Annual Financial Report for the

Port Everglades Department of Broward County, Florida

A Major Enterprise Fund of Broward County, Florida

For Fiscal Year Ended September 30, 2013

Prepared by the Finance Division - Port Everglades Department of Broward County, Florida

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
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PORT EVERGLADES DEPARTMENT – Chief Executive & Port Director's Office
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March 3, 2014

Bertha Henry, Broward County Administrator
Evan Lukic, County Auditor
115 South Andrews Avenue
Fort Lauderdale, Florida 33315

Ladies and Gentleman:

We are pleased to present the annual financial report of the Port Everglades Department (Port) of Broward County, Florida (County) for the fiscal year ended September 30, 2013. This report is a complete set of the Port's financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB), and which were audited by a firm of independent certified public accountants in accordance with auditing standards generally accepted in the United States (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (GAGAS).

The Port, originally created in 1927 by a special act of the Florida Legislature, has a jurisdictional area of approximately 2,190 acres. As of September 30, 2013, the Port ranked as the world's 3rd busiest cruise port, the 12th busiest international containerized cargo port in the United States, and South Florida's main seaport for receiving petroleum products.

The content of the annual financial report is the responsibility of the Port's management and was prepared by the Finance Division of the Port, which operates as an enterprise fund of the County. This is the fourth fiscal year that the Port has presented a stand-alone, separately-audited annual financial report since the County assumed operating control of the Port in 1994. Because the Port relies solely on its own financial results and does not receive County financial support or ad valorem taxes, the Port's annual financial report serves an important role in providing information about the Port's financial condition to prospective clients, vendors, creditors, debt markets, and credit rating agencies via its stand-alone, separately-audited financial statements. Additionally, in the audit process, the Port has been subjected to a more rigorous examination than would otherwise occur were Port activities audited solely within the context of the County's Comprehensive Annual Financial Report (CAFR). This elevated level of financial reporting and audit places the Port on equal footing with other competing seaports.

Information regarding the financial position, changes in financial position, or cash flows of the County, of which the Port is a part, may be found in the County's CAFR for the fiscal year ended September 30, 2013. The Port's annual financial report is not a substitute for or source of such information.

The Management Discussion and Analysis (MD&A) incorporated within the annual financial report provides a highlight of the fiscal year just ended, as well as an insight into future projects that are ongoing and which will serve to further enhance the Port's and County's positive economic impact on the South Florida region. Additionally, substantial information designed to assist users in assessing the Port's financial condition can be found in the Port's financial statements and accompanying notes to financial statements, which, with the MD&A and report of independent auditors, comprise the financial section of the annual financial report.

Broward County Board of County Commissioners
Sue Gunzburger • Dale V.C. Holness • Kristin Jacobs • Martin David Kiar • Chip LaMarca • Stacy Ritter • Tim Ryan • Barbara Sharief • Lois Wexler
www.broward.org

March 3, 2014
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We wish to express our appreciation to the efficient and dedicated services of the entire staff of the Port's Finance Division, which was responsible for assembling and compiling the data comprising the annual financial report. We also wish to thank the County's independent auditors, Crowe Horwath, for their cooperation and assistance.

Sincere appreciation is also expressed to the County Auditor and the County's Finance and Administrative Services Department personnel for their assistance throughout the year in matters pertaining to the financial affairs of the Port.

Sincerely,

Steven Cernak
Chief Executive & Port Director

Dr. Alexandra C. Cook

Dr. Alexandra C. Cook, CPA, CFF
Director of Finance

Crowe Horwath.

Crowe Horwath LLP
Independent Member Crowe Horwath International

INDEPENDENT AUDITOR'S REPORT

To the Board of County Commissioners
Broward County, Florida
Fort Lauderdale, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Port Everglades Department (the "Port") of Broward County, Florida (the "County"), an enterprise fund of the County, as of and for the years ended September 30, 2013 and 2012, and the related notes to the 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 audits. We conducted our audits 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 financial position of the Port as of September 30, 2013 and 2012, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

As discussed in Note A, the financial statements present only the Port and do not purport to, and do not, present fairly the financial position of the County as of September 30, 2013 and 2012, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note A, during the year ended September 30, 2013, the Port adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement requires separate reporting as deferred outflows of resources and deferred inflows of resources certain amounts that were previously reported together with assets and liabilities, respectively. In addition, this statement introduces net position as the residual measure of assets, deferred outflows of resources, liabilities and deferred inflows of resources in government-wide and proprietary fund financial statements. The Port applied the provisions of this statement retroactively by reclassifying the statement of net position for the year ended September 30, 2012. Our opinion is not modified with respect to this matter.

