

PORT OF PALM BEACH DISTRICT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2014

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2014



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, 2014

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PORT OF PALM BEACH DISTRICT

**PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2014**

PORT BOARD MEMBERS

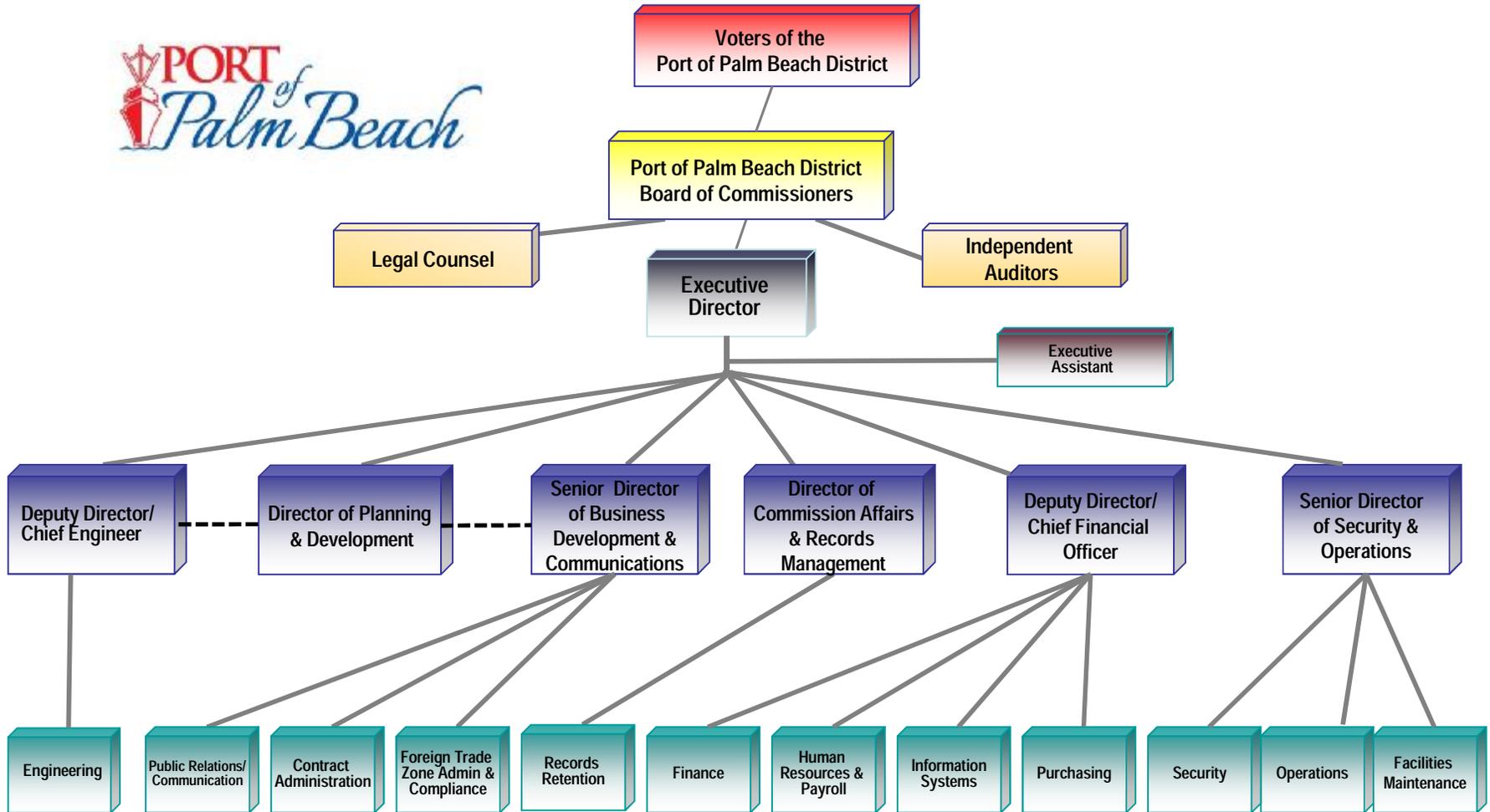
Edward R. Oppel	Chairman
Blair J. Ciklin	Vice Chairman
Wayne M. Richards	Secretary/Treasurer
George E. Mastics	Commissioner
Jean L. Enright	Commissioner

PORT STAFF

Manuel Almira, PPM [®]	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 and Communications
Peggy Gandiaga	Director of Commission Affairs
Ken Hern	Senior Director of Security and Operations
Carl Baker	Director of Planning
Daniel Kirchman, CPA	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, 2014





NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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WILLIAM B. MINER, CPA
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CPA, ABV, CFF, CPA
ALEXIA G. WARFA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCHIA, CFP®, CPA

KATHLEEN A. MINER, CPA
J. MICHAEL STEVENS, CPA
JARRETT A. PERRY, CPA
KARA D. PETERSON, CFE, CPA
MARK J. BYMASTER, CFE, CPA
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INDEPENDENT AUDITOR'S REPORT

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

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, 2014, 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, 2014, 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.

Change in Accounting Principle

As described in Note 1 to the financial statements, the Port of Palm Beach District adopted the recognition and disclosure requirements of Governmental Accounting Standard Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, during the fiscal year ended September 30, 2014. Net position as of October 1, 2013 has been restated. Our opinion is not modified with respect to this matter.

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 18 and the schedule of funding progress – other postemployment benefits on page 50 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 51 through 61, 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 2013 basic financial statements and, in our report dated April 29, 2014 we expressed an unqualified opinion on those financial statements. The schedule of expenditures of federal awards and state financial assistance on page 77 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 51 through 60 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 61, 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 30, 2015, 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 & Miner, P.A.

West Palm Beach, Florida
April 30, 2015

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, 2014 and 2013. The information presented should be read in conjunction with the financial statements, notes and supplemental schedules found in this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Port exceeded its liabilities at the close of the most recent fiscal year by \$102,601,920 (*net position*). Of this amount, \$6,871,035 (*unrestricted net position*) may be used to meet the Port's ongoing obligations to creditors.
- The Port's total net position increased by \$11,788,571. This increase consists of \$1,566,219 of income before contributions, and \$10,222,352 of capital contributions.
- At the end of the current fiscal year, unrestricted net position was 84% 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, deferred outflows of resources, and liabilities, 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 19 – 23 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 24 – 49 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 51 – 72 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 and deferred outflows of resources exceeded liabilities as of September 30, 2014 and 2013 by \$102,601,920 and \$90,813,349 respectively.

The following table reflects the condensed statement of net position:

Port of Palm Beach District's Net Position

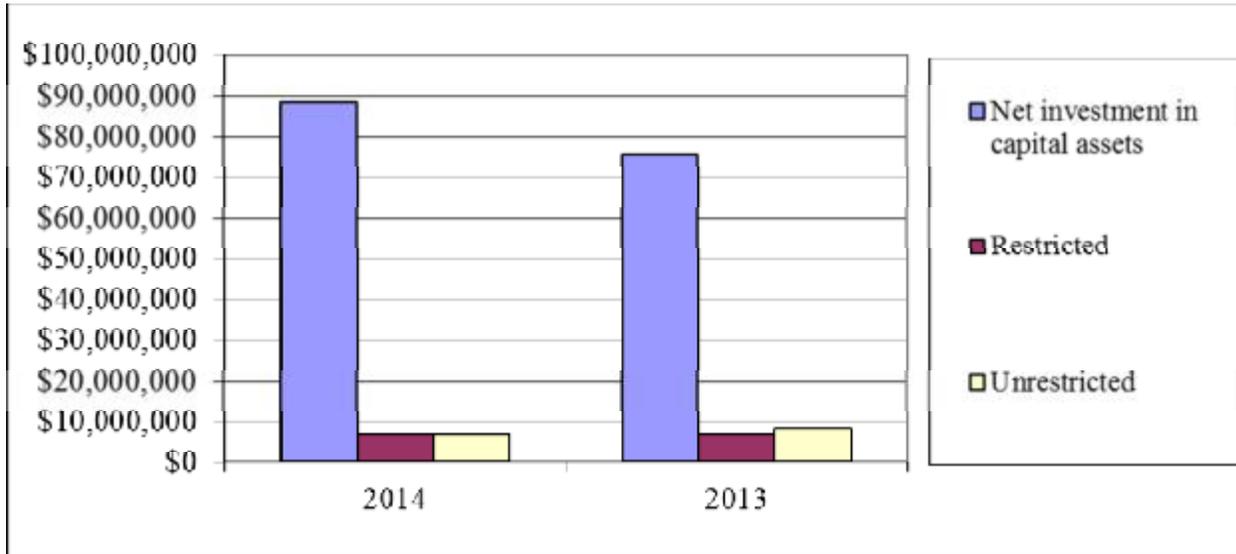
	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 22,723,710	\$ 24,859,885
Capital assets, net	120,555,429	110,196,858
Total assets	<u>143,279,139</u>	<u>135,056,743</u>
 Total deferred outflows of resources	 <u>1,004,999</u>	 <u>1,141,549</u>
 Current liabilities	 6,969,562	 8,238,464
Noncurrent liabilities	34,712,656	37,146,479
Total liabilities	<u>41,682,218</u>	<u>45,384,943</u>
 Net investment in capital assets	 88,705,163	 75,618,050
Restricted	7,025,722	6,972,218
Unrestricted	6,871,035	8,223,081
Total net position	<u>\$ 102,601,920</u>	<u>\$ 90,813,349</u>

Current and other assets decreased by approximately \$2.14 million as a result of a \$0.87 million decrease in cash and cash equivalents that was primarily due to the purchase of capital assets, increased operating expenses and the feasibility study which exceeded the cash provided by the Port's operations. Receivables and prepaid items decreased by approximately \$1.24 million that was primarily due to the collection of outstanding reimbursement requests from the Florida Department of Transportation Seaport grants. The remaining \$0.03 million decrease was amortization of deferred charges. The decrease of \$0.14 million in deferred outflows of resources is a result of amortizing the deferred loss on refunding the revenue bonds through interest expense.

