, improvements, equipment, vehicles, furniture and fixtures and construction in progress, net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the Port's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the Port's net position as of September 30, 2013 and 2012 (8% & 7%) represents the reserve for maximum debt service, sinking, renewal and replacement, and business development funds restricted in accordance with existing bond covenants and also, capital improvements and compensating balances required by our bank. The remaining balance of unrestricted net position may be used to meet the Port's ongoing obligations to creditors. At the end of FY 2013, the Port's unrestricted net position was \$8,669,880 (10% of net position), an increase of \$412,820 or 5% from FY 2012.

The Port's total net position increased by \$5,802,712 or 7% in FY 2013. Of this amount, \$903,774 represents net income before capital contributions. The remaining \$4,898,938 represents capital contributions from federal and state sources. There is no assurance that these capital contributions from other sources will continue in the future.

The following table reflects the condensed revenue and expense data:

**Port of Palm Beach District's Changes in Net Position**

	<u>2013</u>	<u>2012</u>
Operating revenues:		
Fees and charges for services	\$ 15,430,217	\$ 14,339,067
Non-operating revenues:		
Investment earnings	13,199	12,751
Other	4,679	
Grant revenue	182,428	1,029,354
Total non-operating revenues	<u>200,306</u>	<u>1,042,105</u>
Total revenues	<u>15,630,523</u>	<u>15,381,172</u>
Operating expenses:		
General expenses	1,632,400	1,479,517
Engineering and maintenance	2,401,307	1,763,168
Security	1,853,418	1,657,090
Administration	1,539,171	1,492,557
Business development	501,629	380,648
Operations	222,348	365,400
Depreciation and amortization	4,266,958	4,252,446
Total operating expenses	<u>12,417,231</u>	<u>11,390,826</u>
Non-operating expenses:		
Grant and feasibility	156,873	927,206
Other		7,093
Interest	2,152,645	2,286,276
Total non-operating expenses	<u>2,309,518</u>	<u>3,220,575</u>
Total expenses	<u>14,726,749</u>	<u>14,611,401</u>
Income before contributions	903,774	769,771
Capital contributions	<u>4,898,938</u>	<u>3,817,316</u>
Change in net position	5,802,712	4,587,087
Net position - beginning	<u>85,457,436</u>	<u>80,870,379</u>
Net position - ending	<u>\$ 91,260,148</u>	<u>\$ 85,457,436</u>

Key elements of the increase in net position for the fiscal year ended September 30, 2013 are as follows.

- Operating Revenues increased by approximately \$1.10 million or approximately 8%. This was primarily due to increases in rents and wharfage. The most significant increases were container tonnage, the effect of minimum annual guarantees, TEU's, and new tenants. Wharfage, dockage and related revenues, passenger and parking charges, and rent and related storage are the largest portion of the Port's operating revenues, accounting for over 93%.

The Port's operating revenues have achieved an annual growth rate of approximately 7% between FY 2008 (the start of the Great Recession) and FY 2013. This is a result of Port management's aggressive marketing campaign that has resulted in attracting new business and growing current business.

Celebration Cruise Operator, Inc., (dba Bahamas Celebration) began their fourth year of operations (third full fiscal year) as a multi-day cruise line to the Bahamas under a five year agreement. Under the terms of the agreement the Port receives a Passenger Charge for each departing and arriving passenger, the net proceeds from all parking revenue generated from cruising passengers and has agreed to participate in the cost of the sales and marketing efforts of the Bahamas Celebration based upon their passenger count. Passenger charges were approximately \$4.88 million from 338 thousand passengers and the Ports contribution to the Bahamas Celebration's sales and marketing effort was approximately \$3.04 million, which resulted in net passenger charges of \$1.84 million for FY 2013.

The Port's total passenger revenue increased by approximately \$0.05 million or 3%, this includes the multi-day cruise line (Bahamas Celebration) and the day cruise gaming vessel (Black Diamond) that operating for three (3) months before going out of business.

Wharfage and cargo related revenue increased by approximately \$0.57 million or 14%, primarily as a result of increases in total cargo tonnage (primarily container and molasses), TEU volumes, which offset decreases in asphalt, diesel, and fuel oil shipments. The decreases in shipments of asphalt, diesel and fuel oil were lessened by contractual minimum annual guarantee payments from both existing and new customers. In addition, break-bulk declined approximately 13% and rail cars remained relatively flat during FY 2013.

Dockage and related revenue increased by approximately \$0.07 million or 3%. This was due an approximately 3% increase in total vessel traffic primarily container, molasses and non-working vessels that offset declines in asphalt, diesel, fuel oil and other miscellaneous vessels. The decreases in fuel oil vessels were lessened by contractual minimum annual guarantee payments.

The significant declines in the volume of fuel oil cargo, as noted in the Schedule of Operating Statistics on page 62 of this report, is due to the shutdown of the FP&L Riviera Beach generation plant which used fuel oil. The plant was demolished in June 2011 and a natural gas plant was constructed and began operations in March 2014. FP&L will continue to import fuel oil through the Port for the Martin County plant (also natural gas

operated) and the new Riviera Beach plant for reserve (back-up) purposes. This will result in low fuel oil volumes for the foreseeable future.

Rent and related storage increased by approximately \$0.44 million or 10% primarily due to the addition of several new tenants and COLA increases built into most of the lease agreements.

Parking fees had a nominal increase of approximately \$0.02 million or 2%, primarily as a result of the new Black Diamond day cruise gaming vessel, which operated for only three (3) months, as noted above. The Port's day and multiday cruises accounted for approximately 48,991 vehicles being parked through valet and self-parking, an increase of 6% over FY 2012.

Miscellaneous income decreased by approximately \$0.09 million or 16% primarily due to the addition of a new tenant whose agreement contained fees for the Port to accelerate its construction program in FY 2012. These fees ended as the new tenant began operations in FY 13.

The remaining operating revenues which consist of switching, licenses, permits, and identification badging increased by approximately \$0.04 million or 7%, primarily due to an increase in rail car volume.

The Schedule of Port Facilities Revenues can be found on page 57 of this report.

- Investment Earnings have remained relatively flat over the last few years as overall U.S. interest rates remain at historically low levels. The target range for the federal funds rate of 0 to ¼ percent has been in effect for the last four fiscal years and are expected to remain at these levels through FY 2015.
- Operating Grant revenue decreased by approximately \$0.85 million or 82%, due primarily to the Port receiving \$0.92 million from the U.S. Homeland Port Security Grant Programs for maritime transportation security equipment that was transferred to the Palm Beach County Sheriff's Department as a subrecipient under Grant Expense in FY 2012. The Port had several U.S. Homeland Port Security Grant Programs that were completed and closed out in FY 2012. In FY 2013, the Port earned \$182 thousand in operating grant revenue from one U.S. Homeland Port Security Grant Program, non-matching, of which \$141 thousand was for small security equipment, training and administrative expenses and the remaining \$41 thousand was from the Florida Department of Transportation for the master plan update and the intermodal cargo transfer and passenger service facility study under the Seaport 50/50 matching grant programs.
- Operating Expenses increased approximately \$1.03 million or 9%, and operating expenses before depreciation and amortization increased approximately \$1.01 million or 14%. The most significant increases were repair and maintenance expenses, contracted security costs, salary and related benefits.

The Port's operating expenses before depreciation and amortization had an annual reduction rate of approximately 2% between FY 2008 (the start of the Great Recession) and FY 2013. This is a result of Port Management undertaking a significant effort to

reduce expenditures primarily through staff reductions, conservation efforts, and the use of contract services personnel for security, eliminating the railroad and janitorial contracts and bringing the operation of the railroad and janitorial services in-house with existing staff in FY 2009. These changes continue to have a positive effect in reducing or containing expenses. Operating Expense containment continues to be a priority for Port Management.

Salaries, payroll taxes and benefits (employee costs) represent the largest portion of the Port's operating expenses before depreciation and amortization at approximately 47%. Salaries and benefits had an increase of approximately \$0.16 million or 4%, due primarily to \$0.11 million in approved salary increases and escalating health insurance premiums, and the remaining \$0.06 million was due to FRS contribution increases mandated by the Florida legislature.

General expense (excluding employee benefits) increased by approximately \$0.06 million or 10%, due primarily to increases in commercial property and liability insurance premiums.

Engineering and maintenance expense (excluding employee costs) had a significant increase of approximately \$0.49 million or 36% primarily as a result of extensive roof repairs and engineering fees on the Maritime Office Complex and Cruise Terminal, (MOC) of approximately \$0.37 million. The remaining \$0.12 million were primarily due to additional maintenance and repairs in the MOC for generators, elevators/escalators, HVAC systems, painting and floor waxing, and replenishing the fire suppression system in the computer room caused by rain damage.

Security expense (excluding employee costs) increased by approximately \$0.23 million or 28%. This was due primarily to increases in contracted security service rates and additional hours required for the day gaming cruise operation which accounted for \$0.16 million of the increase. The remaining \$0.07 million increase was primarily due to repairs and maintenance and non-capital purchases of security equipment.

Administration expense (excluding employee costs) increased by approximately \$0.02 million or 7%, primarily due to increased legal fees as a result of new contracts, tariff revisions, contractual and litigation matters.

Business development expenses (excluding employee costs) increased by approximately \$0.08 million or 45% primarily as a result of the continued efforts to develop new business by promoting trade and commerce at the Port.

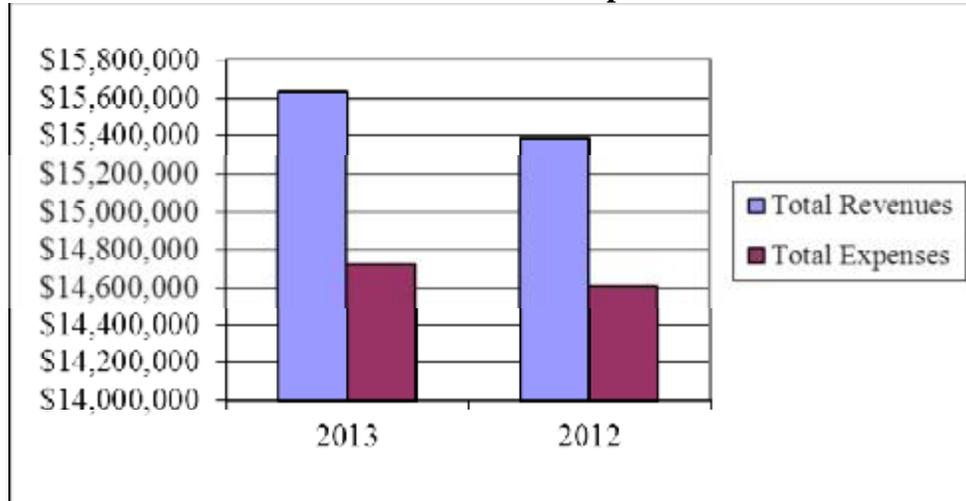
Operations expense (excluding employee costs) decreased by approximately \$0.03 million or 23%, primarily due to the new locomotive that was purchased mid FY 2012 and thus fully operational for the entire FY 2013. The Port did not incur the locomotive rental and repair costs as it did in FY 2012.

Depreciation and amortization expense had a modest increase of approximately \$0.02 million. The majority of capital additions in FY 2013 were in construction in progress that was primarily the ongoing construction of Slip # 3.

The Schedule of Operating Expenses can be found on pages 58 and 59 of this report.

- Grant and feasibility expenses decreased by approximately \$0.77 million or 83%, due primarily to the Port transferring \$0.92 million to the Palm Beach County Sheriff’s Department as a subrecipient under the U.S. Homeland Port Security Grant Programs for maritime transportation security equipment in FY 12. In FY 13, Port transferred \$61 thousand to the Palm Beach County Sheriff’s Department as a subrecipient under the U.S. Homeland Port Security Grant Programs for training costs. The Port also incurred \$30 thousand in fees for administration services under the Florida Seaport Transportation and Economic Development Council Chapter 311 funding of the Slip # 3 redevelopment grant project. Also, the Port had \$66 thousand in matching costs for the intermodal cargo transfer and passenger service facility feasibility study under the Florida Department of Transportation Seaport 50/50 matching grant program.
- Interest expense decreased by approximately \$0.13 million or 6%, as a result of principal reduction payments per the debt service requirements.
- Capital contributions increased by approximately \$1.08 million for a total of \$4.90 million which consisted of \$4.31 million for Slip # 3 redevelopment, \$0.12 million for Southgate warehouse improvement project, both from the Florida Department of Transportation Seaport 75/25 matching grant programs and the remaining \$0.47 million was from the U.S. Homeland Port Security grant program for various security equipment and infrastructure improvements.