As discussed in Note A, during the year ended September 30, 2013, the Port adopted GASB Statement No. 65, *Items Previously Reported As Assets and Liabilities*. The Port applied the provisions of this Statement retroactively by restating the financial statements for the year ended September 30, 2012. 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 and the schedule of funding progress on pages FS.4–FS.18 and FS.47–FS.48, respectively, be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audits of the 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of the Port. The letter of transmittal is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Other Legal and Regulatory Requirements

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 2014 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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's internal control over financial reporting and compliance.

Crowe Horwath LLP
Fort Lauderdale, Florida
March 3, 2014

PORT EVERGLADES DEPARTMENT OF BROWARD COUNTY, FLORIDA
Management's Discussion and Analysis
Fiscal Years Ended 2013, 2012, and 2011
(Unaudited)

Annual Financial Report

The annual financial report of the Port Everglades Department (the "Port") provides an overview of the Port's financial activities for the fiscal years (FY) ended September 30, 2013 and 2012. The financial statements include the independent auditor's report; statements of net position; statements of revenues, expenses, and changes in net position; statements of cash flows; and the accompanying explanatory notes to financial statements. Management's discussion and analysis should be read in conjunction with these financial statements and notes.

Management's Discussion and Analysis

The Port, a department of Broward County, Florida (the "County"), operates as a major enterprise fund of the County. The County, which is operated by the Board of County Commissioners (the "County Commission"), owns the Port. The Port was originally created in 1927 by a special act of the Florida Legislature to create and promote commerce and industry through the operation of a deep-water seaport. The Port's jurisdictional area consists of approximately 2,190 acres, inclusive of land and water, designated for shipping, warehousing, and all other non-residential uses, as approved. The Port owns approximately 1,277 acres.

The County Commission is responsible for legislative and fiscal control of the County. A County Administrator is appointed by the County Commission and is responsible for administrative and fiscal control of all County departments through the administration of directives and policies established by the County Commission. The Port is managed by a Chief Executive & Port Director appointed by the County Administrator and confirmed by the County Commission.

Cautionary Note Regarding Forward-Looking Statements

Certain information provided by the Port, including written or oral statements made by its representatives, may contain forward-looking statements, as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical fact, that address activities, events, or developments that the Port expects or anticipates will or may occur in the future contain forward-looking information. In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon numerous factors and was derived using multiple assumptions.

Financial Position

The Port's performance results during the fiscal year ended September 30, 2013 and the two preceding fiscal years were as follows:

	FY 2013	FY 2012	FY 2011
Operating revenues (dollars in thousands)	$ 147,319	$ 142,931	$ 139,177
Ship calls	3,850	4,000	4,183
Cruise passengers	3,600,636	3,757,320	3,952,843
TEUs (equivalent number of 20' container units)	927,572	923,600	880,999
Petroleum (barrels)	109,080,601	105,404,148	108,966,439
Tonnage (in 2,000-pound short tons)			
Total waterborne commerce	22,452,473	22,116,275	22,087,515
Containerized cargo	6,045,588	5,944,513	5,787,961
Petroleum	15,427,385	14,911,080	15,422,365

PORT EVERGLADES DEPARTMENT OF BROWARD COUNTY, FLORIDA
Management's Discussion and Analysis
Fiscal Years Ended 2013, 2012, and 2011
(Unaudited)

Financial Position (Continued)

Operating revenues at the Port in FY 2013 reached a fourth consecutive record high year at $147.3 million. This is 3.1% higher than the Port's previous record high of $142.9 million achieved in FY 2012 and 5.9% higher than in FY 2011, when operating revenues were $139.2 million. Total operating expenses before depreciation increased to $74.9 million from $72.1 million in FY 2012, resulting in operating income of $44.9 million in FY 2013. The increase in net position of $37.1 million over the previous fiscal year was due principally to increases in vessel, cargo, and passenger services revenue and leasing of facilities revenue and decreases in non-operating expenses, such as interest expense and bond issuance costs.