The decrease in Current liabilities of approximately \$1.27 million is primarily the result of deferred grant revenue decreasing by \$1.49 million as a result of a \$3.00 million advance from the Florida Department of Transportation Seaport grants to pay for sheet piling needed for the Slip #3 redevelopment grant project. This advance was repaid through reductions from reimbursement requests as the sheet piling was purchased and paid for and then recognized as capital contributions - grants. There was also a decrease in unearned revenue of \$0.09 from various tenant prepayments that were recognized as revenue. The increase of \$0.20 million in payables, accrued expenses and customer deposits was primarily due to an increase in the retainage for the Slip # 3 construction project which offset a decrease in the remaining payables due to the timing of cash disbursements. Also, accrued interest and the current portion of long-term debt increased by \$0.11 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 \$2.43 million is primarily the result of a net decrease in the long-term debt (revenue bonds) of \$2.95 million from principal bond payments, and bond issue discounts. Capital appreciation interest payable increased by \$0.50 million from additional interest on the series 2002 revenue bonds. The remaining \$0.02 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, 2014 and 2013 (86% & 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, 2014 and 2013 (7% & 8%) 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 2014, the Port's unrestricted net position was \$6,871,035 (7% of net position), a decrease of (\$1,352,046) or 16% from FY 2013.

The Port's total net position increased by \$11,788,571 or 13% in FY 2014. Of this amount, \$1,566,219 represents net income before capital contributions and \$10,222,352 represents capital contributions from federal, state and private 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>2014</u>	<u>2013</u>
Operating revenues:		
Fees and charges for services	\$ 15,673,398	\$ 15,430,217
Non-operating revenues:		
Investment earnings	1,933	13,199
Other		4,679
Grant revenue	146,674	182,428
Total non-operating revenues	<u>148,607</u>	<u>200,306</u>
Total revenues	<u>15,822,005</u>	<u>15,630,523</u>
Operating expenses:		
General expenses	1,771,389	1,632,400
Engineering and maintenance	1,994,431	2,401,307
Security	1,879,762	1,853,418
Administration	1,672,401	1,440,193
Business development	524,075	501,629
Operations	337,109	222,348
Depreciation and amortization	4,188,432	4,210,294
Total operating expenses	<u>12,367,599</u>	<u>12,261,589</u>
Non-operating expenses:		
Grant and feasibility	227,678	156,873
Other	562	
Interest	1,659,947	2,152,645
Total non-operating expenses	<u>1,888,187</u>	<u>2,309,518</u>
Total expenses	<u>14,255,786</u>	<u>14,571,107</u>
Income before contributions	1,566,219	1,059,416
Capital contributions	<u>10,222,352</u>	<u>4,898,938</u>
Change in net position	11,788,571	5,958,354
Net position – beginning (restated)	<u>90,813,349</u>	<u>84,854,995</u>
Net position - ending	<u>\$ 102,601,920</u>	<u>\$ 90,813,349</u>

Key elements of the increase in net position for the fiscal year ended September 30, 2014 are as follows.

- Operating Revenues increased by approximately \$0.24 million or approximately 2%. This was primarily due to increases in wharfage, passenger charges and related parking and rail switching. The most significant volume increases were container tonnage, passengers, and parking which were all up 5% or more, rail car switching was up approximately 27%, and the effect of minimum annual guarantees. 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 94%.

The Port's operating revenues have achieved a compound annual growth rate of over 6% between FY 2008 (the start of the Great Recession) and FY 2014. 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 fifth year of operations (fourth 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 \$5.26 million from 354 thousand passengers and the Ports contribution to the Bahamas Celebration's sales and marketing effort was approximately \$3.25 million, which resulted in net passenger charges of \$2.01 million for FY 2014.

The Port's total passenger revenue increased by approximately \$0.17 million or 9%, this includes the multi-day cruise line (Bahamas Celebration) and the day cruise gaming vessel (Island Breeze) that operated over a four (4) month span before going out of business.

Wharfage and cargo related revenue increased by approximately \$0.8 million or 2%, primarily as a result of cargo tonnage increases in container, break-bulk asphalt and fuel oil, and TEU volumes, which offset decreases in diesel, molasses, sugar, miscellaneous and trans-shipments. These decreases were lessened by contractual minimum annual guarantee payments from both existing and new customers.

Dockage and related revenue had a modest increase of approximately \$0.02 million or 1%. This modest increase was expected as total cargo tonnage remained flat. Increases in total vessel traffic of approximately 2% primarily container, fuel oil and recycled steel were offset by declines in diesel, molasses, sugar other miscellaneous vessels.

Rent and related storage decreased by approximately \$0.29 million or 6% primarily due primarily due to loss of a major utility construction company tenant whose lease ended in FY 2014 due to the completion of their project.

Parking fees increased by approximately \$0.20 million or 20%, primarily as a result of the Bahamas Celebration passenger parking through increased volume and multi-day stays and also contractual rate increases. The Port's day and multiday cruises accounted for approximately 52,267 vehicles being parked through valet and self-parking, an increase of approximately 7% over FY 2013.

Miscellaneous income decreased by approximately \$0.06 million or 14% primarily due to receipt of \$85 thousand in bankruptcy proceeds from a previous day cruise operator in FY 2013.

The remaining operating revenues which consist of switching, licenses, permits, and identification badging increased by approximately \$0.13 million or 23%, primarily due to an increase in rail car volume, as noted above.

The Schedule of Port Facilities Revenues can be found on page 56 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 \$0.036 million or 20%, due primarily to the FY 2013 close out of the FY 2007 U.S. Homeland Port Security Grant Program, which was non-matching, and the master plan update under the Florida Department of Transportation (FDOT) Seaport matching grant program. In FY 2014 the Port received \$62 thousand from the FDOT Intermodal Cargo Transfer/Passenger Service Facility matching grant and \$85 thousand from the FY 2011 U.S. Homeland Port Security Grant Program.
- Operating Expenses increased approximately \$0.11 million or 1%, and operating expenses before depreciation and amortization increased approximately \$0.13 million or 2%. The most significant increases were salary and related benefits, bad debt expenses, and contracted security costs which offset decreases in repairs and maintenance.

The Port's operating expenses before depreciation and amortization had a compound annual reduction rate of approximately 1% between FY 2008 (the start of the Great Recession) and FY 2014. 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 52% and increased by approximately \$0.37 million or 10%. Salaries and payroll taxes increased by approximately \$0.15 million or 5%, primarily due to approved salary increases, health insurance benefits increased approximately \$0.16 million or 22%, as health care costs continue to escalate, and the remaining \$0.06 million was due to FRS contribution increases mandated by the Florida legislature.

General expense (excluding employee benefits) decreased by approximately \$0.08 million or 11%, due primarily to decreases in bad debt expense.

Engineering and maintenance expense (excluding employee costs) had a significant decrease of approximately \$0.39 million or 21% 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 that were completed in FY 2013.

Security expense (excluding employee costs) increased by approximately \$0.06 million or 5%. This was due primarily to increases in contracted security service rates.

Administration expense (excluding employee costs) increased by approximately \$0.13 million or 56%, primarily due to increases in computer maintenance for additional licensing requirements and higher costs and additional computer consulting needed to move the computer room back to its original location after the MOC roof repairs were completed.

Business development expenses (excluding employee costs) remained flat with no increase.

Operations expense (excluding employee costs) increased by approximately \$0.04 million or 36%, primarily due to additional fuel costs caused by a combination of increases in rail switching volumes and fuel prices.

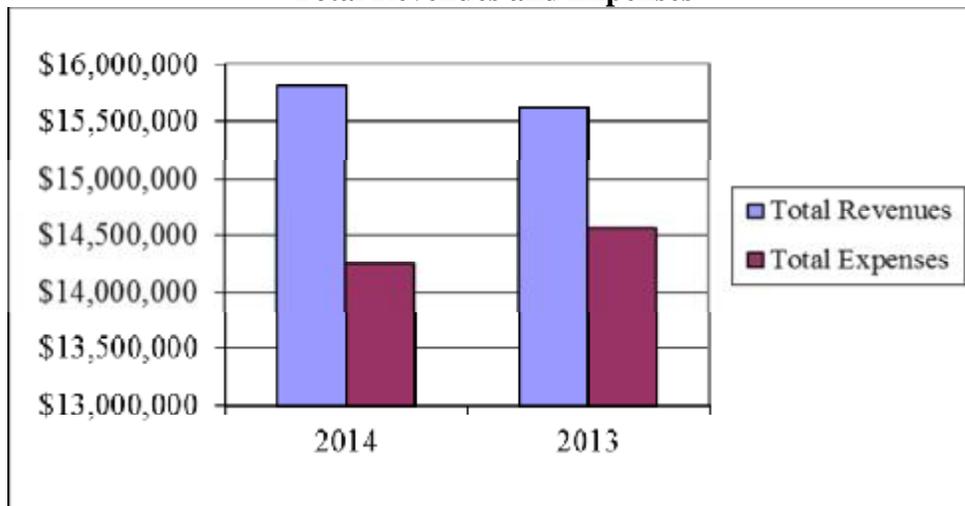
Depreciation and amortization expense had a modest decrease of approximately \$0.02 million or (1%). The majority of capital additions in FY 2014 were for construction in progress that was primarily the ongoing construction of the Slip #3 Redevelopment project and the planning phase of the Berth 17 Expansion project.