**Total Revenues and Expenses**



## CAPITAL ASSETS

**Capital assets:** The Port’s capital assets as of September 30, 2013 amounted to approximately \$110.2 million, (net of accumulated depreciation). This investment in capital assets includes land, buildings, facility and infrastructure improvements and equipment, furniture and fixtures, and construction work in progress. Capital asset acquisitions are capitalized at cost and depreciated over estimated useful lives using the straight-line method.

The total increase in the Port's investment in capital assets after accumulated depreciation for FY 2013 was \$2.3 million. This was attributable to \$6.2 million for the acquisition and construction of Capital Assets, of which the majority were additions in infrastructure, machinery and equipment and construction of Slip # 3 Redevelopment, which was offset by an increase in Accumulated Depreciation of \$3.9 million.

The Port's major capital projects for the next few years will be Slip # 3 Redevelopment and Berth 17 Expansion. The Port's Capital Program restarted in FY 2011 with a major commitment to its oldest slip. The refurbishment for Slip #3, constructed in the mid-1950's, are scheduled to be completed by FY 2015 and will also provide the Port with additional "roll on / roll off" capability. The total project cost is estimated to be approximately \$27.3 million.

The Port's next major capital project is the Berth 17 Expansion, which is scheduled to begin in FY 2015 and be completed in FY 2017. The project is a refurbishment and capacity expansion and includes improvements to the adjacent upland drainage system, utilities, and additional "roll on / roll off" capability. The total project cost is estimated to be approximately \$ 9.2 million.

Construction-in-progress projects total approximately \$10.7 million as of September 30, 2013 and include the following projects:

- Slip # 3 Redevelopment
- Other small projects

The Port's capital program is funded through a combination of the Federal Department of Homeland Security and the Florida Department of Transportation Seaport grants programs, port facility fees and charges for services, public and private contributions, non-operating revenues, and revenue bond issues. Additional information on the Port's capital assets can be found in Note 3, in the accompanying notes to the financial statements.

**Port of Palm Beach District's Capital Assets**  
(net of accumulated depreciation)

	<u>2013</u>	<u>2012</u>
Land	\$ 28,123,200	\$ 28,123,200
Buildings and improvements	38,176,788	39,551,940
Slips and improvements	12,862,534	13,344,844
Other improvements	14,566,880	16,120,096
Wharf and loading ramps	4,442,881	4,610,216
Machinery and equipment	971,621	1,012,078
Computer equipment	99,450	104,766
Autos and trucks	162,389	34,443
Furniture and fixtures	109,501	109,945
Construction in progress	10,681,614	4,879,085
Total capital assets, net	\$ 110,196,858	\$ 107,890,613

## DEBT ADMINISTRATION

**Long-term debt:** The Port had outstanding revenue bonds of approximately \$35.9 million as of September 30, 2013. Of this amount approximately \$2.9 million is current and will mature by September 1, 2014. The Port defeased and refunded all of its outstanding revenue improvement bonds, series 1999A by issuing revenue refunding bonds, series 2013, through a private placement bank. The series 1999A had interest rates of 5.3% - 5.5% over the remaining term ending September 1, 2024. The series 2013 has a fixed interest rate of 3.3% and will provide a net present value benefit of \$1,588,172 over the same remaining term as the series 1999A. The Port's outstanding revenue bonds are secured by a first lien upon and a pledge of the operating revenues. Additional information on the Port's long-term debt can be found in Note 4, in the accompanying notes to the financial statements.

The Port of Palm Beach District is required by the terms of the Series 2002, 2005, 2007 and 2013 Revenue Refunding Bonds to generate sufficient Net Revenues so as to maintain a minimum ratio of 110% to the debt service requirement for that year. In FY 2013 and 2012, the Port met this requirement.

The Port's outstanding revenue bonds maintain a "BBB-" rating from Fitch Ratings and a "Ba1" rating from Moody's Investors Service, with a stable outlook from both of the rating agencies.

### Port of Palm Beach District's Outstanding Debt Revenue Bonds

	<u>2013</u>	<u>2012</u>
Revenue bonds payable	\$ 35,926,794	\$ 38,167,514
Less deferred amounts:		
For issuance discounts	(206,437)	(509,957)
Loss on refundings	(1,141,549)	(731,197)
Total revenue bonds payable	<u>\$ 34,578,808</u>	<u>\$ 36,926,360</u>

## ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Port of Palm Beach is currently in process of a major refurbishing of one of the Ports three operating slips. Even with the operational challenges this brings almost on a daily basis, cargo volumes through the Port for six months ending March 31, 2014 has remained relatively flat over the same period as last fiscal year and are budgeted to increase by approximately 13% for FY 2014.

Much of that increase is the result of increased tonnage from the shipment of containers as the Port's largest tenant continues to see growth in its Caribbean business. In FY 2014, the Port successfully negotiated a five year renewal to Tropical Shipping's lease and operating agreement.

On April 7, 2014, it was announced that AGL Resources, Inc., has signed a definitive agreement to sell its Tropical Shipping business to a subsidiary of Saltchuk Resources, Inc., one of the nation's leading freight transportation and distribution companies. The transaction is expected to close within 90 days, subject to regulatory approvals.

March of 2014 saw the inaugural sailing of the Island Breeze Casino day cruise operator at the Port. Although the operation started business later than initially planned, their minimum guarantees are still in effect through the company's first contract year.

The Port has also begun positive negotiations with its multi-day cruise operator, Celebration Cruise Line, and it is working to secure a new long-term agreement to keep their business at the Port.

The Port is also very near to entering in to a long-term agreement with a major utility company to export an energy product to the Caribbean. Once in operation, the business will provide a stable, inflation adjusted revenue stream to the Port over the next twenty (20) years.

In addition, the Port has also identified several new business opportunities in both traditional and non-traditional products that will further diversify its revenue, and it will continue to aggressively market to new business.

The Port also continues to work with its current tenants to sustain and grow their businesses. With that only minor increases in rates were made to the Port's Tariff in 2014.

- Net operating revenues are budgeted to increase 11.3 percent for FY 2014 due to anticipated increases in cargo and cruise business. Operating expenses are budgeted to increase only 6.6 percent primarily due to escalating health insurance costs and additional contracted security services to support the Island Breeze Casino day cruise operation along with the normal inflationary increases.
- Income before capital contributions is budgeted at approximately \$1.9 million. This represents a 113 percent increase over actual FY 2013.

**PORT OF PALM BEACH DISTRICT**  
**Statement of Net Position**  
**September 30, 2013**

**ASSETS**

	<b>2013</b>
<b>Current assets:</b>	
Cash and cash equivalents	\$ 8,557,312
Accounts receivable (net of allowance for uncollectables of \$136,000)	634,353
Prepaid items	682,828
Restricted assets:	
Cash and cash equivalents	11,767,596
Grants receivable	2,812,865
Accounts receivable	4,186
Prepaid items	126,988
<b>Total current assets</b>	<b>24,586,128</b>
 <b>Noncurrent assets:</b>	
Unamortized bond issue costs	446,799
Restricted assets:	
Deferred charges	273,757
Total other noncurrent assets	720,556
Capital assets:	
Land and land rights	28,123,200
Buildings and improvements	60,848,947
Slips and improvements	22,426,278
Other improvements	34,426,276
Wharf and loading ramps	7,798,154
Machinery and equipment	2,873,074
Computer equipment	815,450
Autos and trucks	399,313
Furniture and fixtures	243,230
Construction in progress	10,681,614
Less accumulated depreciation	(58,438,678)
Total capital assets (net of accumulated depreciation)	110,196,858
<b>Total noncurrent assets</b>	<b>110,917,414</b>
<b>Total assets</b>	<b>135,503,542</b>

## LIABILITIES

	<u>2013</u>
<b>Current liabilities</b>	
Accounts payable and accrued expenses	\$ 738,096
Deferred revenue	1,003,192
Compensated absences payable	256,055
Payable from restricted assets:	
Customer deposits	200,000
Accounts payable	180,936
Contracts payable	1,408,409
Deferred grant revenue	1,492,366
Accrued interest payable	71,638
Current portion of long-term debt	2,887,772
<b>Total current liabilities</b>	<u><b>8,238,464</b></u>
<b>Noncurrent liabilities</b>	
Compensated absences payable	256,056
Other postemployment benefits	72,404
Restricted capital appreciation interest payable	3,985,434
Revenue bonds payable (less unamortized bond discount and deferred loss on refunding)	34,578,808
Less: current portion	(2,887,772)
<b>Total noncurrent liabilities</b>	<u><b>36,004,930</b></u>
<b>Total liabilities</b>	<u><b>44,243,394</b></u>

## NET POSITION

Net investment in capital assets	75,618,050
Restricted for debt service	612,263
Restricted for renewal and replacement	813,211
Restricted for business development	652,282
Restricted for capital improvements	4,894,462
Unrestricted	8,669,880
<b>Total net position</b>	<u><b>\$ 91,260,148</b></u>

See notes to the financial statements

**PORT OF PALM BEACH DISTRICT**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**For the Fiscal Year Ended September 30, 2013**

	<u>2013</u>
<b>Operating revenue</b>	
Port facilities	\$ 18,475,569
Less: Direct marketing support	(3,045,352)
<b>Net operating revenue</b>	<u>15,430,217</u>
<b>Operating expenses</b>	
General expenses	1,632,400
Engineering and maintenance	2,401,307
Security	1,853,418
Administration	1,539,171
Business development	501,629
Operations	222,348
<b>Operating expenses before depreciation and amortization</b>	<u>8,150,273</u>
<b>Operating income before depreciation and amortization</b>	<b>7,279,944</b>
<b>Depreciation and amortization expense</b>	<u>4,266,958</u>
<b>Operating income</b>	<b>3,012,986</b>
<b>Non-operating revenues (expenses)</b>	
Investment earnings	13,199
Grant revenue	182,428
Grant expense	(90,982)
Gain on disposition of assets	4,679
Feasibility study	(65,891)
Interest expense	(2,152,645)
<b>Total nonoperating revenue (expenses)</b>	<u>(2,109,212)</u>
<b>Income before contributions</b>	<u>903,774</u>
<b>Capital contributions</b>	<b>4,898,938</b>
<b>Change in net position</b>	<b>5,802,712</b>
<b>Total net position - beginning</b>	<u>85,457,436</u>
<b>Total net position - ending</b>	<u><u>\$ 91,260,148</u></u>

See notes to the financial statements

**PORT OF PALM BEACH DISTRICT**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended September 30, 2013**

	<b>2013</b>
<b>Cash flows from operating activities:</b>	
Receipts from customers and users	\$ 16,510,906
Payments to suppliers for goods and services	(4,519,339)
Payments to or on behalf of employees	(3,807,372)
<b>Net cash provided by operating activities</b>	<b>8,184,195</b>
<b>Cash flows from non-capital financing activities</b>	
Payments for feasibility study	(65,891)
Payment for master plan update	(203,396)
Grant revenues received	53,157
Payments to grant subrecipient	(490,557)
<b>Net cash used by non-capital financing activities</b>	<b>(706,687)</b>
<b>Cash flows from capital and related financing activities</b>	
Acquisition and construction of capital assets	(6,325,899)
Sale of capital assets	3,349
Principal paid on debt	(2,427,711)
Interest paid on debt	(1,769,653)
Proceeds from revenue bond issue	14,301,991
Payments to debt refunding escrow	(14,221,991)
Issuance costs paid on capital debt	(80,000)
Capital grants received	2,771,878
<b>Net cash used for capital and related financing activities</b>	<b>(7,748,036)</b>
<b>Cash flows from investing activities</b>	
Interest received on investments	13,871
<b>Net cash provided by investing activities</b>	<b>13,871</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(256,657)</b>
<b>Cash and cash equivalents - beginning</b>	<b>20,581,565</b>
<b>Cash and cash equivalents - ending</b>	<b>\$ 20,324,908</b>

(Continued)

See notes to the financial statements

**PORT OF PALM BEACH DISTRICT**  
**Statement of Cash Flows**  
**For the Fiscal Year Ended September 30, 2013**  
**(Continued)**

	<b>2013</b>
<b>Cash and cash equivalents classified as:</b>	
Unrestricted assets	\$ 8,557,312
Restricted assets	11,767,596
<b>Total cash and cash equivalents</b>	<b>\$ 20,324,908</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>	
Operating income	\$ 3,012,986
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,178,485
Amortization expense	88,473
(Increase) decrease in assets	
Accounts receivable	214,517
Prepaid expenses	(196,976)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(9,790)
Customer deposits	105,000
Deferred income	761,172
Other postemployment benefits	21,800
Compensated absences	8,528
Total adjustments	5,171,209
<b>Net cash provided by operating activities</b>	<b>\$ 8,184,195</b>
<b>Noncash cash capital and related financing activities</b>	
Deferred loss on refunding	<b>\$ 510,328</b>

See notes to the financial statements

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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, as amended; and, as such, is a political sub-division of the State of Florida. The Port's district 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 derives the major portion of its operating revenues from wharfage, dockage, passenger charges, and rental income; it is a major modal point for the shipment of bulk sugar, molasses, containerized cargo, and break-bulk items.