Total waterborne commerce, measured in short tons (2,000 pounds), reached 22,452,473 tons, which is an increase of 1.5% over the 22,116,275 tons recorded in FY 2012 and an increase of 1.7% from 22,087,515 tons in FY 2011. In FY 2013 and FY 2012, the Port hosted 3,850 and 4,000 ship calls, respectively, from vessels ranging from naval warships and mega cruise ships to container ships and tankers of all sizes. For FY 2014, the Port forecasts 3,954 ship calls at the Port, as cruise and cargo lines strive to reduce operating costs by utilizing fewer but larger ships.

Cruise-related activity for the Port, including both cruise revenue and parking revenue, accounted for 47.2% of the operating revenues for FY 2013. The largest increase in revenue was generated in the cruise sector, where cruise ship and passenger activity generated a record $62.2 million in cruise revenue for FY 2013, which is 3% higher than in FY 2012. Parking, mainly from cruise passengers and activity at the Broward County/Greater Fort Lauderdale Convention Center, generated $7.0 million in FY 2013, compared to $7.3 million in FY 2012 and $8.2 million in FY 2011. This reduction was attributed to an increase in international cruise passengers arriving by airline transportation and competition from nearby commercial parking lots. The number of multi-day passengers decreased to 3,509,727 in FY 2013 or a 4.9% decrease from 3,689,022 in FY 2012. The total number of passengers, including both single-day and multi-day, was 3,600,636 in FY 2013 and was down 4.2% from 3,757,320 passengers in FY 2012. This reduction is due to underperformance by some of the cruise lines and the daily ferry service to the Bahamas, which experienced mechanical problems and was out of service for approximately one month. Ten cruise lines and one daily ferry offered services at the Port via a 41-ship cruise fleet, including Balearia's Bahamas Express (ferry), Carnival Cruise Lines, Celebrity Cruises, Cunard Line, Holland America Line, MSC Cruises, P&O Cruises, Princess Cruises, Royal Caribbean International, Seabourn, and Silversea Cruises. Cruise ships calling at the Port ranged in size from the *Seabourn Legend* at 9,961 gross registered tons (GRT) and a lower berth capacity of 204, to the 225,282 GRT *Allure of the Seas* and *Oasis of the Seas*. Each Oasis class ship has a lower berth capacity of 5,400 and regularly sails with 6,000 passengers.

Containerized cargo accounted for 21.5% of operating revenue in FY 2013. The Port ranks first in Florida in international container cargo activity, based on total TEUs (20-foot equivalent units, the standard measure for containerized cargo). The Port also ranks 13th among U.S. seaports for containerized cargo trade, according to data from PIERS, which does not include empty TEUs (the Port ranks 12th when all TEUs are considered). Containerized cargo activity increased in FY 2013 to 6,045,588 tons and 927,572 TEUs, an increase of approximately 1.7% and 0.4%, respectively, from FY 2012 levels of 5,944,513 tons and 923,600 TEUs. From FY 2004 to FY 2013, the volume of containerized cargo billed at the Port increased from 4,145,394 tons to 6,045,588 tons, representing growth of 45.8%, and from 653,628 TEUs to 927,572 TEUs, representing growth of 41.9%. Revenue from containerized cargo increased 1.3% in FY 2013 to $31.7 million, up from $31.3 million in FY 2012. The increase is due to volume increases by the Port's top shipping lines. Of note, beginning October 1, 2013 (FY 2014), to be consistent with other top North American ports, Port Everglades is changing its TEU counting methodology to include partial TEUs associated with containers longer than 40 feet.

There are more than 20 different ocean carriers that maintain regular service at the Port. Cargo shippers provide service to more than 150 ports in more than 70 countries. In FY 2013, export activity continued to exceed import activity, with imports growing by 16.4% over the past year.