The Schedule of Operating Expenses can be found on pages 57 and 58 of this report.

- Grant and feasibility expenses increased by approximately \$0.07 million or approximately 45%, primarily due to the Port incurring \$102 thousand for the cost sharing agreement with the U.S. Army Corps of Engineers Lake Worth Inlet Feasibility Study Project and \$124 thousand in matching costs for the FDOT Seaport Intermodal Cargo Transfer and Passenger Service Facility feasibility study matching grant program.

- Interest expense decreased by approximately \$0.49 million or 23%, primarily as a result of refinancing all of its outstanding revenue improvement bonds, series 1999A by issuing revenue refunding bonds, series 2013 at a lower fixed interest rate in FY 2013.
- Capital contributions increased by approximately \$5.32 million for a total of \$10.22 million which consisted of approximately \$8.55 million for Slip # 3 Redevelopment, \$0.52 million for Berth 17 Expansion, and \$0.05 for Building 21 Demolition and Cargo Area Improvements which are all Florida Department of Transportation Seaport 75/25 matching grant programs, \$1.10 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, 2014 amounted to approximately \$120.56 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 2014 was \$10.36 million. This was attributable to \$13.92 million for the acquisition and construction of Capital Assets, of which the majority were additions for the construction of Slip #3 Redevelopment, and other improvements, machinery and equipment and computers, which were offset by an increase in Accumulated Depreciation of \$3.56 million.

The Port's major capital projects for the next two 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 in FY 2015 and will also provide the Port with additional "roll on / roll off" capability. The total project cost is estimated to be approximately \$27.30 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 \$9.20 million.

Construction-in-progress projects total approximately \$24.19 million as of September 30, 2014 and include the following projects:

- Slip # 3 Redevelopment
- Berth 17 Expansion
- 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>2014</u>	<u>2013</u>
Land	\$ 28,123,200	\$ 28,123,200
Buildings and improvements	36,620,439	38,176,788
Slips and improvements	12,374,825	12,862,534
Other improvements	13,428,944	14,566,880
Wharf and loading ramps	4,275,545	4,442,881
Machinery and equipment	980,305	971,621
Computer equipment	290,456	99,450
Autos and trucks	125,636	162,389
Furniture and fixtures	146,053	109,501
Construction in progress	24,190,026	10,681,614
Total capital assets, net	\$ 120,555,429	\$ 110,196,858

DEBT ADMINISTRATION

Long-term debt: The Port had outstanding revenue bonds of approximately \$33.04 million as of September 30, 2014. Of this amount approximately \$2.98 million is current and will mature by September 1, 2015. In FY 2013, 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 2014 and 2013, the Port met this requirement.

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

Port of Palm Beach District's Outstanding Debt Revenue Bonds

	<u>2014</u>	<u>2013</u>
Revenue bonds payable	\$ 33,039,022	\$ 35,926,794
Less deferred amounts:		
For issuance discounts	<u>(183,757)</u>	<u>(206,437)</u>
Total revenue bonds payable	<u>\$ 32,855,265</u>	<u>\$ 35,720,357</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Port of Palm Beach had to endure several challenges in FY 2015. The budgeted net operating revenues are approximately 3% less than last year primarily as the result of four significant tenant contracts and guarantees that were reduced and/or expired. These include a biofuel customer whose business was unable to start due to funding and permitting issues, a large state electric utility company that rebuilt its generating plant using natural gas, where previously it was a fuel oil plant that required tanker shipments through the Port, a construction corporation tenant whose contract expired as a result of completing the new electrical generating plant and a reduction of the guarantees from a global building materials tenant due to downsizing. The loss and/or reductions of these tenant contracts and guarantees over shadowed gains in new business and growth in current customers.

There are two areas at the Port that are undergoing major refurbishing projects. These projects are the Slip #3 Redevelopment which is scheduled to be completed in the 4th quarter of FY 2015 and thereafter the Berth 17 Expansion will begin and is estimated to be completed in the 4th quarter of FY 2017. These construction projects have and will bring operational challenges on a daily basis.

The Port had to endure draft restrictions on shipping in the inlet due to the shoaling for the first three months of FY 2015 which resulted in no recycled steel shipments, the loss of yacht imports and exports, and other lost shipments, in which, the financial loss cannot be determined. The draft restrictions were lifted at the beginning of January 2015 as a result of incurring emergency maintenance dredging costs of \$330,200, that were not budgeted. The Port was reimbursed for half of these costs through a FDOT operating grant. The U.S. Army Corp of Engineering (USACOE) was not able to schedule their annual maintenance dredging until a later date.

March of 2014 saw the inaugural sailing of the Island Breeze Casino day cruise gaming operator at the Port. Unfortunately the Island Breeze only sailed sporadically for four months before going out of business. The Port budgeted approximately \$1.1 million in passenger charges and parking for this operation in FY 2015. However, the Port has begun positive negotiations with another day cruise operator, and it is working to secure a new long-term agreement to replace the Island Breeze.

The Port's multi-day cruise operator, Celebration Cruise Line, a major customer, ceased operations as a result of their cruise ship "Bahamas Celebration" becoming inoperable as a result of irreparable hull damage suffered after a collision with a submerged object on October 31, 2014 in Freeport, Bahamas. The Port lost approximately \$568 thousand in budgeted revenue for the months of November through January 2015. However, the Port entered into a long-term agreement with Cruise Operator, Inc., that replaced the previous multi-day cruise operator, with a ten year agreement and a five year renewal option. In addition, the Port and Cruise Operator, Inc. are finalizing a long-term lease for office space at the Maritime Office Complex that will provide approximately \$150 thousand annually. The new cruise ship "Grand Celebration" commenced sailings on February 3, 2015. The Grand Celebration passenger capacity is approximately 40% more than the Bahamas Celebration. The first two months of operations exceeded the Port's expectations and we now project the multi-day cruise revenue to meet the FY 2015 budgeted amounts.

In FY 2014, the Port entered into a long-term agreement with an international energy company to export natural gas to its Caribbean electric power plants. After completion of the Berth 17 Expansion project in late FY 2017 the company is projected to be in full operation by FY 2018, which will provide a stable, inflation adjusted revenue stream to the Port that averages over \$1.72 million for 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 2015.

- Net operating revenues are budgeted to decrease 2.9% for FY 2015 as a result of four significant tenant contracts and guarantees that expired, as noted above. Operating expenses are budgeted to increase only 1.6% primarily due to salary, payroll taxes and benefit increases and all other normal inflationary increases.
- Income before capital contributions is budgeted at approximately \$1.3 million. This represents a 10.9% decrease over actual FY 2014.

Requests for Information

This financial report is designed to provide a general overview of the Port of Palm Beach District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Port of Palm Beach District
Paul J. Zielinski, Deputy Director - CFO
1 East 11th Street, Suite 600
Riviera Beach, FL 33404

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2014

ASSETS

	2014
Current assets:	
Cash and cash equivalents	\$ 7,560,875
Accounts receivable (net of allowance for uncollectables of \$40,000)	742,138
Prepaid items	667,946
Restricted assets:	
Cash and cash equivalents	11,896,774
Grants receivable	1,369,623
Accounts receivable	23,924
Prepaid items	217,490
Total current assets	22,478,770
 Noncurrent assets:	
Restricted assets:	
Deferred charges	244,940
Total other noncurrent assets	244,940
Capital assets:	
Land and land rights	28,123,200
Buildings and improvements	60,851,772
Slips and improvements	22,437,729
Other improvements	34,881,900
Wharf and loading ramps	7,798,154
Machinery and equipment	2,584,819
Computer equipment	987,883
Autos and trucks	397,437
Furniture and fixtures	300,982
Construction in progress	24,190,026
Less accumulated depreciation	(61,998,473)
Total capital assets (net of accumulated depreciation)	120,555,429
Total noncurrent assets	120,800,369
Total assets	143,279,139

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources:	
Deferred loss on bond refunding, net	1,004,999

LIABILITIES

	<u>2014</u>
Current liabilities	
Accounts payable and accrued expenses	\$ 587,299
Unearned revenue	911,697
Compensated absences payable	251,686
Payable from restricted assets:	
Customer deposits	230,001
Accounts payable	78,960
Contracts payable	1,839,559
Unearned grant revenue	5,000
Accrued interest payable	87,266
Current portion of long-term debt	2,978,094
Total current liabilities	<u>6,969,562</u>
Noncurrent liabilities	
Compensated absences payable	251,686
Other postemployment benefits	97,556
Restricted capital appreciation interest payable	4,486,243
Revenue bonds payable (less unamortized bond discount)	32,855,265
Less: current portion	(2,978,094)
Total noncurrent liabilities	<u>34,712,656</u>
Total liabilities	<u>41,682,218</u>

NET POSITION

Net investment in capital assets	88,705,163
Restricted for debt service	112,903
Restricted for renewal and replacement	985,901
Restricted for business development	368,282
Restricted for capital improvements	5,558,636
Unrestricted	6,871,035
Total net position	<u>\$ 102,601,920</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, 2014

	2014
Operating revenue	
Port facilities	\$ 18,926,272
Less: Direct marketing support	(3,252,874)
Net operating revenue	15,673,398
Operating expenses	
General expenses	1,771,389
Engineering and maintenance	1,994,431
Security	1,879,762
Administration	1,672,401
Business development	524,075
Operations	337,109
Operating expenses before depreciation and amortization	8,179,167
Operating income before depreciation and amortization	7,494,231
Depreciation and amortization expense	4,188,432
Operating income	3,305,799
Non-operating revenues (expenses)	
Investment earnings	1,933
Grant revenue	146,674
Grant expense	(2,000)
Gain on disposition of assets	(562)
Feasibility study	(225,678)
Interest expense	(1,659,947)
Total nonoperating revenue (expenses)	(1,739,580)
Income before contributions	1,566,219
Capital contributions	10,222,352
Change in net position	11,788,571
Total net position - beginning, as restated	90,813,349
Total net position - ending	\$ 102,601,920