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, these financial statements include the Port (the primary government) and its component units. Component units are legally separate entities for which the Port is financially accountable. The Port is financially accountable if:

- it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Port or
- the organization is fiscally dependent on the Port and (1) there is a potential for the organization to provide specific financial benefits to the Port or (2) impose specific financial burdens on the Port.

Based upon application of the above criteria, the Port of Palm Beach District has determined that there are no legally separate entities to consider as potential component units.

**Basis of Presentation**

**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.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Basis of Presentation** (Continued)

**Proprietary Fund Type** (Continued)

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 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 and are recognized when earned. Grant receivable is recorded when the Port has a right to reimbursement under the related grant. 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.

**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 in accordance with Generally Accepted Accounting Principles. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Non-capital grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**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. Any realized gains and losses in fair value are reported in the operations of the current period.

**Restricted Assets**

In accordance with the 2002, 2005, 2007, and 2013 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 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 position 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 position 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 position 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 position 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.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Accounts Receivable**

The Port records accounts receivable at estimated net realizable value. Accordingly, accounts receivable at September 30, 2013 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.

**Prepaid Items**

Payments made to vendors for services that will benefit future periods are reported as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting an expense in the year in which the services are consumed.

**Property and Equipment**

Property and equipment are carried at cost, if purchased and at estimated fair value for assets contributed, less accumulated depreciation. The Port defines capital assets as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years.

Costs for maintenance, repairs, 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 Net Position. 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.

**Deferred Outflow/Inflows of Resources**

The Statement of Net Position includes a separate section for Deferred Outflows of Resources. This represents the usage of net position applicable to future periods and will not be recognized as expenses until the future period to which it applies. Currently, the Port does not report any Deferred Outflows of Resources.

The Statement of Net Position also includes a separate section for Deferred Inflows of Resources. This represents the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. Currently, the Port does not report any Deferred Inflows of Resources.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Deferred Revenue**

Resources that do not meet revenue recognition requirements (not earned) are recorded as deferred revenue. Deferred revenue consists primarily of unearned lease revenue.

**Compensated Absences**

The Port accrues a liability for compensated absences, as well as certain other salary costs associated with the payment of compensated absences. Paid Time Off (PTO) leave is an inclusive time off program for regular, full time employees intended for use in connection with holidays, vacations, sickness, personal business, family care, bereavement and other needs that may require time off from work. PTO is accrued as a liability as the benefits are earned by the employees.

**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 position as deferred charges and amortized through operations.

**Net Position**

Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is reported in the following three components:

*Net investment in capital assets* - This component of net position 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 position* - Net position are reported as restricted when constraints placed on net position 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 net position* – This component of net position consist of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Revenues**

Wharfage, rentals, dockage, parking, switching, passenger charges, and other revenues for the use of, and privileges at the Port's facilities are reported as operating revenues. Receipts 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 revenues.

**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 collectability 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 Port's enabling legislation requires adoption of an annual operating budget. The Port adopts an annual operating, capital improvement and renewal and replacement budget resolution prior to September 30, for the next ensuing fiscal year. The Port's budgets are prepared on the accrual basis of accounting which is consistent with generally accepted accounting principles. Operating budgets for the enterprise fund are based on level of service expectations. Capital improvement and renewal and replacement projects are budgeted to provide control over authorized project expenses and ensure legal compliance.

**Budgetary Information**

The budget is prepared and controlled at the departmental level. The budget and any amendments which require a change in total appropriations of any department are approved by the Port's Board. The Executive Director is authorized to transfer budgeted amounts within the departments. Budget amounts have been adjusted for legally authorized revisions of the annual budgets approved during the year. The Port's schedule of revenues, expenses and income before capital contributions compared with the legally adopted budget is presented as supplementary information on page 61.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Budgetary Information** (Continued)

The Port shall have the power, and is authorized to issue general obligation bonds to finance the cost or part of the cost of the construction, acquisition, reconstruction, extension, repair or improvement of any works, projects, properties, improvements, or other purposes, except for the payment of current expenses, which the Port has statutory authority to construct, acquire or undertake. The Port is also authorized and empowered to levy upon all the real and personal taxable property of said Port's district a special tax sufficient in amount to pay the interest becoming due and payable annually upon any bonds issued, or money borrowed or to be borrowed by the said Port, for which the full faith and credit of the Port is pledged (general obligation bonds), and in addition, a special tax not exceeding two (2) mills on the dollar of the assessed valuation of taxable property in the Port's district or two hundred thousand (\$200,000.00) dollars, whichever is smaller, in each year to pay the costs of operation, maintenance and other purposes of the Port under statutory authority. The Port does not have any general obligation bonds outstanding and has not levied property taxes since the fiscal year ended 1975 and does not expect to do so in the foreseeable future.

**Determination of Operating versus 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.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Implementation of Governmental Accounting Standards Board Statements**

The Port implemented the following GASB Statements during the fiscal year ended September 30, 2013:

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*. GASB 61 provides additional criteria for classifying entities as component units to better assess the accountability of elected officials by ensuring that the financial reporting entity includes organizations for which the elected officials are financially accountable or that are determined by the government to be misleading to exclude.

GASB Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, classifies all sources of generally accepted accounting principles for state and local governments so that the authoritative accounting and financial reporting literature will be together in a single source, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statements users.

GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for deferred outflows of resources and deferred inflows of resources. It further identifies net position as the residual of all other elements presented in a statement of financial position. This statement redefines certain assets and liabilities as “deferred outflows of resources” or “deferred inflows of resources.” It further requires the “Capital asset, net of debt” now be titled “Net investment in capital assets” and that the last line of the statements, previously called “Net assets” now be titled “Net position.”

**Recent Accounting Pronouncements**

A brief description of new accounting pronouncements that might have a significant impact on the Port’s financial statements is presented below. Management is currently evaluating the impact of the adoption of these statements on the Port’s financial statements.

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. This statement is effective for the fiscal year ending September 30, 2014.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

**Recent Accounting Pronouncements** (Continued)

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*. GASB 66 improves accounting and financial reporting for a governmental reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement is effective for the fiscal year ending September 30, 2014.

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement 25*. GASB 67 improves financial reporting by state and local governmental pension plans primarily through enhanced note disclosures and schedules of required supplementary information. This Statement is effective for the fiscal year ending September 30, 2014.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27*. GASB 68 improves financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. This Statement is effective for the fiscal year ending September 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This Statement amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this Statement are required to be applied simultaneously with the provisions of GASB 68.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

**Deposits**

As of September 30, 2013, the Port's book balance for deposits in "Qualified Public Depositories" was \$15,623,233 and the related bank balance totaled \$17,988,373. The Port also had \$1,550 in petty cash for a total carrying amount of \$15,624,783.

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.

*Custodial credit risk* – For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Port will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Port requires all deposits to be in Qualified Public Depositories to control custodial credit risk. As of September 30, 2013, the Port's deposits are considered insured for custodial credit risk purposes.

**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

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 – DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

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.

As of September 30, 2013, the Port held the following investments, which are reported as cash and cash equivalents in the statement of net position:

	<u>Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Wells Fargo Advantage Institutional US Government Money Market Fund (1)	Aaa-mf & AAAM	\$4,350,464	48 days
Milestone Treasury Obligations Portfolio Money Market Fund (2)	AAAM & AAAMmf	<u>349,661</u>	Maximum 60 days
		<u>\$4,700,125</u>	

(1) Moody's and Standard & Poor's (2) Fitch and Standard & Poor's

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 2 – DEPOSITS AND INVESTMENTS** (Continued)

**Investments** (Continued)

*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.

*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 investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At September 30, 2013, the Port’s investments consisted of open-end money market mutual funds which are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

A reconciliation of deposits and investments at September 30, 2013, is as follows:

By Category:	
Deposits	\$ 15,623,233
Petty cash	1,550
Investments	4,700,125
Total deposits and investments	<u>\$ 20,324,908</u>
Presented in the statement of net position	
Cash and cash equivalents	\$ 8,557,312
Restricted cash and cash equivalents	11,767,596
Total statements of net position	<u>\$20,324,908</u>

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 3 – PROPERTY AND EQUIPMENT**

A summary of changes in capital assets for the year ended September 30, 2013, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 28,123,200	\$	\$	\$ 28,123,200
Construction	4,879,085	6,841,446	(1,038,917)	10,681,614
Total capital assets, not being depreciated	33,002,285	6,841,446	(1,038,917)	38,804,814
Capital assets, being depreciated:				
Building and improvements	60,688,354	160,593		60,848,947
Slips and improvements	22,405,782	20,496		22,426,278
Other improvements	34,326,366	99,910		34,426,276
Wharf and loading ramps	7,798,154			7,798,154
Machinery and equipment	2,719,264	167,062	(13,252)	2,873,074
Computer equipment	751,815	63,635		815,450
Autos and trucks	466,411	155,734	(222,832)	399,313
Furniture and fixtures	228,782	14,771	(323)	243,230
Total capital assets, being depreciated	129,384,928	682,201	(236,407)	129,830,722
Less: accumulated depreciation	(54,496,600)	(4,178,485)	236,407	(58,438,678)
Total capital assets, being depreciated, net	74,888,328	(3,496,284)		71,392,044
Total capital assets, net	\$107,890,613	\$3,345,162	\$(1,038,917)	\$110,196,858

**NOTE 4 – LONG-TERM LIABILITIES**

**Changes in Long-Term Liabilities**

Long-term liability activity for the year ended September 30, 2013, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Revenue bonds payable	\$38,167,514	\$14,301,991	\$(16,542,711)	\$35,926,794	\$2,887,772
Less deferred amounts:					
Issuance discounts	(509,957)		303,520	(206,437)	
Loss on refunding	(731,197)	(501,327)	90,975	(1,141,549)	
Total bonds payable	36,926,360	13,800,664	(16,148,216)	34,578,808	2,887,772
Compensated absences	503,583	368,148	(359,620)	512,111	256,055
Other postemployment benefits	50,604	30,831	(9,031)	72,404	
Capital appreciation interest payable	3,706,518	503,872	(224,956)	3,985,434	
Total long-term liabilities	\$41,187,065	\$14,703,515	\$(16,741,823)	\$39,148,757	\$3,143,827

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 – LONG-TERM LIABILITIES** (Continued)

**Interest Expense**

The total interest costs paid and incurred by the Port for the fiscal year ended September 30, 2013, were \$1,813,545 and \$2,152,645, respectively. No interest was capitalized during the year.

**Revenue Bonds**

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. At September 30, 2013, the following Revenue Bonds were outstanding:

- \$ 9,576,835 Revenue Refunding Bonds, Series 2002
- \$13,090,044 Revenue Refunding Bonds, Series 2005
- \$10,139,551 Revenue Refunding Bonds, Series 2007
- \$14,301,991 Revenue Refunding Bonds, Series 2013

These bonds are payable from and secured by a first lien upon and a pledge of the gross revenues derived from the operation of the Port facilities on parity with the parity bonds and any pari passu additional bonds hereafter issued. Principal and interest paid for the year ended September 30, 2013 totaled \$18,356,256 and pledged gross revenues were \$15,430,217. At September 30, 2013, principal and interest to maturity in September 2026 to be paid from pledged future revenues totaled \$53,584,676.

The pledge of the gross 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 require 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 requirements for all the Port's Revenue Bonds. Notwithstanding the foregoing, Net Revenues,

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 – LONG-TERM LIABILITIES** (Continued)

**Revenue Bonds** (Continued)

less all Supplemental Revenues, shall always be adequate to pay, in each year, at least 110% of the maximum annual debt service requirements for all the Port's Revenue Bonds. The Port's bond counsel is of the opinion that the 125% test would not apply if the Port had no Supplemental Revenues. Net revenues are gross revenues, after deduction only of operating expenses plus supplemental revenues. Supplemental Revenues are all revenues received by the Port pursuant to Section 320.20(3) Florida Statutes, as amended and supplemented and any other moneys received or accrued to the Port including but not limited to recurring grants (either federal or state) or State sharing revenues. For the fiscal year ended September 30, 2013, the Port had no supplemental revenues. At September 30, 2013, the Port was in compliance with the bond covenants.

**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 includes 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 on a current refunding basis, pay and defease a portion of the Revenue Improvement Bonds, Series 1996A on an advance refunding basis, to finance all or a portion of 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 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.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 – LONG-TERM LIABILITIES** (Continued)

**Revenue Refunding and Improvement Bonds, Series 2002** (Continued)

Debt service requirements to maturity are as follows at September 30, 2013:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$	\$	\$
2015			
2016			
2017			
2018			
2019-2023	1,767,466	3,442,534	5,210,000
2024-2026	3,274,369	8,030,631	11,305,000
	<u>\$5,041,835</u>	<u>\$11,473,165</u>	<u>\$16,515,000</u>

**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. The Series 2005 Bonds maturing on and after September 1, 2016 may be redeemed prior to maturity, in whole or in part, at any time on or after September 1, 2015, at a redemption price equal to the principal amount thereof without a premium, plus accrued interest to the redemption date.