Financial Position (Continued)

The Port's primary trade lanes remain in the regional Caribbean, Central America, and South America markets, representing nearly 83.9% of the Port's cargo movements. As the nation's leading gateway for trade with Latin America, Port Everglades handled approximately 14% of all Latin American trade in the United States and 42% of Florida's total trade with South America, Central America, and the Caribbean. The Port also leads the United States in both exports and imports with Latin America. The Port is particularly dominant in Central America, where approximately 41.9% of the Port's containerized cargo volume was destined in FY 2013. With a projected 18.4% to 18.7% share of the entire Central American market in FY 2013, the Port is also first among all U.S. seaports operating in that market.

Petroleum movements through the Port generated $27.5 million in FY 2013, an increase of 7.3% compared to $25.7 million in FY 2012, and represented 18.7% of the Port's operating revenue. Overall throughput volume increased 3.5% to approximately 109.1 million barrels, compared to approximately 105.4 million barrels in FY 2012, driven by higher regional demand for transportation fuels including gasoline, diesel, and jet fuel.

FY 2013 Event Highlights

<u>Port Development</u>

The U.S. Army Corps of Engineers (USACOE) released for public comment its draft report for deepening and widening the South Florida seaport's navigational channels to enable safe passage of deep draft post-Panamax cargo ships. Two public meetings were held at the Broward County/Greater Fort Lauderdale Convention Center, attracting an audience of approximately 350 business and community leaders and residents, the vast majority of whom spoke in favor of the project. The Florida Legislature approved $576,000 for pre-construction engineering and design for this project.

The Florida East Coast Railway began construction on a $53 million, 43.4-acre Intermodal Container Transfer Facility (ICTF) at Port Everglades that will be used to transfer international and domestic shipping containers between ship and rail beginning in mid-2014. This near-dock facility, located on Port property, will replace the FEC's existing 12-acre intermodal yard, which is currently located 2 miles from the port on Andrews Avenue in Fort Lauderdale. Governor Rick Scott attended the groundbreaking in January 2013. The facility will be open in July 2014.

Design and planning is moving forward for the upland enhancement (wetland creation) area, a critical component for the Southport Turning Notch (STN) extension. To date, the Florida Legislature has appropriated $47.8 million for the project. The STN extension project will lengthen the existing deep-water turn-around area for cargo ships from 900 feet to 2,400 feet, which will allow for up to five new cargo berths. The project is slated for completion in 2017.

Port Everglades' update to its 20-Year Master/Vision Plan (Plan) was kicked off with a series of public, stakeholder, and staff meetings and focus groups. This update to the Plan will address changes that have taken place regionally, nationally, and internationally since the Plan was approved in 2011. The updated Plan is expected to be completed by spring 2014.

Substantial progress was made towards completing the Eller Drive Overpass and the McIntosh Loop Road projects. The Eller Drive Overpass will be completed by the Florida Department of Transportation in early 2015, and the McIntosh Loop Road will be completed in the spring of 2014.

FY 2013 Event Highlights (Continued)

Cruise

State and local public officials joined executives from Carnival Corporation and the six Carnival brands that sail from Port Everglades to celebrate the Grand Re-Opening of four fully renovated, expanded, and modernized cruise terminals that opened in time for the busy 2012/2013 cruise season. Cruise Terminals 2, 19, 21, and 26 were part of a $54 million renovation project that transformed existing facilities into modern, world-class, guest-friendly cruise terminals, capable of processing both debarking and embarking cruise passengers simultaneously. The renovations employed many of the principles associated with LEED (Leadership in Energy and Environmental Design), which will carry-over in the operation and maintenance of the buildings.

Port Everglades was named "Port of the Year" for 2013 by *Seatrade Insider*, one of the world's foremost cruise trade publications. A panel of judges comprised of executives with experience in relevant areas, members of *Seatrade Insider*'s global editorial team, cruise consultants, analysts, and association experts from around the world, selected Port Everglades as the top cruise port based on recent renovations to the four cruise terminals.

Port Everglades hosted three of the world's five largest cruise ships on Saturday, December 22 – Royal Caribbean International's 5,400-guest *Oasis of the Seas* and two of the line's 3,634-guest Freedom-class cruise ships: *Independence of the Seas* and *Liberty of the Seas*. The three mega cruise ships were part of a full house at Port Everglades, along with three Holland America Line ships, two Princess Cruise ships, and Balearia's Bahamas Express fast-ferry, *Pinar del Rio*.