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2014

	2014
Cash flows from operating activities:	
Receipts from customers and users	\$ 13,997,015
Payments to suppliers for goods and services	(4,185,187)
Payments to or on behalf of employees	(4,208,573)
Net cash provided by operating activities	5,603,255
Cash flows from non-capital financing activities	
Payments for feasibility study	(225,678)
Grant revenues received	203,581
Payments to grant subrecipient	(99,387)
Net cash used by non-capital financing activities	(121,484)
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(14,087,598)
Principal paid on debt	(2,887,772)
Interest paid on debt	(984,280)
Capital contributions received	20,865
Capital grants received	11,587,822
Net cash used for capital and related financing activities	(6,350,963)
Cash flows from investing activities	
Interest received on investments	1,933
Net cash provided by investing activities	1,933
Net decrease in cash and cash equivalents	(867,259)
Cash and cash equivalents - beginning	20,324,908
Cash and cash equivalents - ending	\$ 19,457,649

(Continued)

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2014
(Continued)

	2014
Cash and cash equivalents classified as:	
Unrestricted assets	\$ 7,560,875
Restricted assets	11,896,774
Total cash and cash equivalents	\$ 19,457,649
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 3,305,799
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,159,615
Amortization expense	28,817
(Increase) decrease in assets	
Accounts receivable	(127,523)
Prepaid expenses	(75,620)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(155,386)
Customer deposits	30,001
Unearned revenue	(1,578,861)
Other postemployment benefits	25,152
Compensated absences	(8,739)
Total adjustments	2,297,456
 Net cash provided by operating activities	\$ 5,603,255

See notes to the financial statements

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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:

- a) 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
- b) 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.

Organizations for which the Port is not financially accountable are also included when doing so is necessary in order to prevent the Port's financial statements from being misleading.

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2014**

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 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, 2014**

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, 2014 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 of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for Deferred Outflows of Resources. Deferred Outflows of Resources represent the usage of net position applicable to future periods and will not be recognized as an expense until the future period to which it applies. The Port only has one item that qualifies for reporting in this category. It is the deferred amount on bond refunding. The deferred loss on current and advance refunding of bonds is being amortized, using the straight line method, and reported as a component of interest expense through the year 2024. 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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for Deferred Inflows of Resources. Deferred Inflows of Resources represent 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.

Unearned Revenue

Resources that do not meet revenue recognition requirements are recorded as unearned revenue. Unearned 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 Discount

Unamortized Bond Discount is amortized to non-operations through interest expense using the straight-line method over the life of the bonds. The unamortized bond discount is reported as a component of the debt liability and deducted from long-term bonds payable.

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 is 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 consists 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, 2014**

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, 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 60.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Obligation Bonds and Taxes

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, 2014**

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, 2014:

GASB 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.

GASB 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 to 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*. Implementation of this statement did not have any effect on the Port's financial statements.

GASB 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.

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 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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2014, the Port's book balance for deposits in "Qualified Public Depositories" was \$14,769,637 and the related bank balance totaled \$15,405,833. The Port also had \$1,600 in petty cash for a total carrying amount of \$14,771,237.

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, 2014, 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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

The Port is authorized to invest the bond proceeds and the sinking fund account deposits in the following: (1) U.S. obligations; (2) obligations fully and unconditionally secured by the full faith and credit of the United States of America; (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the non-full faith and credit of U.S. governmental agencies; (4) mortgaged-backed securities and senior debt obligations; (5) certificates of deposit secured by collateral in (1) or (2) above; (6) certificates of deposit, savings accounts, deposit account or money market deposits fully insured by FDIC; (7) commercial paper rated in the single highest classification; (8) money market funds registered under the Federal Investment Company Act; (9) pre-refunded municipal bonds rated in the single highest classification; (10) investment agreements; (11) bonds or notes issued by any state or municipality rated in the two highest long-term categories; (12) units of participation in the Local Government Surplus Funds Trust Fund; (13) federal funds or bankers acceptances; (14) repurchase agreements; (15) other forms of investments approved in writing by the Credit Facility Issuer. The State Board of Administration is part of the Local Governments Surplus Funds Trust Fund and is governed by Chapter 19-7 of the Florida Administrative Code. These rules provide guidance and establish the general operating procedures for the administration of the Local Governments Surplus Funds Trust Fund. Additionally, the Office of the Auditor General performs the operational audit of the activities and investments of the State Board of Administration. The Local Government Surplus Funds Trust Fund is not a registrant with the Securities and Exchange Commission (SEC); however, the board has adopted operating procedures consistent with the requirements for a 2a-7 fund.

As of September 30, 2014, 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	\$4,350,901	35 days
Milestone Treasury Obligations Portfolio Money Market Fund (2)	AAAM & AAAMmf	<u>335,511</u>	Maximum 60 days
		<u>\$4,686,412</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, 2014**

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, 2014, 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, 2014, is as follows:

By Category:	
Deposits	\$ 14,769,637
Petty cash	1,600
Investments	4,686,412
Total deposits and investments	<u>\$ 19,457,649</u>
Presented in the statement of net position	
Cash and cash equivalents	\$ 7,560,875
Restricted cash and cash equivalents	11,896,774
Total statements of net position	<u>\$19,457,649</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended September 30, 2014, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 28,123,200	\$	\$	\$ 28,123,200
Construction	10,681,614	14,565,388	(1,056,976)	24,190,026
Total capital assets, not being depreciated	<u>38,804,814</u>	<u>14,565,388</u>	<u>(1,056,976)</u>	<u>52,313,226</u>
Capital assets, being depreciated:				
Building and improvements	60,848,947	2,825		60,851,772
Slips and improvements	22,426,278	11,451		22,437,729
Other improvements	34,426,276	455,624		34,881,900
Wharf and loading ramps	7,798,154			7,798,154
Machinery and equipment	2,873,074	223,887	(512,142)	2,584,819
Computer equipment	815,450	258,797	(86,364)	987,883
Autos and trucks	399,313		(1,876)	397,437
Furniture and fixtures	243,230	57,752		300,982
Total capital assets, being depreciated	<u>129,830,722</u>	<u>1,010,336</u>	<u>(600,382)</u>	<u>130,240,676</u>
Less: accumulated depreciation	(58,438,678)	(4,159,615)	599,820	(61,998,473)
Total capital assets, being depreciated, net	<u>71,392,044</u>	<u>(3,149,279)</u>	<u>(562)</u>	<u>68,242,203</u>
Total capital assets, net	<u>\$110,196,858</u>	<u>\$ 11,416,109</u>	<u>\$(1,057,538)</u>	<u>\$120,555,429</u>

NOTE 4 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2014, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Revenue bonds payable	\$35,926,794	\$	\$(2,887,772)	\$33,039,022	\$2,978,094
Less deferred amounts:					
Issuance discounts	(206,437)		22,680	(183,757)	
Total bonds payable	<u>35,720,357</u>		<u>(2,865,092)</u>	<u>32,855,265</u>	<u>2,978,094</u>
Compensated absences	512,111	295,425	(304,164)	503,372	251,686
Other postemployment benefits	72,404	25,152		97,556	
Capital appreciation interest payable	<u>3,985,434</u>	<u>500,809</u>		<u>4,486,243</u>	
Total long-term liabilities	<u>\$40,290,306</u>	<u>\$ 821,386</u>	<u>\$(3,169,256)</u>	<u>\$37,942,436</u>	<u>\$3,229,780</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Interest Expense

Total interest costs incurred during the year ended September 30, 2014, was \$1,809,326. Of this amount, \$149,379 was capitalized as part of the cost of construction in progress. Total interest paid during the year was \$1,133,659.

Revenue Bonds

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. At September 30, 2014, 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, 2014 totaled \$4,021,431 and pledged gross revenues were \$15,673,398. At September 30, 2014, principal and interest to maturity in September 2026 to be paid from pledged future revenues totaled \$49,563,244.

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, 2014**

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, 2014, the Port had no supplemental revenues. At September 30, 2014, 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, 2014**

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, 2014:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$	\$	\$
2016			
2017			
2018			
2019			
2020-2024	2,573,297	5,241,703	7,815,000
2025-2026	2,468,538	6,231,462	8,700,000
	<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, 2014:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	2,230,000	281,413	2,511,413
2020-2021	4,730,000	291,626	5,021,626
	<u>\$10,570,000</u>	<u>\$2,066,691</u>	<u>\$12,636,691</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, 2014:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2015	\$ 992,930	\$ 186,344	\$1,179,274
2016	1,037,315	142,758	1,180,073
2017	1,080,987	97,216	1,178,203
2018	<u>1,133,503</u>	<u>49,761</u>	<u>1,183,264</u>
	<u>\$4,244,735</u>	<u>\$ 476,079</u>	<u>\$4,720,814</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, 2014**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding Bonds, Series 2013 (Continued)

Debt service requirements to maturity are as follows at September 30, 2014:

	Principal	Interest	Total Debt Service
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	1,292,355	277,680	1,570,035
2020-2024	7,122,190	720,161	7,842,351
	<u>\$13,182,452</u>	<u>\$ 2,508,287</u>	<u>\$15,690,739</u>

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.

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.