Debt service requirements to maturity are as follows at September 30, 2013:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 815,000	\$ 458,413	\$ 1,273,413
2015	850,000	425,813	1,275,813
2016	885,000	391,813	1,276,813
2017	920,000	356,413	1,276,413
2018	955,000	319,613	1,274,613
2019-2021	6,960,000	573,039	7,533,039
	<u>\$11,385,000</u>	<u>\$2,525,104</u>	<u>\$13,910,104</u>

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 – LONG-TERM LIABILITIES** (Continued)

**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 1996B Bonds were retired on October 15, 2007. 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. The 2007 bonds are not subject to redemption prior to their stated maturity date.

Debt service requirements to maturity are as follows at September 30, 2013:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$ 953,233	\$228,191	\$1,181,424
2015	992,830	186,344	1,179,174
2016	1,037,415	142,758	1,180,173
2017	1,080,987	97,216	1,178,203
2018	1,133,503	49,761	1,183,264
	<u>\$5,197,968</u>	<u>\$704,270</u>	<u>\$5,902,238</u>

**Revenue Refunding Bonds, Series 2013**

On September 20, 2013 the Port issued \$14,301,991 of Revenue Refunding Bonds, Series 2013, with an interest rate of 3.30%. The bonds were used to refinance all of the outstanding Revenue Improvement Bonds, Series 1999A; and pay the costs of issuing the 2013 Bonds, including the cost of obtaining a bond insurance policy. The remaining principle balance of \$14,115,000 of the 1999A Bonds were placed in escrow and were retired on October 21, 2013. 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, 2013 and principal payments beginning on September 1, 2013. The bonds mature on September 1, 2024. The 2013 bonds are subject to optional redemption, in whole, but not in part, on any payment date prior to the maturity date at a redemption price equal to 101% of the principal amount of the bond to be optionally redeemed, plus accrued interest to the optional redemption date.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 4 – LONG-TERM LIABILITIES** (Continued)

**Revenue Refunding Bonds, Series 2013** (Continued)

Debt service requirements to maturity are as follows at September 30, 2013:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2014	\$1,119,539	\$ 447,056	\$ 1,566,595
2015	1,135,164	435,021	1,570,185
2016	1,172,531	397,561	1,570,092
2017	1,208,174	358,867	1,567,041
2018	1,252,038	318,997	1,571,035
2019-2023	6,897,594	947,782	7,845,376
2024	1,516,951	50,059	1,567,010
	<u>\$14,301,991</u>	<u>\$2,955,343</u>	<u>\$17,257,334</u>

**Current Refunding**

The Revenue Refunding Bonds, Series 2013, were issued to retire the Revenue Improvement Bonds, Series 1999A. The principal and interest debt service requirements of the 2013 Bonds are \$1,911,138 less than the debt service requirements of the 1999A Bonds. The economic gain on the current refunding transaction was \$1,588,934.

**Defeased Debt**

In accordance with Government Auditing Standards, the Port of Palm Beach District does not report defeased/refunded bond funds on its statement of net position.

The total remaining principal balance due on the defeased Revenue Improvement Bonds, Series 1999A as of September 30, 2013, is \$14,115,000. The 1999A Bonds were retired on October 21, 2013.

**Bond Insurers**

The Revenue Refunding and Improvement Bonds, Series 2002 and Refunding Revenue Bonds, Series 2005 issued by the Port in prior years are insured by Syncora Guarantee, Inc., (formerly XL Capital Assurance). Fitch Ratings, Moody's Investors Service, and Standard & Poor's Rating Service have all withdrawn ratings on Syncora Guarantee, Inc.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 – 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.

**Collective Bargaining Agreement**

The Port’s workforce is made up of approximately 54 employees. Substantially all the Port’s non-management maintenance, railroad and security employees are union employees, which represents approximately 33% of the total. The Port renewed its collective bargaining agreement with the National Association of Government Employees, which was effective as of October 1, 2009. 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: holidays, leaves of absence, work assignments, schedule, performance evaluation, wages, 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 questions or disputes through collective bargaining, grievance and arbitration procedures, or the Public Employees Relations Commissions or other appropriate governmental agency and the courts in the event of alleged unfair labor practices or other improper conduct.

**Contractual Commitments**

As of September 30, 2013, the Port had significant contractual commitments for the following projects:

Project	Contract Balance
Slip #3 Rehabilitation and Improvement	\$ 575,404
FDOT Annex Property Planning & Zoning	44,217
	\$ 619,621

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 5 – CONTRACTS AND CONTINGENCIES** (Continued)

**Security Services Agreement**

On January 3, 2009, the Port entered into an agreement with a security company to provide professional security services for all areas of the Port twenty-four hours a day seven days a week. Such services include without limitation the control of access to the Port, coordinated with Port security, police and fire personnel for the benefit of the Port and such other security services and activities as are generally provided for similar areas and as may be agreed between the parties and contained in a procedural manual written by the security company and approved by the Port. The contract period ended on December 31, 2009, but under the terms of the agreement, the security services are currently provided on a month-to-month basis until either party terminates the agreement with thirty days written notice. The security company bills the Port weekly at the contract hourly rates for services provided. For the fiscal year ended September 30, 2013, the Port incurred costs of \$802,241 pursuant to the agreement.

**NOTE 6 – 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, 2013 was \$4,565,986. 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, 2013 are as follows:

2014	\$ 4,262,302
2015	3,431,284
2016	2,748,495
2017	2,502,164
2018	2,128,374
Thereafter	<u>7,670,776</u>
Total minimum future rentals	<u>\$ 22,743,395</u>

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 7 – DEFERRED COMPENSATION PLAN**

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 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.

**NOTE 8 – EMPLOYEE RETIREMENT PLAN**

***Florida Retirement System Pension Plan***

***Plan Description***

The Florida Retirement System includes the Florida Retirement System Pension Plan, a cost sharing, multiple-employer, public retirement system controlled by the State Legislature and administered by the State of Florida Department of Administration, Division of Retirement. The Plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to Plan members and beneficiaries. A post-employment health insurance subsidy is also provided to eligible employees through the Retiree Health Insurance Subsidy Program. Benefits are established by Chapter 121, Florida Statutes, and Chapter 22B, Florida Administrative Code. Amendments to the law can only be made by an act of the Florida Legislature.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 8 – EMPLOYEE RETIREMENT PLAN** (Continued)

*Florida Retirement System Pension Plan* (Continued)

Funding Policy

Participating employers are required to make monthly contributions based upon statewide contribution rates that, expressed as percentages of annual covered payroll, are adequate to accumulate sufficient assets to pay benefits when due based upon plan assumptions. Employer and employee contribution rates are established by state law as a level percentage of payroll. Employer contribution rates are determined using the entry-age actuarial cost method. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. Unfunded actuarial liability as a result of past and future plan benefit changes, assumption changes, or methodology changes, and actuarial gains and losses are being amortized over 30 years, using level percentage of payroll amounts. Only gains reserved for rate stabilization will be amortized on a rolling 10 percent basis, as a level dollar amount.

The contribution rates by job class for the Port’s employees at September 30, 2013, were as follows: regular employees 9.95%, senior management service employees 21.31%, and elected officials 36.03%. These rates include a 3.00% employee contribution, 1.20% for the Retiree Health Insurance Subsidy Program discussed below, and a 0.03% administrative fee.

The Port’s contributions to the Florida Retirement System Pension Plan for the fiscal years ending September 30, 2011 through 2013 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below.

	2011	2012	2013
Employer	\$ 207,285	\$ 110,314	\$ 137,850
Employee	15,092	62,551	66,653
Total	\$ 222,377	\$ 172,865	\$ 204,503

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Florida Retirement System Pension Plan. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at [rep@dms.MyFlorida.com](mailto:rep@dms.MyFlorida.com), or calling toll free at 877-377-1737.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 8 – EMPLOYEE RETIREMENT PLAN** (Continued)

***Florida Retirement System Investment Plan***

*Plan Description*

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida.

*Funding Policy*

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Port's employees at September 30, 2013, were as follows: regular employees 9.95%, senior management service employees 21.31%, and elected officials 36.03%. These rates include a 3.00% employee contribution, 1.20% for the Retiree Health Insurance Subsidy Program, and a 0.03% administrative fee.

The Port's total payroll for the year ended September 30, 2013 was \$2,734,926 and payroll for employees covered by the Plan was \$425,413. The Port and the covered employees made the required contributions of \$17,703 and \$20,838, respectively.

***Retiree Health Insurance Subsidy Program***

*Plan Description*

The Retiree Health Insurance Subsidy Program (HIS) is a cost-sharing multiple-employer defined benefit plan. Benefit provisions are established under Chapter 112.363, Florida Statutes, which may be amended by the Florida Legislature. The HIS benefit is a monthly supplemental payment that Florida Retirement System retirees, eligible terminated Investment Plan members, and other state-administered retirement system retirees may be eligible to receive if they have health insurance coverage – which includes Medicare, TriCare, and insurance coverage provided through the Cover Florida Health Care Access Program. Payment of this benefit is not automatic, it must be applied for and the application approved before payment begins.

The amount of the monthly payment is calculated by multiplying the member's total years of creditable service at retirement (up to a maximum of 30 years) by \$5. The minimum monthly HIS payment is \$30 and the maximum monthly payment is \$150. The HIS payment is included in the same payment as the retiree's monthly retirement benefit if a defined benefit plan retiree.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 8 – EMPLOYEE RETIREMENT PLAN** (Continued)

***Retiree Health Insurance Subsidy Program*** (Continued)

***Funding Policy***

The State's current funding policy for the HIS is pay-as-you-go and provides for monthly employer contributions currently set as the legislatively determined rate of 1.20% of annual covered payroll. The consulting actuary recommends rates based on the annual valuation, but actual contribution rates are established by the Florida Legislature. The GASB annual required contribution (ARC) calculated by the consulting actuary in the July 1, 2012 actuarial valuation for the fiscal year ending June 30, 2012 is 1.71% of active payroll (including DROP payroll).

The State's funding policy requires a contribution rate that is different than the GASB required ARC, which is an accounting disclosure. To the extent the contribution rate required to fund the HIS Program is different than the computed ARC, adjustments in the Net Pension Obligation (NPO) will occur from year to year.

The Port's contributions to the Retiree Health Insurance Subsidy Program for the fiscal years ending September 30, 2011 through 2013 were \$28,566, \$28,433 and \$30,416 respectively, which were equal to 100% of the required contributions for each fiscal year.

The State of Florida issues a publicly available financial report that includes financial statements and required supplementary information for the Retiree Health Insurance Subsidy Program. The report may be obtained by writing to the State of Florida Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000; or e-mailing Research & Education at [rep@dms.MyFlorida.com](mailto:rep@dms.MyFlorida.com), or calling toll free at 877-377-1737.

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Retirees of the Port pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

***Plan Description***

The Port provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

**Funding Policy**

The Port does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Port for active employees by its healthcare provider. However, the Port's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Port or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

**Annual OPEB Cost and Net OPEB Obligation**

The Port's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC). The Port has elected to calculate the ARC and related information using the Alternative Measurement Method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table presents the components of the Port's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Required contribution rate – employer	Pay-as-you-go
Required contribution rate – plan members	N/A
Annual required contribution (ARC)	\$ 30,986
Interest on net OPEB obligation	1,771
Adjustment to annual required contribution	<u>(1,926)</u>
Annual OPEB cost (expense)	30,831
Age adjusted contributions made	<u>(9,031)</u>
Change in net OPEB obligation	21,800
Net OPEB obligation (NOO) October 1, 2012	<u>50,604</u>
Net OPEB obligation (NOO) September 30, 2013	<u>\$ 72,404</u>

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

**Trend Information**

The Port's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the two preceding years were as follows:

Three-Year Trend Information				
Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/11	\$ 12,851	\$ 4,326	33.7%	\$ 29,563
09/30/12	29,906	8,865	29.6%	50,604
09/30/13	30,831	9,031	29.3%	72,404

**Funded Status**

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	09/30/12
Actuarial accrued liability (AAL)	\$ 246,799
Actuarial value of plan assets	
Unfunded actuarial accrued liability (UAAL)	\$ 246,799
Funded ratio	0.0%
Covered payroll	\$ 2,734,927
UAAL as a percentage of covered payroll	9.02%

**Funding Progress**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Port has contributed \$26,866 to the plan at this time.