Nationally recognized cruise travel magazine *Porthole* selected Port Everglades for its "2013 Editor-in-Chief Award for Best Domestic Departure Port."

Cargo

Port Everglades moved ahead to become the No. 1 container port in Florida by volume, as measured in TEUs.

Recognizing organizational and ownership changes related to Florida International Terminal, an amendment was negotiated and approved by the Board removing former owner Chilean shipping line CSAV as guarantor and making proprietary rates available to new services moving at least 5,000 containers annually across Port Everglades' docks. This change facilitated attracting a new service to Port Everglades, a direct ocean shipping service to Northern Europe from Port Everglades, the Grand Alliance Gulf Atlantic Express (GAX) service, which is jointly operated by Hapag-Lloyd and its partners NYK Line and OOCL. The service operates a fleet of five 3,237-TEU vessels that call Port Everglades every Saturday morning. The GAX route stops at Port Everglades; Houston; Savannah; Charleston; Portsmouth/Norfolk to Antwerp, Belgium; Thamesport, England; and Bremerhaven, Germany.

Sol Shipping Services, Inc. (Sol), a prominent produce importer, especially of melons from Central America, entered a new five-year agreement, effective November 1, 2013, to operate a five-acre marine terminal at Port Everglades. Sol has operated seasonally at Port Everglades since the 1990s through another terminal, and the new agreement provides the locally-headquartered company a permanent on-port leasehold.

Chiquita Brands Company, North America (Chiquita), concluded their initial ten-year lease term at Port Everglades and exercised its first five-year option retaining its 13.1-acre terminal lease located in Midport, triggering a market rent increase of 73%. In early FY 2014, Chiquita also exercised its first five-year option on its ripening facility and warehouse lease of 51,868 square feet in Warehouse 30.

FY 2013 Event Highlights – Cargo (Continued)

In early FY 2014, King Ocean Services Limited (Cayman Islands), Inc. agreed to a two-year lease extension for its 33.84-acre terminal and on-site office space, which was approved by the Board effective February 1, 2014. Mediterranean Shipping Company, S.A. submitted its intent to move forward for the negotiation of terms on its first five-year option with negotiations scheduled in January and February 2014. Crowley Liner Services, Inc., was notified of a market rate adjustment, which nearly tripled their rent on 5.8 acres of their terminal lease, effective January 1, 2014. Crowley will return 6 acres to the Port effective February 1, 2014, reducing their leasehold to 74 acres.

Port Everglades, in conjunction with the Florida Perishables Coalition and federal regulatory agencies, received a permit to launch a new cold-treatment pilot program to allow once-restricted grapes and blueberries from Peru and Uruguay to be shipped directly into South Florida ports. In the pilot program, fruit can be delivered to local grocery stores faster and at a lower cost than shipping through traditional Northern ports. If successful, the program could be expanded to include other cold-treated perishables from these and other countries. Port Everglades is currently the state leader in perishable throughput, moving nearly half of all the refrigerated containers in Florida.

The largest containerized cargo ship in Port Everglades' history, equal to the size of an aircraft carrier, called at the Port in October 2012. The *MSC Texas*, at 1,095-feet long, 141-feet wide and 90,745 GRT, can carry as many as 8,238 TEUs when fully loaded at a draft of 47.6 feet.

Continental Florida Materials entered a new ten-year agreement for their 4.91 acre bulk cement terminal located at Berth 7.

Petroleum

Port Everglades hosted the largest oil tanker in its history when the 813-feet long, 144-feet wide, 112,045-deadweight ton *Ellie Lady* docked at the Port in July 2013. The tanker's voyage originated in India and transited through the Suez Canal enroute to Port Everglades. The tanker offloaded approximately 8.2 million gallons (195,000 barrels) of jet fuel for use at Fort Lauderdale-Hollywood International Airport, Miami International Airport, Palm Beach International Airport, and Southwest Florida International Airport in Fort Myers.

Motiva Enterprises, LLC opened a new high-capacity ethanol rail terminal at Port Everglades that represents a safer, cleaner, and more efficient means to transport domestically produced ethanol. The direct rail service into the terminal eliminated truck traffic from rail heads outside the port jurisdiction and freed up much needed berth space on the busy petroleum piers.