Contractual Commitments

As of September 30, 2014, the Port had significant contractual commitments for the following projects:

Project	Contract Balance
Slip #3 Rehabilitation and Improvement Berth 17	\$ 6,218,342 <u>191,058</u>
	<u>\$ 6,409,400</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 5 – CONTRACTS AND CONTINGENCIES (Continued)

Collective Bargaining Agreement

The Port's workforce is made up of approximately 52 employees. Substantially all the Port's non-management maintenance, railroad and security employees are union employees, which represents approximately 22% of the total. The Port renewed its collective bargaining agreement with the National Association of Government Employees, which was effective as of October 1, 2014. The agreement is automatically renewed for an additional year 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.

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, 2014, the Port incurred costs of \$848,251 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, 2014 was \$4,515,033. Future minimum rentals are predicated upon the ability of the lessees to meet their commitments.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

NOTE 6 – LEASING ACTIVITIES (Continued)

Minimum future rentals under non-cancelable operating leases having an initial term in excess of one year as of September 30, 2014 are as follows:

2015	\$ 3,704,803
2016	3,318,186
2017	2,813,636
2018	2,384,208
2019	1,177,857
Thereafter	<u>6,366,414</u>
Total minimum future rentals	<u>\$ 19,765,104</u>

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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.

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, 2014, were as follows: regular employees 10.37%, senior management service employees 22.82%, and elected officials 46.24%. These rates include a 3.00% employee contribution, 1.26% for the Retiree Health Insurance Subsidy Program discussed below, and a 0.04% administrative fee.

The Port’s contributions to the Florida Retirement System Pension Plan for the fiscal years ending September 30, 2012 through 2014 were equal to 100% of the required contributions for each fiscal year. The contributions are summarized below.

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Employer	\$ 86,531	\$ 112,246	\$ 175,044
Employee	<u>62,551</u>	<u>66,653</u>	<u>71,928</u>
Total	<u>\$ 149,082</u>	<u>\$ 178,899</u>	<u>\$ 246,972</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, 2014, were as follows: regular employees 10.37%, senior management service employees 24.14%, and elected officials 46.24%. These rates include a 3.00% employee contribution, 1.26% for the Retiree Health Insurance Subsidy Program, and a 0.4% administrative fee.

The Port's total payroll for the year ended September 30, 2014 was \$2,871,146 and payroll for employees covered by the Plan was \$394,850. The Port and the covered employees made the required contributions of \$28,466 and \$11,846, 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.

Funding Policy

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, 2014**

NOTE 8 – EMPLOYEE RETIREMENT PLAN (Continued)

Retiree Health Insurance Subsidy Program (Continued)

Funding Policy (Continued)

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 1.26% 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 Port's contributions to the Retiree Health Insurance Subsidy Program for the fiscal years ending September 30, 2012 through 2014 were \$28,433, \$30,416 and \$34,488 respectively, which were equal to 100% of the required contributions for each fiscal year.

Publically Available Information

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 Florida Retirement System Investment Plan, and 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, 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, 2014**

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	2,534
Adjustment to annual required contribution	<u>(2,755)</u>
Annual OPEB cost (expense)	30,765
Age adjusted contributions made	<u>(5,613)</u>
Change in net OPEB obligation	25,152
Net OPEB obligation (NOO) October 1, 2013	<u>72,404</u>
Net OPEB obligation (NOO) September 30, 2014	<u>\$ 97,556</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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
09/30/12	\$29,906	\$ 8,865	29.6%	\$50,604
09/30/13	30,831	9,031	29.3%	72,404
09/30/14	30,765	5,613	18.2%	97,556

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	\$ 2,871,146
UAAL as a percentage of covered payroll	8.60%

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 \$32,479 to the plan at this time.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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, 2014. The Port facilities total revenue from these customers were as follows:

Tropical Shipping USA, LLC/Birdsall, Inc.		\$ 5,395,249
Celebration Cruise Operator, Inc.:		
Passenger Revenue	\$ 5,266,755	
Less Direct Marketing Support	<u>(3,252,874)</u>	
Subtotal Passenger Revenue	2,013,881	
Other Revenue	<u>162,200</u>	
Net Celebration Cruise Operator, Inc.		\$ 2,176,081

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2014**

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.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1, the Port implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the current fiscal year. The cumulative effect of applying GASB 65 has been reported as a restatement of the beginning net position. A reconciliation of the prior period ending net position to the current period beginning net positions is as follows.

	Business-type Activities
Balance at September 30, 2013, as reported	\$ 91,260,148
Adjustment to write-off loan issuance costs	<u>(446,799)</u>
Balance at September 30, 2013, as restated	<u>\$ 90,813,349</u>

Adoption of this new accounting principle increased the change in net position by \$48,029 for the current fiscal year.

NOTE 13 – SUBSEQUENT EVENT

The Port’s multi-day cruise operator, Celebration Cruise Line, a major customer, ceased operations as a result of their cruise ship “Bahamas Celebration” becoming inoperable as a result of irreparable hull damage suffered after a collision with a submerged object on October 31, 2014 in Freeport, Bahamas. However, the Port entered into a long-term agreement with Cruise Operator, Inc., that replaces the previous multi-day cruise operator, for ten years with a five year renewal option. In addition, Cruise Operator, Inc. may lease office space at the Port. The new cruise ship “Grand Celebration” commenced sailings on February 3, 2015. The Grand Celebration passenger capacity is approximately 40% more than the Bahamas Celebration.

PORT OF PALM BEACH DISTRICT
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
September 30, 2014

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%	2,871,146	8.60%

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, 2014

<u>Year Ending</u> <u>September 30</u>	<u>Interest</u>	<u>Retirement</u> <u>of Bonds</u>	<u>Total</u>
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, 2014

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
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>\$ 2,066,691</u>	<u>\$ 10,570,000</u>	<u>\$ 12,636,691</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$10,139,551 Revenue Refunding Bonds - Series 2007
September 30, 2014

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2015	\$ 186,344	\$ 992,930	\$ 1,179,274
2016	142,758	1,037,315	1,180,073
2017	97,216	1,080,987	1,178,203
2018	49,761	1,133,503	1,183,264
	<u>\$ 476,079</u>	<u>\$ 4,244,735</u>	<u>\$ 4,720,814</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$14,301,991 Revenue Refunding Bonds - Series 2013
September 30, 2014

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
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>\$ 2,508,287</u>	<u>\$ 13,182,452</u>	<u>\$ 15,690,739</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
Combined Revenue Bonds
September 30, 2014

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2015	\$ 1,047,178	\$ 2,978,094	\$ 4,025,272
2016	932,132	3,094,846	4,026,978
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>\$ 16,524,222</u>	<u>\$ 33,039,022</u>	<u>\$ 49,563,244</u>

PORT OF PALM BEACH DISTRICT
Schedule of Port Facilities Revenues
For the Fiscal Years Ended
September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Wharfage	\$ 3,562,456	\$ 3,465,204
Rent	4,515,033	4,565,986
Dockage	1,731,439	1,680,365
Parking	1,186,040	987,052
Passenger wharfage	59,305	61,816
Net passenger charges	2,013,881	1,839,498
Storage	66,939	309,647
Water	79,888	80,050
Line handling	28,000	59,200
Miscellaneous	391,387	453,320
Switching	528,987	421,825
Licenses	111,300	115,450
Identification badging	47,496	22,337
Security fee	536,966	535,019
Cargo terminal fee	661,301	689,458
Harbor master fee	107,500	99,980
Vessel bunkers	45,480	44,010
	<u> </u>	<u> </u>
Total Port Facilities Revenue	<u><u>\$ 15,673,398</u></u>	<u><u>\$ 15,430,217</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses
For the Fiscal Years Ended
September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
General expenses		
Insurance and surety bonds	\$ 499,547	\$ 505,021
Retirement	215,655	160,051
Group insurance	910,852	749,263
State and local taxes	11,949	2,063
Audit and other accounting services	90,803	88,432
Bad debt expense		80,000
Trustee fees	2,675	8,750
Consulting	36,033	38,790
Miscellaneous	3,875	30
Total general expenses	<u>1,771,389</u>	<u>1,632,400</u>
Engineering and maintenance		
Salaries	520,579	536,160
Payroll taxes	37,470	38,384
Maintenance and repairs - buildings and grounds	412,694	769,725
Electricity	389,069	345,329
Water	411,459	482,683
Janitorial and trash removal	88,540	97,992
Maintenance and repairs - equipment	27,925	26,089
Engineering fees	12,000	12,000
Surveys and maps	8,691	10,590
Fuel and oil - port vehicles	33,000	34,142
Telephone	23,947	18,307
Uniforms	15,277	17,402
Shop maintenance and supplies	11,562	10,635
Miscellaneous	2,218	1,869
Total engineering and maintenance	<u>1,994,431</u>	<u>2,401,307</u>
Security		
Salaries	700,005	728,256
Payroll taxes	51,797	54,076
Contract services	1,024,542	931,556
Security equipment	41,787	76,204
Identification badges	7,637	22,361
Uniforms	8,453	9,951
Telephone	21,110	4,577
Maintenance and repairs	18,236	23,414
Miscellaneous	6,195	3,023
Total security	<u>1,879,762</u>	<u>1,853,418</u>

(Continued)