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)** (Continued)

**Actuarial Methods and Assumptions**

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Active plan members were assumed to retire at age 62. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on RP2000 Mortality Table for Males and Females Projected 10 years. The probability of remaining employed until the assumed retirement age and employees' expected working lifetimes were developed using standard turnover assumptions from GASB 45, Paragraph 35b.

Health insurance premiums as of October 2011 were used, and age appropriate premiums were developed from the average age of the population and a 4% premium aging factor as specified by GASB 45. The expected rate of increase in health insurance premiums used an initial rate of 8.0% and an ultimate rate of 4.7% for medical, an initial rate of 9.0% and an ultimate rate of 4.7% for pharmacy, an initial rate of 3.5% and an ultimate rate of 3.0% for dental, and an initial rate of 3.0% and an ultimate rate of 3.0% for vision.

The discount rate was assumed to be 3.5%. Since the plan has no assets, the investment rate of return was assumed to be zero. The entry age actuarial cost method was used in the valuation. The unfunded actuarial accrued liability is amortized over a thirty year period as a level percent of projected payroll on an open basis.

**NOTE 10 – MAJOR CUSTOMERS**

The Port had revenue from two major customers providing more than 10% each of the Port facilities revenue during the fiscal year ended September 30, 2013. The Port facilities total revenue from these customers were as follows:

Tropical Shipping USA, LLC/Birdsall, Inc.		\$ 5,036,265
Celebration Cruise Operator, Inc.:		
Passenger Revenue	\$ 4,884,850	
Less Direct Marketing Support	<u>(3,045,352)</u>	
Subtotal Passenger Revenue	1,839,498	
Other Revenue	<u>154,204</u>	
Net Celebration Cruise Operator, Inc.		\$ 1,993,702

**PORT OF PALM BEACH DISTRICT  
NOTES TO THE FINANCIAL STATEMENTS  
SEPTEMBER 30, 2013**

**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.

Florida Statutes limit the Port's maximum loss for most liability claims to \$200,000 per person and \$300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in the Florida Statutes do not apply to claims filed in Federal courts.

**PORT OF PALM BEACH DISTRICT**  
**Required Supplementary Information**  
**Schedule of Funding Progress**  
**Other Postemployment Benefits**  
**September 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as % of Covered Payroll
09/30/09	\$	\$ 76,862	\$ 76,862	0.0%	\$ 2,545,358	3.02%
09/30/12		246,799	246,799	0.0%	2,734,927	9.02%

GASB Statement No. 45 was implemented during the fiscal year ended September 30, 2009, and the Port elected to apply the statement prospectively. Consequently, only two years of data are presented in the schedule at this time. The Port is required to have an actuarial valuation every three years. The next valuation is scheduled for September 30, 2015.

**PORT OF PALM BEACH DISTRICT**  
**Bond Amortization Schedule**  
**\$9,576,835 Revenue Refunding Bonds - Series 2002**  
**September 30, 2013**

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
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
	<u>\$ 11,473,165</u>	<u>\$ 5,041,835</u>	<u>\$ 16,515,000</u>

**PORT OF PALM BEACH DISTRICT**  
**Bond Amortization Schedule**  
**\$13,090,044 Revenue Refunding Bonds - Series 2005**  
**September 30, 2013**

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
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
	<u>\$ 2,525,104</u>	<u>\$ 11,385,000</u>	<u>\$ 13,910,104</u>

**PORT OF PALM BEACH DISTRICT**  
**Bond Amortization Schedule**  
**\$10,139,551 Revenue Refunding Bonds - Series 2007**  
**September 30, 2013**

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2014	\$ 228,191	\$ 953,233	\$ 1,181,424
2015	186,344	992,830	1,179,174
2016	142,758	1,037,415	1,180,173
2017	97,216	1,080,987	1,178,203
2018	49,761	1,133,503	1,183,264
	<u>\$ 704,270</u>	<u>\$ 5,197,968</u>	<u>\$ 5,902,238</u>

**PORT OF PALM BEACH DISTRICT**  
**Bond Amortization Schedule**  
**\$14,301,991 Revenue Refunding Bonds - Series 2013**  
**September 30, 2013**

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2014	\$ 447,056	\$ 1,119,539	\$ 1,566,595
2015	435,021	1,135,164	1,570,185
2016	397,561	1,172,531	1,570,092
2017	358,867	1,208,174	1,567,041
2018	318,997	1,252,038	1,571,035
2019	277,680	1,292,355	1,570,035
2020	235,032	1,335,428	1,570,460
2021	190,963	1,376,072	1,567,035
2022	145,553	1,424,208	1,569,761
2023	98,554	1,469,531	1,568,085
2024	50,059	1,516,951	1,567,010
	<u>\$ 2,955,343</u>	<u>\$ 14,301,991</u>	<u>\$ 17,257,334</u>

**PORT OF PALM BEACH DISTRICT**  
**Bond Amortization Schedule**  
**Combined Revenue Bonds**  
**September 30, 2013**

<u>Year Ending</u> <u>September 30</u>	<u>Interest</u>	<u>Retirement</u> <u>of Bonds</u>	<u>Total</u>
2014	\$ 1,133,660	\$ 2,887,772	\$ 4,021,432
2015	1,047,178	2,977,994	4,025,172
2016	932,132	3,094,946	4,027,078
2017	812,496	3,209,161	4,021,657
2018	688,371	3,340,541	4,028,912
2019	559,093	3,522,355	4,081,448
2020	427,245	3,655,428	4,082,673
2021	290,376	3,786,072	4,076,448
2022	1,838,829	2,335,932	4,174,761
2023	1,847,812	2,325,273	4,173,085
2024	1,849,228	2,322,782	4,172,010
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	<u>\$ 17,657,882</u>	<u>\$ 35,926,794</u>	<u>\$ 53,584,676</u>

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Port Facilities Revenues**  
**For the Fiscal Years Ended**  
**September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Wharfage	\$ 3,465,204	\$ 3,081,238
Rent	4,565,986	4,193,930
Dockage	1,680,365	1,626,476
Parking	987,052	969,020
Passenger wharfage	61,816	
Net passenger charges	1,839,498	1,854,073
Storage	309,647	242,344
Water	80,050	77,519
Line handling	59,200	48,600
Miscellaneous	453,320	541,606
Switching	421,825	392,583
Licenses	115,450	118,500
Identification badging	22,337	12,827
Security fee	535,019	505,006
Cargo terminal fee	689,458	540,615
Harbor master fee	99,980	88,740
Vessel bunkers	44,010	45,990
	<u>                    </u>	<u>                    </u>
<b>Total Port Facilities Revenue</b>	<b><u><u>\$ 15,430,217</u></u></b>	<b><u><u>\$ 14,339,067</u></u></b>

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Operating Expenses**  
**For the Fiscal Years Ended**  
**September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>General expenses</b>		
Insurance and surety bonds	\$ 505,021	\$ 462,975
Retirement	160,051	104,701
Group insurance	749,263	712,044
State and local taxes	2,063	39,213
Audit and other accounting services	88,432	76,155
Bad debt expense	80,000	36,189
Trustee fees	8,750	3,375
Consulting	38,790	38,081
Miscellaneous	30	6,784
<b>Total general expenses</b>	<u><b>1,632,400</b></u>	<u><b>1,479,517</b></u>
<b>Engineering and maintenance</b>		
Salaries	536,160	393,320
Payroll taxes	38,384	28,440
Maintenance and repairs - buildings and grounds	769,725	296,799
Electricity	345,329	319,541
Water	482,683	488,399
Janitorial and trash removal	97,992	99,199
Maintenance and repairs - equipment	26,089	23,218
Engineering fees	12,000	15,975
Surveys and maps	10,590	7,530
Fuel and oil - port vehicles	34,142	48,083
Telephone	18,307	16,937
Uniforms	17,402	14,129
Shop maintenance and supplies	10,635	9,853
Miscellaneous	1,869	1,745
<b>Total engineering and maintenance</b>	<u><b>2,401,307</b></u>	<u><b>1,763,168</b></u>
<b>Security</b>		
Salaries	728,256	762,044
Payroll taxes	54,076	56,078
Contract services	931,556	772,583
Security equipment	76,204	10,632
Identification badges	22,361	8,564
Uniforms	9,951	6,227
Telephone	4,577	8,374
Maintenance and repairs	23,414	25,191
Miscellaneous	3,023	7,397
<b>Total security</b>	<u><b>1,853,418</b></u>	<u><b>1,657,090</b></u>

(Continued)

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Operating Expenses (Continued)**  
**For the Fiscal Years Ended**  
**September 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
<b>Administration</b>		
Salaries	\$ 1,136,995	\$ 1,106,411
Payroll taxes	76,072	79,576
Telephone	56,945	50,820
Maintenance and repairs	12,494	11,277
Computer maintenance	17,232	12,240
Supplies, stationary and printing	27,613	32,518
Computer supplies	28,278	39,256
Postage	5,773	4,448
Training, seminars and consulting	36,528	42,131
Dues and subscriptions	1,894	695
Publications	6,758	8,336
Legal fees and expenses	125,546	98,232
Miscellaneous	7,043	6,617
<b>Total administration</b>	<u><b>1,539,171</b></u>	<u><b>1,492,557</b></u>
<b>Business development</b>		
Salaries	223,503	187,092
Payroll taxes	15,250	13,042
Retirement	14,865	9,821
Advertising and promotion	24,790	19,184
Trade development	70,452	27,560
Community relations	22,033	12,899
Travel	62,020	57,676
Dues and subscriptions	56,182	43,434
Publications	4,920	4,922
Miscellaneous	7,614	5,018
<b>Total business development</b>	<u><b>501,629</b></u>	<u><b>380,648</b></u>
<b>Operations</b>		
Salaries	110,012	214,312
Payroll taxes	8,076	15,676
Telephone	3,447	4,477
Maintenance and repairs - train	29,167	45,327
Maintenance and repairs - track	47,114	8,138
Fuel and oil - train	24,132	30,615
Equipment rental		46,200
Miscellaneous	400	655
<b>Total operations</b>	<u><b>222,348</b></u>	<u><b>365,400</b></u>
<b>Amortization</b>	<u><b>88,473</b></u>	<u><b>91,018</b></u>
<b>Depreciation</b>	<u><b>4,178,485</b></u>	<u><b>4,161,428</b></u>
<b>Total operating expenses</b>	<u><u><b>\$ 12,417,231</b></u></u>	<u><u><b>\$ 11,390,826</b></u></u>

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Revenues and Expenses**  
**For the Fiscal Years Ended**  
**September 30, 2013 and 2012**

	<b>2013</b>	<b>2012</b>
<b>Revenue</b>		
Port facilities	\$ 18,475,569	\$ 17,327,699
Less: Direct marketing support	(3,045,352)	(2,988,632)
<b>Net operating revenue</b>	<b>15,430,217</b>	<b>14,339,067</b>
<b>Expenses</b>		
General expenses	1,632,400	1,479,517
Engineering and maintenance	2,401,307	1,763,168
Security	1,853,418	1,657,090
Administration	1,539,171	1,492,557
Business development	501,629	380,648
Operations	222,348	365,400
<b>Operating expenses</b>	<b>8,150,273</b>	<b>7,138,380</b>
<b>Operating income before depreciation and amortization</b>	<b>7,279,944</b>	<b>7,200,687</b>
<b>Depreciation and amortization expense</b>	<b>4,266,958</b>	<b>4,252,446</b>
<b>Operating income after depreciation and amortization</b>	<b>3,012,986</b>	<b>2,948,241</b>
<b>Non-operating revenues (expenses)</b>		
Investment earnings	13,199	12,751
Grant revenue	182,428	1,029,354
Grant expense	(90,982)	(915,803)
Loss on disposition of assets	4,679	(7,093)
Feasibility study	(65,891)	(11,403)
Interest expense	(2,152,645)	(2,286,276)
<b>Total non-operating revenues (expenses)</b>	<b>(2,109,212)</b>	<b>(2,178,470)</b>
<b>Income before contributions</b>	<b>903,774</b>	<b>769,771</b>
<b>Capital contributions</b>	<b>4,898,938</b>	<b>3,817,316</b>
<b>Change in net position</b>	<b>\$ 5,802,712</b>	<b>\$ 4,587,087</b>

**PORT OF PALM BEACH DISTRICT**  
**Budgetary Comparison Schedule**  
**For the Fiscal Year Ended**  
**September 30, 2013**