Foreign-Trade Zone #25

A comprehensive relocation study for Foreign-Trade Zone (FTZ) #25, Site 1 was completed for a planned relocation to another site within Port Everglades by the end of 2015.

Export activity for FTZ #25 increased to $2.5 billion in CY 2012. FTZ #25 ranked as the second highest volume exporting FTZ for warehousing and distribution activity in the United States by value.

Port Everglades upgraded its FTZ operational model to add the new category of FTZ Operator. Qualifying companies who have the expertise, systems, and capabilities can now independently conduct compliant FTZ activities with their own merchandise as an FTZ Operator. FTZ #25 can now accommodate the full spectrum of international businesses, from the smallest to the largest and from the newest to the most established.

FY 2013 Event Highlights – Foreign-Trade Zone #25 (Continued)

An additional 4-acre site was added to FTZ #25 to accommodate the growth of long-time FTZ user Simply Reliable Power, Inc. (a/k/a F.G. Wilson).

Required Financial Statements

The Port's financial statements report information about the Port's use of accounting principles generally accepted in the United States of America. These statements offer short- and long-term financial information about its activities.

The statement of net position (balance sheet) includes all of the Port's assets, deferred outflows of resources, liabilities, and net position and provides information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and the obligations to the Port's creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Port, and assessing the liquidity and financial flexibility of the Port.

The assets and liabilities are presented in a classified format, which distinguishes between current and non-current assets and liabilities. In accordance with Governmental Accounting Standards Board (GASB) Statement No. 65, deferred outflows of resources are reported separately from assets and liabilities.

The current fiscal year's revenues and expenses are accounted for in the statement of revenues, expenses, and changes in net position. This statement measures the success of the Port's operations and can be used to determine whether the Port has successfully recovered all of its costs through its customer contracts, tariffs, and other charges, as well as its profitability and creditworthiness.

The final required financial statement is the statement of cash flows. The primary purpose of this statement is to provide information about the Port's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash & cash equivalents resulting from operating, financing, and investing activities and provides answers to such questions as where the cash came from, what it was used for, and what the change in the cash balance was during the reporting period.

Analysis of Overall Financial Position and Results of Operations

One of the most important questions asked about the Port's financial statements is, "Is the Port as a whole better off or worse off as a result of the year's activities?" The balance sheets and the statements of revenues, expenses, and changes in net position report information about the Port's activities in ways that will help answer this question. One can think of the Port's net position — the difference between assets plus deferred outflows of resources and liabilities — as one way to measure financial health or financial position. Over time, increases or decreases in the Port's net position are one indicator of whether its financial health is improving or deteriorating. However, readers should consider other non-financial factors, such as changes in economic conditions, world events, regulation, and new or changed government legislation.

PORT EVERGLADES DEPARTMENT OF BROWARD COUNTY, FLORIDA
Management's Discussion and Analysis
Fiscal Years Ended 2013, 2012, and 2011
(Unaudited)

Statements of Net Position (Balance Sheets)

The balance sheets serve as a useful indicator of the Port's financial position. They distinguish assets, deferred outflows of resources, and liabilities with respect to their expected use for current operations or internally-designated use for capital projects. The Port's assets and deferred outflows of resources exceeded liabilities by $596.9 million and $559.8 million as of September 30, 2013 and 2012, respectively, a $37.1 million increase from September 30, 2012, and a $36.1 million increase from September 30, 2011 to September 30, 2012. A condensed comparative summary of the Port's balance sheets as of September 30, 2013, 2012, and 2011 is shown below:

Condensed Statements of Net Position (Balance Sheets)
(Dollars in Thousands)