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses (Continued)
For the Fiscal Years Ended
September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Administration		
Salaries	\$ 1,231,917	\$ 1,136,995
Payroll taxes	86,024	76,072
Telephone	64,972	56,945
Maintenance and repairs	11,800	12,494
Computer maintenance	32,396	17,232
Supplies, stationary and printing	32,114	27,613
Computer supplies	8,752	28,278
Postage	4,391	5,773
Training, seminars and consulting	55,055	36,528
Dues and subscriptions	2,179	1,894
Publications	6,955	6,758
Legal fees and other professional fees	125,244	26,568
Miscellaneous	10,602	7,043
Total administration	<u>1,672,401</u>	<u>1,440,193</u>
Business development		
Salaries	236,606	223,503
Payroll taxes	16,226	15,250
Retirement	23,094	14,865
Advertising and promotion	30,221	24,790
Trade development	57,849	70,452
Community relations	23,325	22,033
Travel	71,157	62,020
Dues and subscriptions	56,451	56,182
Publications	2,897	4,920
Miscellaneous	6,249	7,614
Total business development	<u>524,075</u>	<u>501,629</u>
Operations		
Salaries	182,039	110,012
Payroll taxes	13,421	8,076
Telephone	3,653	3,447
Maintenance and repairs - train	16,598	29,167
Maintenance and repairs - track	65,157	47,114
Fuel and oil - train	55,794	24,132
Miscellaneous	447	400
Total operations	<u>337,109</u>	<u>222,348</u>
Amortization	<u>28,817</u>	<u>31,809</u>
Depreciation	<u>4,159,615</u>	<u>4,178,485</u>
Total operating expenses	<u><u>\$ 12,367,599</u></u>	<u><u>\$ 12,261,589</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses
For the Fiscal Years Ended
September 30, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Revenue		
Port facilities	\$ 18,926,272	\$ 18,475,569
Less: Direct marketing support	(3,252,874)	(3,045,352)
Net operating revenue	<u>15,673,398</u>	<u>15,430,217</u>
Expenses		
General expenses	1,771,389	1,632,400
Engineering and maintenance	1,994,431	2,401,307
Security	1,879,762	1,853,418
Administration	1,672,401	1,440,193
Business development	524,075	501,629
Operations	337,109	222,348
Operating expenses	<u>8,179,167</u>	<u>8,051,295</u>
Operating income before depreciation and amortization	7,494,231	7,378,922
Depreciation and amortization expense	<u>4,188,432</u>	<u>4,210,294</u>
Operating income after depreciation and amortization	3,305,799	3,168,628
Non-operating revenues (expenses)		
Investment earnings	1,933	13,199
Grant revenue	146,674	182,428
Grant expense	(2,000)	(90,982)
Loss on disposition of assets	(562)	4,679
Feasibility study	(225,678)	(65,891)
Interest expense	(1,659,947)	(2,152,645)
Total non-operating revenues (expenses)	<u>(1,739,580)</u>	<u>(2,109,212)</u>
Income before contributions	<u>1,566,219</u>	<u>1,059,416</u>
Capital contributions	<u>10,222,352</u>	<u>4,898,938</u>
Change in net position	<u>\$ 11,788,571</u>	<u>\$ 5,958,354</u>

PORT OF PALM BEACH DISTRICT
Budgetary Comparison Schedule
For the Fiscal Year Ended
September 30, 2014

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Operating revenues			
Wharfage	\$ 3,562,456	\$ 3,769,648	\$ (207,192)
Dockage	1,731,439	1,497,149	234,290
Parking	1,186,040	1,381,844	(195,804)
Passengers	59,305	668,750	(609,445)
Passenger charges	5,266,755	5,168,210	98,545
Storage	66,939	120,745	(53,806)
Water	79,888	78,864	1,024
Line handling	28,000	82,839	(54,839)
Switching	528,987	599,951	(70,964)
Identification badging	47,496	19,493	28,003
Cargo terminal fee	661,301	744,919	(83,618)
Harbor master fees	107,500	115,026	(7,526)
Security fee	536,966	553,626	(16,660)
Licenses and permits	111,300	115,350	(4,050)
Miscellaneous income	391,387	269,140	122,247
Rent	4,515,033	4,324,172	190,861
Vessel bunkers	45,480	46,290	(810)
Total operating revenues	<u>18,926,272</u>	<u>19,556,016</u>	<u>(629,744)</u>
Less: Direct marketing support	(3,252,874)	(3,206,384)	(46,490)
Net operating revenues	<u>15,673,398</u>	<u>16,349,632</u>	<u>(676,234)</u>
Operating expenses			
General expenses	1,771,389	1,706,407	64,982
Engineering and maintenance	1,994,431	2,039,402	(44,971)
Security	1,879,762	1,843,075	36,687
Administration	1,672,401	1,677,323	(4,922)
Business development	524,075	630,452	(106,377)
Operations	337,109	299,562	37,547
Amortization	28,817	72,000	(43,183)
Depreciation	4,159,615	4,300,330	(140,715)
Total operating expenses	<u>12,367,599</u>	<u>12,568,551</u>	<u>(200,952)</u>
Operating income	<u>3,305,799</u>	<u>3,781,081</u>	<u>(475,282)</u>
Non-operating revenue (expenses)			
Investment earnings	1,933	12,000	(10,067)
Grant revenue	146,674	45,000	101,674
Grant expense	(2,000)		(2,000)
Loss on disposition of assets	(562)		(562)
Feasibility study	(225,678)		(225,678)
Interest expense	(1,659,947)	(1,910,760)	250,813
Total non-operating revenue (expenses)	<u>(1,739,580)</u>	<u>(1,853,760)</u>	<u>114,180</u>
Income before contributions	<u>\$ 1,566,219</u>	<u>\$ 1,927,321</u>	<u>\$ (361,102)</u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Statistics
For the Fiscal Years Ended
September 30, 2014 and 2013
Unaudited

	<u>2014</u>	<u>2013</u>	<u>Percent Change</u>
CARGO TONNAGE			
General Cargo			
Container	1,232,154	1,169,600	5.35%
Break-bulk	64,488	62,162	3.74%
Relay	60,351	73,579	(17.98%)
Sub-Total	<u>1,356,993</u>	<u>1,305,341</u>	3.96%
Bulk and Dry Cargo			
Asphalt	87,817	72,768	20.68%
Diesel		63,030	(100.00%)
Fuel Oil	30,284		100.00%
Miscellaneous		11,086	(100.00%)
Molasses	110,720	147,550	(24.96%)
Sugar	496,040	547,904	(9.47%)
Recycled Steel	68,950		100.00%
Sub-Total	<u>793,811</u>	<u>842,338</u>	(5.76%)
TOTAL ALL CARGO	<u>2,150,804</u>	<u>2,147,679</u>	0.15%
Inbound	127,878	123,199	3.80%
Outbound	129,374	125,012	3.49%
TOTAL TEUs	<u>257,252</u>	<u>248,211</u>	3.64%
RAIL CARS (IN AND OUT BOUND)	<u>16,606</u>	<u>13,098</u>	26.78%
VESSELS	<u>1,553</u>	<u>1,523</u>	1.97%
PASSENGERS	<u>364,829</u>	<u>345,970</u>	5.45%

PORT OF PALM BEACH DISTRICT
Net Position
For the Fiscal Years Ended September 30, 2006 through 2014
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	7,654,619	84,854,995
2013	(3) 75,618,050	6,972,218	8,223,081	90,813,349
2014	(3) 88,705,163	7,025,722	6,871,038	102,601,923

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

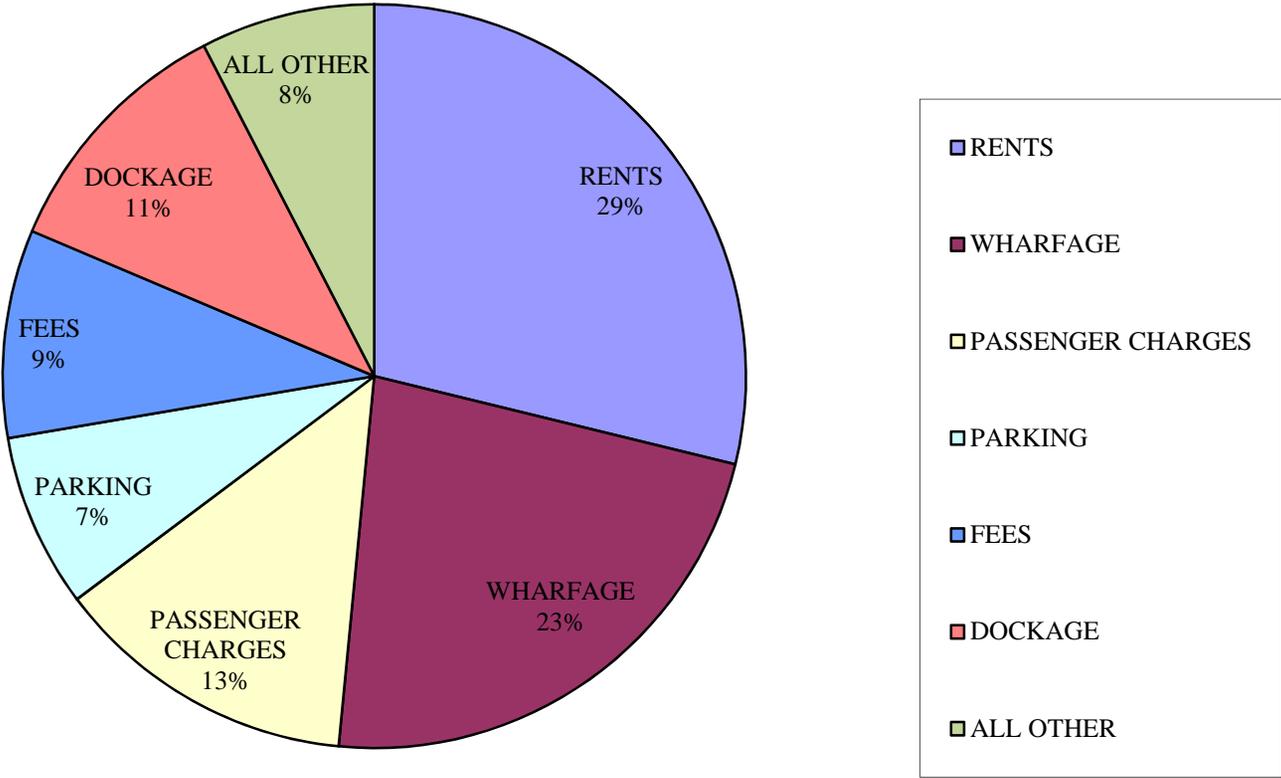
(2) Beginning net position was restated due to prior period errors that were made in accounting for the capitalization and depreciation of the Skypass Bridge and land transfers.