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
<b>Operating revenues</b>			
Wharfage	\$ 3,465,204	\$ 3,518,069	\$ (52,865)
Dockage	1,680,365	1,556,735	123,630
Parking	987,052	1,070,009	(82,957)
Passengers	61,816	124,356	(62,540)
Passenger charges	4,884,850	5,018,370	(133,520)
Storage	309,647	199,329	110,318
Water	80,050	75,657	4,393
Line handling	59,200	82,800	(23,600)
Switching	421,825	442,509	(20,684)
Identification badging	22,337	20,058	2,279
Cargo terminal fee	689,458	691,691	(2,233)
Harbor master fees	99,980	101,136	(1,156)
Security fee	535,019	531,718	3,301
Licenses and permits	115,450	115,350	100
Miscellaneous income	453,320	603,040	(149,720)
Rent	4,565,986	4,530,427	35,559
Vessel bunkers	44,010	46,290	(2,280)
<b>Total operating revenues</b>	<u>18,475,569</u>	<u>18,727,544</u>	<u>(251,975)</u>
Less: Direct marketing support	(3,045,352)	(3,118,522)	73,170
<b>Net operating revenues</b>	<u>15,430,217</u>	<u>15,609,022</u>	<u>(178,805)</u>
<b>Operating expenses</b>			
General expenses	1,632,400	1,651,249	(18,849)
Engineering and maintenance	2,401,307	2,293,949	107,358
Security	1,853,418	1,822,543	30,875
Administration	1,539,171	1,552,553	(13,382)
Business development	501,629	602,445	(100,816)
Operations	222,348	257,159	(34,811)
Amortization	88,473	90,168	(1,695)
Depreciation	4,178,485	4,210,000	(31,515)
<b>Total operating expenses</b>	<u>12,417,231</u>	<u>12,480,066</u>	<u>(62,835)</u>
<b>Operating income</b>	<u>3,012,986</u>	<u>3,128,956</u>	<u>(115,970)</u>
<b>Non-operating revenue (expenses)</b>			
Investment earnings	13,199	12,000	1,199
Grant revenue	182,428		182,428
Grant expense	(90,982)		(90,982)
Loss on disposition of assets	4,679		4,679
Feasibility study	(65,891)		(65,891)
Interest expense	(2,152,645)	(2,161,001)	8,356
<b>Total non-operating revenue (expenses)</b>	<u>(2,109,212)</u>	<u>(2,149,001)</u>	<u>39,789</u>
<b>Income before contributions</b>	<u>\$ 903,774</u>	<u>\$ 979,955</u>	<u>\$ (76,181)</u>

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Operating Statistics**  
**For the Fiscal Years Ended**  
**September 30, 2013 and 2012**  
**Unaudited**

	<u>2013</u>	<u>2012</u>	<u>Percent Change</u>
<b>CARGO TONNAGE</b>			
<b>General Cargo</b>			
Container	1,169,600	1,067,870	9.53%
Break-bulk	62,162	71,043	(12.50%)
Relay	73,579	50,792	44.86%
<b>Sub-Total</b>	<u>1,305,341</u>	<u>1,189,705</u>	9.72%
<b>Bulk and Dry Cargo</b>			
Asphalt	72,768	78,902	(7.77%)
Diesel	63,030	104,296	(39.57%)
Fuel Oil		16,565	(100.00%)
Miscellaneous	11,086	4,409	151.44%
Molasses	147,550	124,859	18.17%
Sugar	547,904	537,517	1.93%
<b>Sub-Total</b>	<u>842,338</u>	<u>866,548</u>	(2.79%)
<b>TOTAL ALL CARGO</b>	<u>2,147,679</u>	<u>2,056,253</u>	4.45%
Inbound	123,199	110,425	11.57%
Outbound	125,012	113,038	10.59%
<b>TOTAL TEUs</b>	<u>248,211</u>	<u>223,463</u>	11.07%
Inbound	6,551	6,483	1.05%
Outbound	6,547	6,478	1.07%
<b>TOTAL RAIL CARS</b>	<u>13,098</u>	<u>12,961</u>	1.06%
<b>VESSELS</b>	<u>1,523</u>	<u>1,395</u>	9.18%
<b>PASSENGERS</b>	<u>345,970</u>	<u>341,004</u>	1.46%

**PORT OF PALM BEACH DISTRICT**  
**Net Position**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**

<u>Year Ending September 30</u>	<u>Net Investment in Capital Assets</u>	<u>(1) Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2006	\$ 72,091,549	\$ 14,919,000	\$ 7,655,459	\$ 94,666,008
2007	75,044,702	13,183,712	8,395,249	96,623,663
2008	(2) 70,379,263	9,051,841	7,077,226	86,508,330
2009	68,128,082	8,506,428	6,618,653	83,253,163
2010	67,277,388	7,924,528	6,885,468	82,087,384
2011	66,302,448	7,240,888	7,327,013	80,870,349
2012	70,964,253	6,236,123	8,257,060	85,457,436
2013	75,618,050	6,972,218	8,669,880	91,260,148

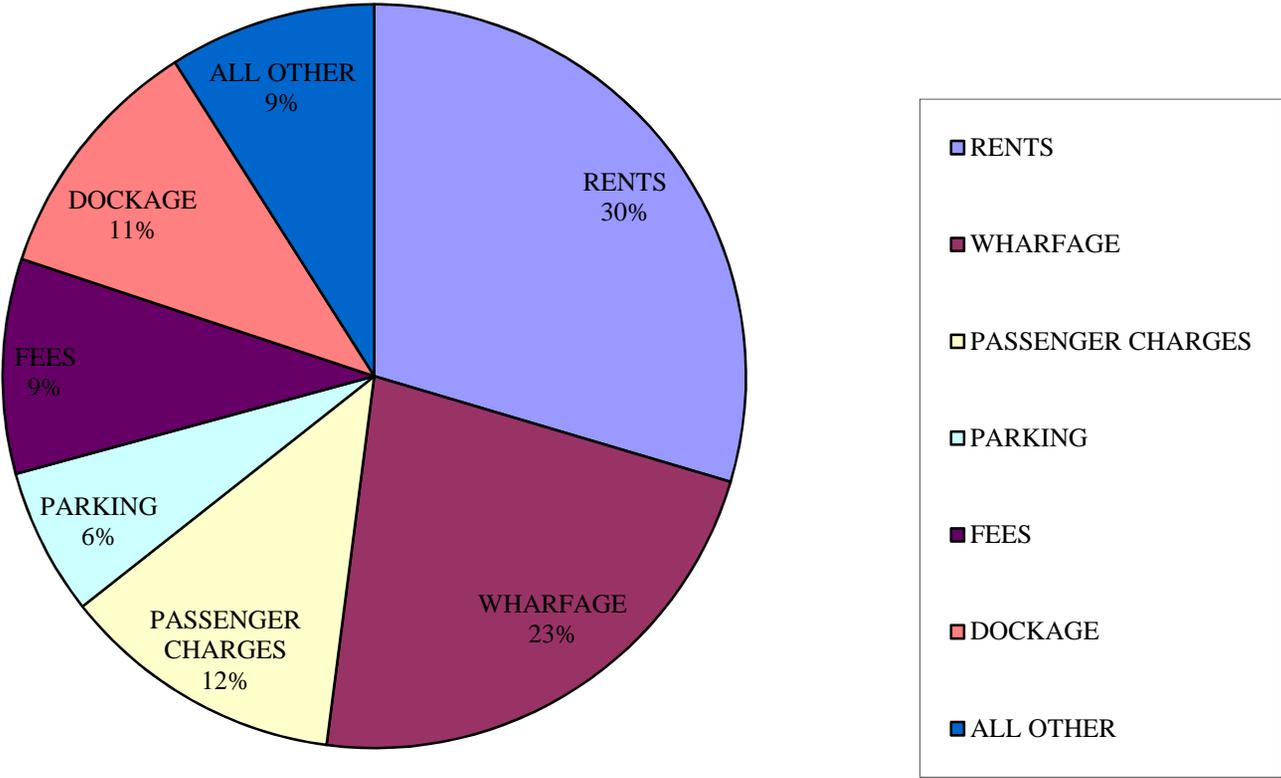
(1) Restricted for debt service, renewal and replacement, business development, capital improvements, compensating balances, and customer deposits.

(2) Beginning net position was restated due to prior period errors that were made in accounting for the capitalization and depreciation of the Skypass Bridge and land transfers.

**PORT OF PALM BEACH DISTRICT**  
**Operating Revenues by Source**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Wharfage	\$ 3,278,944	\$ 3,117,086	\$ 2,849,117	\$ 2,554,546	\$ 2,983,573	\$ 2,567,801	\$ 3,081,238	\$ 3,465,204
Rent	3,679,084	3,419,133	3,471,814	3,828,131	3,806,265	3,782,088	4,193,930	4,565,986
Dockage	1,865,320	1,652,796	1,179,018	1,276,999	1,498,641	1,474,044	1,626,476	1,680,365
Parking	446,306	599,402	193,691	260,731	631,122	838,664	969,020	987,052
Passenger wharfage	965,370	883,548	672,378	542,039	154,901			61,816
Net passenger charges					895,953	1,380,003	1,854,073	1,839,498
Storage	183,422	233,698	234,855	104,866	98,307	106,742	242,344	309,647
Water	157,853	160,524	145,322	147,423	103,889	84,258	77,519	80,050
Line handling	80,015	78,975	72,350	51,600	35,600	38,400	48,600	59,200
Miscellaneous	110,590	134,981	152,242	105,183	222,751	121,848	541,606	453,320
Switching	319,815	382,950	442,195	350,235	351,396	308,428	392,583	421,825
Licenses	71,550	68,000	78,000	87,600	114,700	125,000	118,500	115,450
Identification badging	232,008	286,963	164,782	76,928	71,800	20,708	12,827	22,337
Terminal operating fee	185,072	218,604	157,830	10,850	26,391			
Security fee	805,206	764,598	651,655	607,676	528,537	481,071	505,006	535,019
Cargo terminal fee	450,413	470,749	411,588	397,558	521,546	460,614	540,615	689,458
Harbor master fee	71,890	67,165	54,110	68,415	77,735	81,610	88,740	99,980
Vessel bunkers	48,925	37,475	28,200	27,290	37,290	44,640	45,990	44,010
<b>Total</b>	<b><u>\$ 12,951,783</u></b>	<b><u>\$ 12,576,647</u></b>	<b><u>\$ 10,959,147</u></b>	<b><u>\$ 10,498,070</u></b>	<b><u>\$ 12,160,397</u></b>	<b><u>\$ 11,915,919</u></b>	<b><u>\$ 14,339,067</u></b>	<b><u>\$ 15,430,217</u></b>

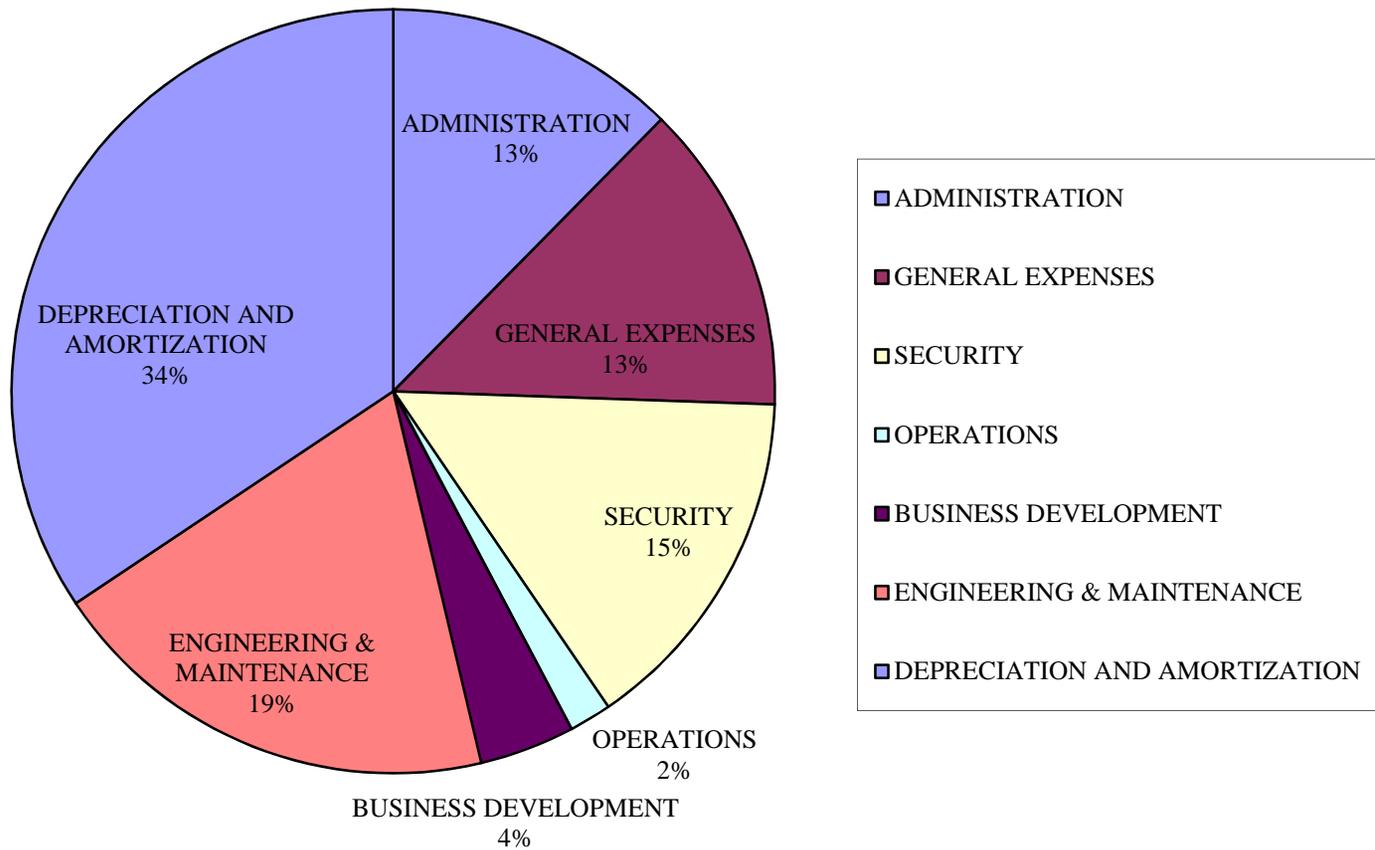
**PORT OF PALM BEACH DISTRICT**  
**Operating Revenues By Source**  
**For the Fiscal Year Ended September 30, 2013**  
**Unaudited**