	FY 2013	FY 2012	FY 2011
Assets			
Current assets (unrestricted)	$ 178,593	$ 225,846	$ 203,082
Current assets (restricted)	58,395	24,198	19,690
Other assets	27,511	29,189	28,966
Capital assets, less accumulated depreciation	608,892	600,265	573,288
Total assets	873,391	879,498	825,026
Deferred Outflows of Resources			
Deferred charge on refunding	4,789	5,642	6,589
Accumulated decrease in fair value of interest rate swap	4,084	6,800	5,752
Total deferred outflows of resources	8,873	12,442	12,341
Liabilities			
Current liabilities payable from unrestricted assets	11,810	35,519	12,088
Current liabilities payable from restricted assets	58,395	24,198	19,689
Non-current liabilities	215,111	272,390	281,858
Total liabilities	285,316	332,107	313,635
Net Position			
Net investment in capital assets	350,133	322,057	287,958
Restricted for			
Debt service	10,327	12,031	11,824
Renewal and replacement, operating and maintenance	17,184	17,010	16,966
Federal grants	-	148	-
Unrestricted	219,304	208,587	206,984
Total net position	$ 596,948	$ 559,833	$ 523,732

The largest portion of the Port's net position represents its investment in capital assets (e.g. land, buildings, improvements, and equipment), less the related debt outstanding used to acquire those capital assets. The Port uses these capital assets to provide services to major cruise and cargo shipping lines and their agents for movement of cruise passengers and maritime cargo; consequently, these assets are not available for future spending. Although the Port's reported investment in capital assets is reported net of debt as "net investment in capital assets," it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves generally are not sold to liquidate liabilities.

An additional portion of the Port's net position represents resources that are subject to external restrictions. The remaining unrestricted net position may be used to meet any of the Port's ongoing obligations as defined by the revenue bond covenants.

PORT EVERGLADES DEPARTMENT OF BROWARD COUNTY, FLORIDA
Management's Discussion and Analysis
Fiscal Years Ended 2013, 2012, and 2011
(Unaudited)

Statements of Revenues, Expenses, and Changes in Net Position

A condensed comparative summary of the Port's revenues, expenses, and changes in net position for each of the fiscal years ended September 30, 2013, 2012, and 2011 is shown below:

Condensed Statements of Revenues, Expenses, and Changes in Net Position
(Dollars in Thousands)

	FY 2013	FY 2012	FY 2011
Operating revenues	$ 147,319	$ 142,931	$ 139,177
Operating expenses (including depreciation)	102,376	98,092	98,769
Operating income	44,943	44,839	40,408
Non-operating revenues (expenses), net	(12,228)	(18,519)	(19,845)
Income before capital contributions	32,715	26,320	20,563
Capital contributions	4,400	9,781	3,423
Change in net position	$ 37,115	$ 36,101	$ 23,986

The following table details operating revenues by revenue center for each of the fiscal years ended September 30, 2013, 2012, and 2011:

Schedule of Operating Revenues by Revenue Center
(Dollars in Thousands)

	FY 2013	FY 2012	FY 2011
Operating revenues			
Cruise	$ 62,153	$ 60,160	$ 56,754
Containerized cargo	31,671	31,321	31,669
Petroleum	27,530	25,656	25,772
Real estate	12,779	12,124	11,149
Parking	6,998	7,325	8,173
Other	2,357	2,789	2,997
Breakbulk	2,130	1,553	1,284
Bulk	1,701	2,003	1,379
Total operating revenues	$ 147,319	$ 142,931	$ 139,177

In FY 2013, operating revenues increased 3.1% from $142.9 million in 2012 to $147.3 million. The increase can be primarily attributed to a $2.0 million or 3.3% increase in cruise revenue and approximately $2.0 million or 7.3% increase in petroleum revenue, offset by a $0.5 million or 47.2% reduction in lay-in revenue (part of Other) and a $0.3 million or 4.5% reduction in parking revenue.

In FY 2012, operating revenues increased 2.7% from $139.2 million in 2011 to $142.9 million. The increase can be primarily attributed to a $3.4 million or 6.0% increase in cruise revenue and approximately $1.0 million or 8.8% increase in real estate revenue, offset by a $0.8 million or 10.4% reduction in parking revenue and a $0.3 million or 1.1% reduction in containerized cargo revenue.