(3) Beginning net position was restated due to prior period adjustment that was made to comply with GASB Statement No. 65 that was adopted this fiscal year.

PORT OF PALM BEACH DISTRICT
Operating Revenues by Source
For the Fiscal Years Ended September 30, 2006 through 2014
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>	<u>2014</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	\$ 3,562,456
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	4,515,033
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	1,731,439
Parking	446,306	599,402	193,691	260,731	631,122	838,664	969,020	987,052	1,186,040
Passenger wharfage	965,370	883,548	672,378	542,039	154,901			61,816	59,305
Net passenger charges					895,953	1,380,003	1,854,073	1,839,498	2,013,881
Storage	183,422	233,698	234,855	104,866	98,307	106,742	242,344	309,647	66,939
Water	157,853	160,524	145,322	147,423	103,889	84,258	77,519	80,050	79,888
Line handling	80,015	78,975	72,350	51,600	35,600	38,400	48,600	59,200	28,000
Miscellaneous	110,590	134,981	152,242	105,183	222,751	121,848	541,606	453,320	391,387
Switching	319,815	382,950	442,195	350,235	351,396	308,428	392,583	421,825	528,987
Licenses	71,550	68,000	78,000	87,600	114,700	125,000	118,500	115,450	111,300
Identification badging	232,008	286,963	164,782	76,928	71,800	20,708	12,827	22,337	47,496
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	536,966
Cargo terminal fee	450,413	470,749	411,588	397,558	521,546	460,614	540,615	689,458	661,301
Harbor master fee	71,890	67,165	54,110	68,415	77,735	81,610	88,740	99,980	107,500
Vessel bunkers	48,925	37,475	28,200	27,290	37,290	44,640	45,990	44,010	45,480
Total	\$ 12,951,783	\$ 12,576,647	\$ 10,959,147	\$ 10,498,070	\$ 12,160,397	\$ 11,915,919	\$ 14,339,067	\$ 15,430,217	\$ 15,673,398

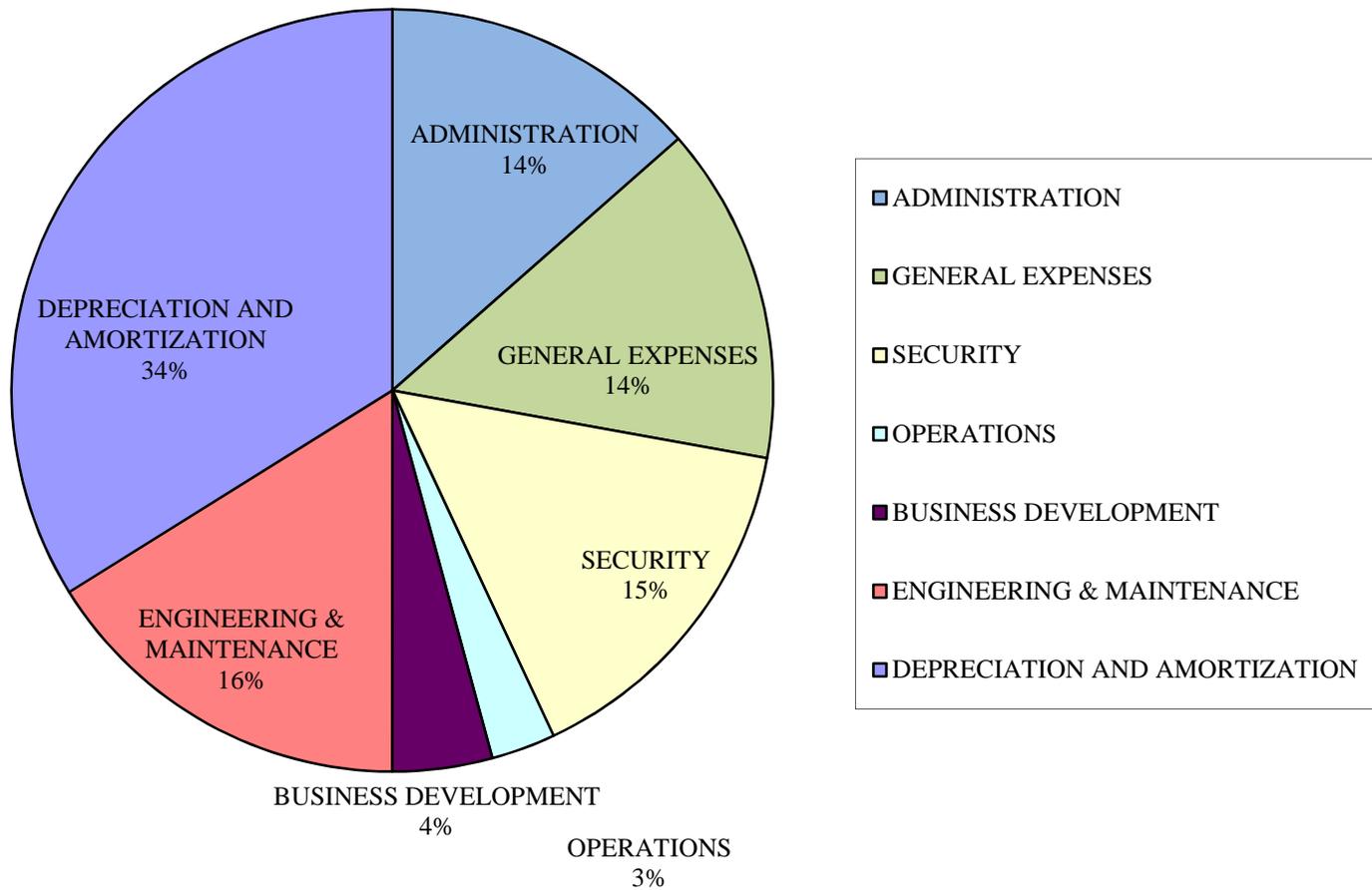
PORT OF PALM BEACH DISTRICT
Operating Revenues By Source
For the Fiscal Year Ended September 30, 2014
Unaudited



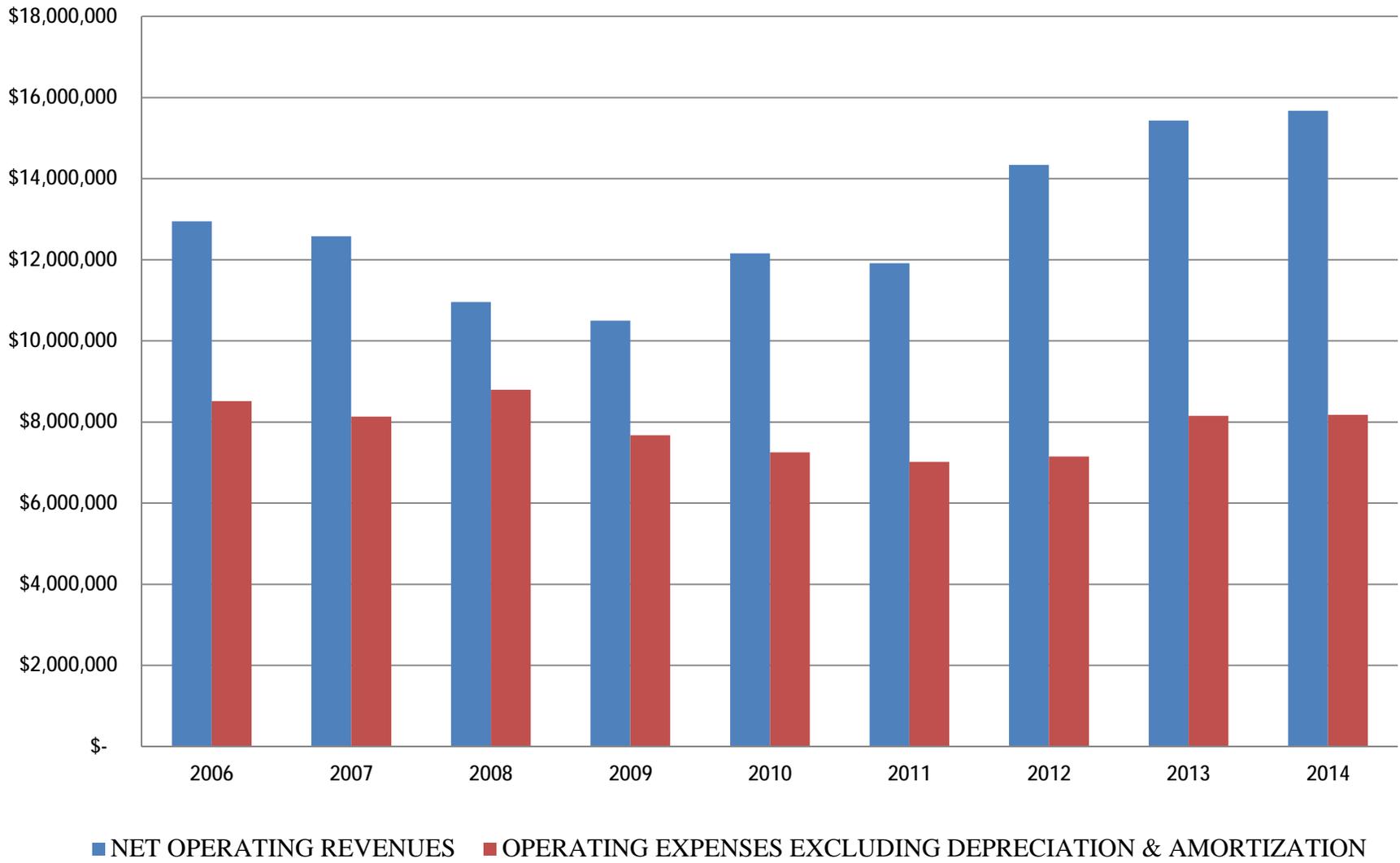
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Years Ended September 30, 2006 through 2014
Unaudited