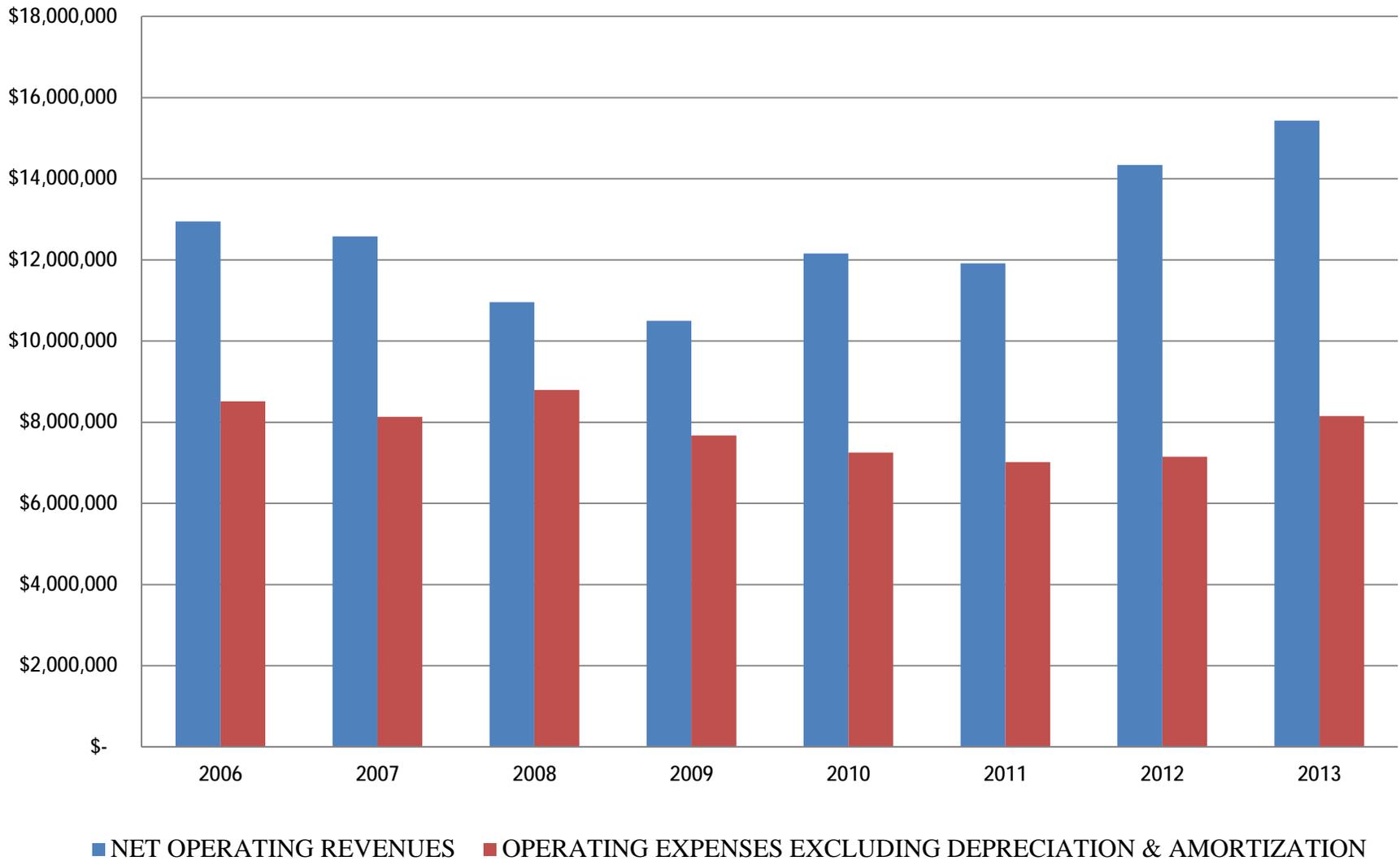
**PORT OF PALM BEACH DISTRICT**  
**Operating Expenses**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
General expenses	\$ 2,046,673	\$ 1,920,959	\$ 1,917,359	\$ 1,828,148	\$ 1,891,125	\$ 1,505,593	\$ 1,479,517	\$ 1,632,400
Engineering and maintenance	2,353,542	1,894,295	2,530,948	1,964,388	1,872,638	1,859,962	1,763,168	2,401,307
Security	2,050,457	1,877,450	1,862,794	1,707,248	1,658,608	1,698,797	1,657,090	1,853,418
Administration	1,288,250	1,335,229	1,219,497	1,213,234	1,136,359	1,277,805	1,492,557	1,539,171
Business development	452,260	431,742	637,655	428,996	373,230	376,386	380,648	501,629
Operations	321,395	670,308	628,559	530,527	319,788	293,916	365,400	222,348
<b>Subtotal</b>	<u>8,512,577</u>	<u>8,129,983</u>	<u>8,796,812</u>	<u>7,672,541</u>	<u>7,251,748</u>	<u>7,012,459</u>	<u>7,138,380</u>	<u>8,150,273</u>
Amortization	112,009	112,561	97,034	89,535	92,245	108,473	91,018	88,473
Depreciation	3,921,769	4,011,840	3,660,573	4,181,306	4,233,539	4,297,853	4,161,428	4,178,485
<b>Subtotal</b>	<u>4,033,778</u>	<u>4,124,401</u>	<u>3,757,607</u>	<u>4,270,841</u>	<u>4,325,784</u>	<u>4,406,326</u>	<u>4,252,446</u>	<u>4,266,958</u>
<b>Total</b>	<u><u>\$ 12,546,355</u></u>	<u><u>\$ 12,254,384</u></u>	<u><u>\$ 12,554,419</u></u>	<u><u>\$ 11,943,382</u></u>	<u><u>\$ 11,577,532</u></u>	<u><u>\$ 11,418,785</u></u>	<u><u>\$ 11,390,826</u></u>	<u><u>\$ 12,417,231</u></u>

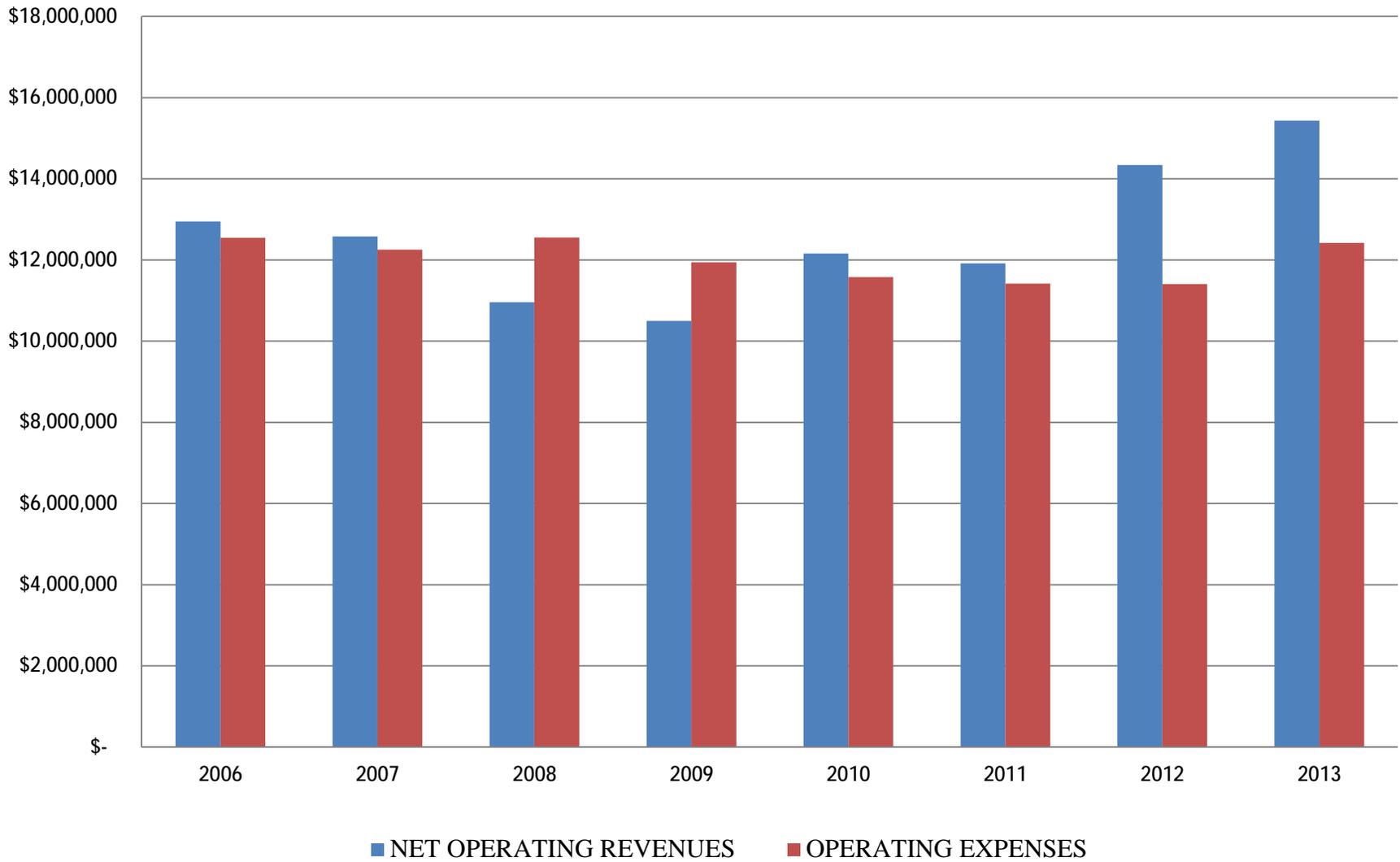
**PORT OF PALM BEACH DISTRICT**  
**Operating Expenses**  
**For the Fiscal Year Ended September 30, 2013**  
**Unaudited**



**PORT OF PALM BEACH DISTRICT**  
**Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**



**PORT OF PALM BEACH DISTRICT**  
**Net Operating Revenues and Operating Expenses**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**



**PORT OF PALM BEACH DISTRICT**  
**Non-Operating Revenues (Expenses)**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Investment earnings	\$ 1,085,833	\$ 1,273,597	\$ 555,819	\$ 98,395	\$ 25,979	\$ 19,579	\$ 12,751	\$ 13,199
Grant revenue	556,630	839,574	836,505	252,057	622,815	340,138	1,029,354	182,428
Grant expense					(517,652)	(249,055)	(915,803)	(90,982)
Gain (loss) on disposition of assets	(307,109)	(285,493)	(2,012)	(20,889)		(5,075)	(7,093)	4,679
Contingency gain from insurance proceeds		27,059						
Radiation portal monitor transfers		(898,264)	(453,559)	(11,500)				
Road improvement transfers	(26,171)							
Feasibility study								(65,891)
Interest expense	(2,865,855)	(2,806,939)	(2,473,680)	(2,504,938)	(2,422,258)	(2,322,513)	(2,286,276)	(2,152,645)
<b>Total</b>	<u>\$ (1,556,672)</u>	<u>\$ (1,850,466)</u>	<u>\$ (1,536,927)</u>	<u>\$ (2,186,875)</u>	<u>\$ (2,291,116)</u>	<u>\$ (2,216,926)</u>	<u>\$ (2,167,067)</u>	<u>\$ (2,109,212)</u>