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</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	\$ 1,771,389
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	1,994,431
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	1,879,762
Administration	1,288,250	1,335,229	1,219,497	1,213,234	1,136,359	1,277,805	1,492,557	1,440,193	1,672,401
Business development	452,260	431,742	637,655	428,996	373,230	376,386	380,648	501,629	524,075
Operations	321,395	670,308	628,559	530,527	319,788	293,916	365,400	222,348	337,109
Subtotal	<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>8,051,295</u>	<u>8,179,167</u>
Amortization	112,009	112,561	97,034	89,535	92,245	108,473	91,018	31,809	28,817
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	4,159,615
Subtotal	<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>4,210,294</u>	<u>4,188,432</u>
Total	<u>\$ 12,546,355</u>	<u>\$ 12,254,384</u>	<u>\$ 12,554,419</u>	<u>\$ 11,943,382</u>	<u>\$ 11,577,532</u>	<u>\$ 11,418,785</u>	<u>\$ 11,390,826</u>	<u>\$ 12,261,589</u>	<u>\$ 12,367,599</u>

PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Year Ended September 30, 2014
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 2014
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses
For the Fiscal Years Ended September 30, 2006 through 2014
Unaudited



PORT OF PALM BEACH DISTRICT
Non-Operating Revenues (Expenses)
For the Fiscal Years Ended September 30, 2006 through 2014
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>	<u>2014</u>
Investment earnings	\$ 1,085,833	\$ 1,273,597	\$ 555,819	\$ 98,395	\$ 25,979	\$ 19,579	\$ 12,751	\$ 13,199	\$ 1,933
Grant revenue	556,630	839,574	836,505	252,057	622,815	340,138	1,029,354	182,428	146,674
Grant expense					(517,652)	(249,055)	(915,803)	(90,982)	(2,000)
Gain (loss) on disposition of assets	(307,109)	(285,493)	(2,012)	(20,889)		(5,075)	(7,093)	4,679	(562)
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)	(225,678)
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)	(1,659,947)
Total	<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>	<u>\$ (1,739,580)</u>

PORT OF PALM BEACH DISTRICT
Changes in Net Position
For the Fiscal Years Ended September 30, 2006 through 2014
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>	<u>2014</u>
Net Operating Income (Loss)	\$ 405,428	\$ 669,768	\$ (1,595,272)	\$ (1,445,312)	\$ 582,865	\$ 497,134	\$ 2,936,838	\$ 3,168,628	\$ 3,305,799
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>	<u>(1,739,580)</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	1,059,416	1,566,219
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>	<u>10,222,352</u>
Change in Net Position	<u>\$ 1,032,412</u>	<u>\$ 2,674,583</u>	<u>\$ 5,958,669</u>	<u>\$ (3,255,167)</u>	<u>\$ (1,165,779)</u>	<u>\$ (1,217,035)</u>	<u>\$ 4,587,087</u>	<u>\$ 5,958,354</u>	<u>\$ 11,788,571</u>

PORT OF PALM BEACH DISTRICT
Operating Statistics
For the Fiscal Years Ended September 30, 2006 through 2014
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>	<u>2014</u>
CARGO TONNAGE									
General Cargo									
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	1,292,505
Break-bulk	161,539	129,194	113,491	59,990	69,174	67,341	71,043	62,162	64,488
Sub-Total	<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>	<u>1,356,993</u>
Bulk and Dry Cargo									
Asphalt	35,317	61,634	39,265	85,631	57,561	88,522	78,902	72,768	87,817
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	30,284
Miscellaneous	0	20,247		10,800	18,159	61,619	4,409	11,086	
Recyclable metal									68,950
Molasses	111,687	159,388	193,896	163,040	171,456	186,432	124,859	147,550	110,720
Sugar	374,780	607,443	425,796	591,116	660,992	413,254	537,517	547,904	496,040
Sub-Total	<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>	<u>793,811</u>
TOTAL ALL CARGO	<u>3,276,670</u>	<u>3,223,139</u>	<u>2,876,755</u>	<u>2,364,288</u>	<u>2,548,346</u>	<u>2,010,748</u>	<u>2,056,253</u>	<u>2,147,679</u>	<u>2,150,804</u>
TEUs	<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>	<u>257,252</u>
RAIL CARS (IN AND OUT BOUND)	<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>	<u>16,606</u>
VESSELS	<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>	<u>1,553</u>
PASSENGERS	<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>	<u>364,829</u>

PORT OF PALM BEACH DISTRICT
Revenue Bond Coverage
For the Fiscal Years Ended September 30, 2006 through 2014
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>	<u>2014</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	\$15,675,331
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	8,179,167
Supplemental Revenues		-	-	-	-	-	-	-	-	-
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>	<u>7,496,164</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	4,350,000
Required Coverage		110%	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>	<u>4,785,000</u>
Excess (Deficiency)	(4)	<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>	<u>\$ 2,711,164</u>
Coverage		115%	120%	57%	61%	103%	103%	151%	152%	157%

(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 of operating expenses less supplemental revenues.

(4) Net revenues less all supplemental revenues shall always be adequate to pay, in each year, at least 110% of the annual debt service.



NOWLEN, HOLT & MINER, P.A.

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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, 2014, 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 30, 2015.

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 and was not designed to identify all deficiencies in internal control that might be material weaknesses or, 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 & Miner, P.A.

West Palm Beach, Florida
April 30, 2015



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR 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, 2014. 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 for 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, 2014.

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 30, 2015

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended September 30, 2014

Federal Grantor/Program Title	CFDA Number	Agency Number	Federal Expenditures
<u>U.S. Department of Homeland Security</u>			
Port Security Grant Program	97.056	2011-PU-00144	1,148,226
			<u>1,148,226</u>
Total Federal Awards			<u><u>\$ 1,148,226</u></u>

State Grantor/Program Title	CSFA Number	Agency Number	State Expenditures
<u>Florida Department of Transportation</u>			
Seaport Grants	55.005	AQ829	\$ 8,869,286
Seaport Grants	55.005	ARE31	50,000
Seaport Grants	55.005	AR486	94,996
Seaport Grants	55.005	AR857	483,067
			<u>9,497,349</u>
Total State Financial Assistance			<u><u>\$ 9,497,349</u></u>

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, 2014

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, 2014

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">• Port Security Grant Program

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

Auditee qualified as low-risk auditee? Yes 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">• Seaport Grants

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, 2014

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, 2014**

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

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

Report on the Financial Statements

We have audited the basic financial statements of the Port of Palm Beach District, as of and for the fiscal year ended September 30, 2014, and have issued our report thereon dated April 30, 2015.

Auditor’s Responsibility

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 Florida Auditor General.

Other Reports and Schedule

We have issued our Independent Auditors’ 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 Auditors’ Report on Compliance for Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB A-133 and Chapter 10.550, Rules of the Auditor General; the Schedule of Findings and Questioned Costs; and Independent Accountant’s Report on an examination conducted in accordance with *AICPA Professional Standards*, Section 601, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 30, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. There were no findings or recommendations in the prior year that required corrective actions.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. This information is disclosed in Note 1 to the financial statements.

Financial Condition

Section 10.554(1)(i)5.a., Rules of the Auditor General, requires that we report the results of our determination as to whether or not the Port of Palm Beach District 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, we determined that the Port of Palm Beach District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.554(1)(i)5.c. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Port of Palm Beach District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

Annual Financial Report

Section 10.554(1)(i)5.b., Rules of the Auditor General, requires that we report the results of our determination as to whether the annual financial report for the Port of Palm Beach District for the fiscal year ended September 30, 2014, 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, 2014. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

Section 10.554(1)(i)5.d., Rules of the Auditor General, requires that we determine whether or not a special district that is a component unit of a county, municipality, or special district, provided the financial information necessary for proper reporting of the component unit, within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes.

Based on the application of criteria in publications cited in Section 10.553, Rules of the Auditor General, there are no special district component units of the Port of Palm Beach District.

Other Matters

Section 10.554(1)(i)2., Rules of the Auditor General, requires 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.

Section 10.554(1)(i)3., Rules of the Auditor General, requires 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.

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, 2014. Consequently, the Port of Palm Beach District was required to have a federal single audit and a state single audit.

Response to Management Letter

There were no items that required a response by management.

Purpose of this Letter

Our management letter is intended solely for the information and use of Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the members of the Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Mimes, P.A.

West Palm Beach, Florida

April 30, 2015



NOWLEN, HOLT & MINER, P.A.

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INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

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

We have examined the Port of Palm Beach District’s compliance with Section 218.415, Florida Statutes during the year ended September 30, 2014. Management is responsible for the Port of Palm Beach District’s compliance with those requirements. Our responsibility is to express an opinion on the Port of Palm Beach District’s compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Port of Palm Beach District’s compliance with specified requirements.

In our opinion, the Port of Palm Beach District complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2014.

This report is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and Florida House of Representative, the Florida Auditor General, applicable management, and the Board of Commissioners, and is not intended to be and should not be used by anyone other than these specified parties.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 30, 2015