**PORT OF PALM BEACH DISTRICT**  
**Changes in Net Position**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Net Operating Income (Loss)	\$ 405,428	\$ 669,768	\$(1,595,272)	\$(1,445,312)	\$ 582,865	\$ 497,134	\$ 2,936,838	\$ 3,012,986
Net Non-Operating Revenue (Expense)	<u>(1,556,672)</u>	<u>(1,850,466)</u>	<u>(1,536,927)</u>	<u>(2,186,875)</u>	<u>(2,291,116)</u>	<u>(2,216,926)</u>	<u>(2,167,067)</u>	<u>(2,109,212)</u>
Income (Loss) before Contributions	(1,151,244)	(1,180,698)	(3,132,199)	(3,632,187)	(1,708,251)	(1,719,792)	769,771	903,774
Capital Contributions	<u>2,183,656</u>	<u>3,855,281</u>	<u>9,090,868</u>	<u>377,020</u>	<u>542,472</u>	<u>502,757</u>	<u>3,817,316</u>	<u>4,898,938</u>
<b>Change in Net Position</b>	<b><u>\$1,032,412</u></b>	<b><u>\$2,674,583</u></b>	<b><u>\$ 5,958,669</u></b>	<b><u>\$(3,255,167)</u></b>	<b><u>\$(1,165,779)</u></b>	<b><u>\$(1,217,035)</u></b>	<b><u>\$ 4,587,087</u></b>	<b><u>\$ 5,802,712</u></b>

**PORT OF PALM BEACH DISTRICT**  
**Operating Statistics**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
<b>CARGO TONNAGE</b>								
<b>General Cargo</b>								
Container	1,138,130	1,156,025	1,205,529	1,057,745	1,057,434	1,006,299	1,118,662	1,243,179
Break-bulk	161,539	129,194	113,491	59,990	69,174	67,341	71,043	62,162
<b>Sub-Total</b>	<u>1,299,669</u>	<u>1,285,219</u>	<u>1,319,020</u>	<u>1,117,735</u>	<u>1,126,608</u>	<u>1,073,640</u>	<u>1,189,705</u>	<u>1,305,341</u>
<b>Bulk and Dry Cargo</b>								
Asphalt	35,317	61,634	39,265	85,631	57,561	88,522	78,902	72,768
Cement	193,349	130,711	125,665	10,829				
Petroleum	1,261,868	958,497	773,113	385,137	513,570	187,281	120,861	63,030
Miscellaneous	0	20,247		10,800	18,159	61,619	4,409	11,086
Molasses	111,687	159,388	193,896	163,040	171,456	186,432	124,859	147,550
Sugar	374,780	607,443	425,796	591,116	660,992	413,254	537,517	547,904
<b>Sub-Total</b>	<u>1,977,001</u>	<u>1,937,920</u>	<u>1,557,735</u>	<u>1,246,553</u>	<u>1,421,738</u>	<u>937,108</u>	<u>866,548</u>	<u>842,338</u>
<b>TOTAL ALL CARGO</b>	<u><u>3,276,670</u></u>	<u><u>3,223,139</u></u>	<u><u>2,876,755</u></u>	<u><u>2,364,288</u></u>	<u><u>2,548,346</u></u>	<u><u>2,010,748</u></u>	<u><u>2,056,253</u></u>	<u><u>2,147,679</u></u>
<b>TEUs</b>	<u>244,004</u>	<u>257,507</u>	<u>244,638</u>	<u>216,403</u>	<u>206,585</u>	<u>206,537</u>	<u>223,463</u>	<u>248,211</u>
<b>RAIL CARS (IN AND OUT BOUND)</b>	<u>10,409</u>	<u>10,985</u>	<u>19,813</u>	<u>16,462</u>	<u>15,327</u>	<u>12,798</u>	<u>12,961</u>	<u>13,098</u>
<b>VESSELS</b>	<u>2,462</u>	<u>2,831</u>	<u>2,168</u>	<u>1,969</u>	<u>1,467</u>	<u>1,320</u>	<u>1,395</u>	<u>1,523</u>
<b>PASSENGERS</b>	<u>520,557</u>	<u>566,408</u>	<u>424,204</u>	<u>349,800</u>	<u>285,043</u>	<u>303,886</u>	<u>341,004</u>	<u>345,970</u>

**PORT OF PALM BEACH DISTRICT**  
**Revenue Bond Coverage**  
**For the Fiscal Years Ended September 30, 2006 through 2013**  
**Unaudited**

		<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
Gross Revenues	(1)	\$ 14,037,616	\$ 13,850,244	\$ 11,514,966	\$ 10,596,465	\$12,186,376	\$11,935,498	\$14,351,818	\$15,443,416
Operating Expenses	(2)	8,512,577	8,129,983	8,796,812	7,672,541	7,251,748	7,012,459	7,149,783	8,150,273
Net Revenues	(3)	<u>5,525,039</u>	<u>5,720,261</u>	<u>2,718,154</u>	<u>2,923,924</u>	<u>4,934,628</u>	<u>4,923,039</u>	<u>7,202,035</u>	<u>7,293,143</u>
Maximum Annual Debt Service		4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
Required Coverage		110%	110%	110%	110%	110%	110%	110%	110%
Debt Service Requirement		<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>
Excess (Deficiency)		<u>\$ 740,039</u>	<u>\$ 935,261</u>	<u>\$ (2,066,846)</u>	<u>\$ (1,861,076)</u>	<u>\$ 149,628</u>	<u>\$ 138,039</u>	<u>\$ 2,417,035</u>	<u>\$ 2,508,143</u>
<b>Coverage</b>		<b>115%</b>	<b>120%</b>	<b>57%</b>	<b>61%</b>	<b>103%</b>	<b>103%</b>	<b>151%</b>	<b>152%</b>

(1) Gross Revenues includes operating revenues and investment earnings.

(2) Operating Expenses do not include depreciation and amortization.

(3) Net revenues are gross revenues, after deduction only of operating expenses.



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## 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*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Palm Beach District, as of and for the year ended September 30, 2013, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District's basic financial statements, and have issued our report thereon dated April 29, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port of Palm Beach District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Port of Palm Beach District's internal control.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control that might be material weaknesses or, and significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
April 29, 2014



# NOWLEN, HOLT & MINER, P.A.

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## INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL PROGRAM AND STATE PROJECT AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND CHAPTER 10.550, RULES OF THE AUDITOR GENERAL

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

### Report on Compliance for Each Major Federal Program and State Project

We have audited the Port of Palm Beach District’s compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement*, and the requirements described in the *Department of Financial Services’ State Projects Compliance Supplement*, that could have a direct and material effect on the Port of Palm Beach District’s major Federal program and State project for the year ended September 30, 2013. The Port of Palm Beach District’s major Federal program and State project are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

### Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal program and State project.

### Auditor’s Responsibility

Our responsibility is to express an opinion on compliance of the Port of Palm Beach District’s major Federal program and State project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; 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 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 on compliance of the major Federal program and State project. However, our audit does not provide a legal determination of the Port of Palm Beach District's compliance.

***Opinion on Each Major Federal Program and State Project***

In our opinion, the Port of Palm Beach District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major Federal program and State project for the year ended September 30, 2013.

**Report on Internal Control Over Compliance**

Management of the Port of Palm Beach District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port of Palm Beach District's internal control over compliance with the types of requirements that could have a direct and material effect on the major Federal program or State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and State project and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, 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 internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program or State project on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program or State project will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal contrive over compliance with a type of compliance requirement of a Federal program or State project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General. Accordingly, this report is not suitable for any other purpose.

*Nowlen, Holt & Miner, P.A.*

West Palm Beach, Florida  
April 29, 2014

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Expenditures of Federal Awards and State Financial Assistance**  
**For the Fiscal Year Ended September 30, 2013**

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Agency or Pass-Through Number	Federal Expenditures	Transfers to Subrecipients
<b><u>U.S. Department of Homeland Security</u></b>				
Port Security Grant Program	97.056	2011-PU-00144	608,742	60,982
			<u>608,742</u>	<u>60,982</u>
<b>Total Federal Awards</b>			<b><u>\$ 608,742</u></b>	<b><u>\$ 60,982</u></b>
State Grantor/Pass-Through Grantor/Program Title	CSFA Number	Agency or Pass-Through Number	State Expenditures	Transfers to Subrecipients
<b><u>Florida Department of Transportation</u></b>				
Seaport Grants	55.005	AO525	\$ 120,444	\$
Seaport Grants	55.005	AOX32	30,964	
Seaport Grants	55.005	AQ829	4,032,952	
Seaport Grants	55.005	AQD16	10,622	
			<u>4,194,982</u>	
<b>Total State Financial Assistance</b>			<b><u>\$ 4,194,982</u></b>	<b><u>\$</u></b>

**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedule of expenditures of federal awards and state financial assistance includes Federal and State grant activity of the Port of Palm Beach District and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the Florida Single Audit Act. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Expenditures are recognized on the cash basis of accounting.

**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.

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2013**

**SECTION I—SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Type of auditor’s report issued:

Unmodified Opinion

Internal control over financial reporting:

- Material weakness identified?                           Yes     X   No
- Reportable condition 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 and State Financial Assistance**

Internal control over major programs/projects:

- Material weakness identified?                           Yes     X   No
- Reportable condition 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:

Unmodified Opinion

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

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2013**

**SECTION I — SUMMARY OF AUDITOR’S RESULTS** (Continued)

**Identification of Major Federal Program**

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.056	U.S. Department of Homeland Security - FEMA <ul style="list-style-type: none"><li>• Port Security Grant Program</li></ul>

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

Auditee qualified as low-risk auditee?                           Yes   X   No

**Identification of Major State Project**

<u>CSFA Number</u>	<u>Name of State Project</u>
55.005	Florida Department of Transportation <ul style="list-style-type: none"><li>• Seaport Grants</li></ul>

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

**PORT OF PALM BEACH DISTRICT**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2013**

**SECTION II — FINANCIAL STATEMENT FINDINGS**

None

**SECTION III — FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

**Major Federal Program**

U.S. Department of Homeland Security - FEMA  
Port Security Grant Program – CFDA No. 97.056

None

**SECTION IV — STATE PROJECTS FINDINGS AND QUESTIONED COSTS**

**Major State Project**

Florida Department of Transportation  
Seaport Grants – CSFA 55.005

None

**PORT OF PALM BEACH DISTRICT**  
**Summary Schedule of Prior Audit Findings**  
**September 30, 2013**

**FEDERAL SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None

**STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

None



**NOWLEN, HOLT & MINER, P.A.**

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**MANAGEMENT LETTER IN ACCORDANCE WITH  
THE RULES OF THE AUDITOR GENERAL  
OF THE STATE OF FLORIDA**

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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 30, 2013, and have issued our report thereon dated April 29, 2014.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; 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 Auditor General. 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*; Independent Auditor’s Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550 Rules of the Florida Auditor General; and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated April 29, 2014, should be considered in conjunction with this Management Letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local government entity audits in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditor’s reports or schedule.

**PRIOR YEAR COMMENTS**

Rules of the Auditor General require that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report.

There were no items in the prior year that required a response by management.

## **CURRENT YEAR COMMENTS**

### *Investment of Public Funds*

Rules of the Auditor General require our audit to include a review of the provisions of Section 218.415, Florida Statutes, regarding the investment of public funds. In connection with our audit, the results of our procedures did not disclose any instances of noncompliance with Section 218.415, Florida Statutes.

### *Recommendations to Improve Financial Management*

Rules of the Auditor General require that we address in the Management Letter any recommendations to improve financial management. In connection with our audit we did not have any such recommendations.

### *Noncompliance with Provisions of Contracts or Grant Agreements, or Abuse*

Rules of the Auditor General require that we address noncompliance with provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

### *Oversight Unit and Component Units*

Rules of the Auditor General require 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.

### *Consideration of Financial Emergency Criteria*

Rules of the Auditor General require 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), Florida Statutes.

### *Annual Financial Report*

Rules of the Auditor General require that we determine whether the annual financial report for the Port of Palm Beach District for the fiscal year ended September 30, 2013, 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, 2013. In connection with our audit, we noted that the two reports were in substantial agreement.

Financial Condition Assessment Procedures

Rules of the Auditor General require that we apply 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 provided by same. In connection with our audit we applied financial condition assessment procedures as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Single Audits

The Port of Palm Beach District expended more than \$500,000 of federal awards and more than \$500,000 of state financial assistance for the year ended September 30, 2013. Consequently, the Port of Palm Beach District was required to have a federal single audit and a state single audit.

Our Management Letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and state awarding agencies, and applicable management of the Port of Palm Beach District, and members of the Port of Palm Beach District's Board of Commissioners and is not intended to be and should not be used by anyone other than these specified parties.

*Nowlen, Holt & Mimer, P.A.*

West Palm Beach, Florida  
April 29, 2014