PORT EVERGLADES DEPARTMENT OF BROWARD COUNTY, FLORIDA
Management's Discussion and Analysis
Fiscal Years Ended 2013, 2012, and 2011
(Unaudited)

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

The following table details operating expenses by function for each of the fiscal years September 30, 2013, 2012, and 2011:

Schedule of Operating Expenses by Function
(Dollars in Thousands)

	FY 2013	FY 2012	FY 2011
Operating expenses			
Personal services	$ 18,097	$ 17,659	$ 17,942
Law enforcement and fire rescue	25,931	26,093	27,755
Contractual services	11,885	11,202	10,547
Insurance	5,470	5,824	4,873
Utilities	4,168	3,763	3,224
Maintenance, equipment, and supplies	5,423	4,177	4,770
General and administrative	3,964	3,427	4,295
Total operating expenses before depreciation	74,938	72,145	73,406
Depreciation	27,438	25,947	25,363
Total operating expenses	$ 102,376	$ 98,092	$ 98,769

In FY 2013, contractual services increased by $0.7 million from the FY 2012 amount. This increase was primarily due to an increase in engineering and architectural consulting costs. Insurance expense decreased from the FY 2012 amount by $0.4 million, principally due to the capitalization of the insurance costs that pertained to capital projects. Utilities expense increased approximately $0.4 million over FY 2012 due to higher electricity expense. The cost of maintenance, equipment, and supplies also increased by $1.2 million over the prior year, primarily due to higher costs related to building maintenance and materials used in construction of improvements. General and administrative expense increased by $0.5 million from FY 2012, primarily due to increases in promotional activities ($0.1 million), dues and membership expense ($0.1 million), and contract services with the Broward Sheriff Office ($0.2 million). Depreciation expense increased by $1.5 million due to a full year of depreciation on $52.0 million of new capital assets placed in service in FY 2012.

In FY 2012, law enforcement and fire rescue expense decreased $1.7 million from the FY 2011 due to cost reductions achieved by outsourcing specific security functions. Contractual services increased from the FY 2011 amount by $0.7 million, principally due to an increase in engineering and architectural consulting costs. Utilities expense increased approximately $0.5 million over FY 2011 due to increased water and sewer expense. General and administrative expense decreased by $0.9 million from FY 2011, primarily due to decreased overhead allocation to capital assets ($0.5 million), decreased legal cost allocation ($0.2 million), and decreased payments to other county funds ($0.2 million). Depreciation expense increased by $0.6 million over FY 2011 due to a full year of depreciation on $25.0 million of new capital assets placed in service in FY 2011.

In FY 2013, operating income increased by $0.1 million to $44.9 million over $44.8 million in FY 2012, while operating income increased in FY 2012 by $4.4 million or 11.0% over $40.4 million in FY 2011 due to the reasons discussed on previous pages.

PORT EVERGLADES DEPARTMENT OF BROWARD COUNTY, FLORIDA
Management's Discussion and Analysis
Fiscal Years Ended 2013, 2012, and 2011
(Unaudited)

Statements of Revenues, Expenses, and Changes in Net Position (Continued)

The following tables present non-operating revenues and non-operating expenses for each of the fiscal years ended September 30, 2013, 2012, and 2011:

Schedule of Non-operating Revenues by Major Source
(Dollars in Thousands)

	FY 2013	FY 2012	FY 2011
Non-operating revenues			
Interest Income	$ 390	$ 909	$ 830
Gain on disposal of capital assets	61	30	27
Non-capital grant revenue	27	382	113
Other revenues, net	399	-	-
Total non-operating revenues	$ 877	$ 1,321	$ 970

Schedule of Non-operating Expenses by Major Function
(Dollars in Thousands)

	FY 2013	FY 2012	FY 2011
Non-operating expenses			
Interest expense	$ 12,051	$ 14,090	$ 19,058
Bond issuance costs	-	1,462	-
Discontinued project costs	1,054	3,319	217
Other expenses, net	-	969	1,540
Total non-operating expenses	$ 13,105	$ 19,840	$ 20,815

In FY 2013, net non-operating expenses decreased $6.7 million to $13.1 million from net expenses of $19.8 million in 2012. This decrease was due principally to a decrease in debt service interest expenses of $2.0 million, in bond issuance costs of $1.5 million, and in discontinued project costs of $2.3 million.

In FY 2012, net non-operating expenses decreased by approximately $1.0 million to $ 19.8 million from net expenses of $20.8 million in 2011. This decrease was due principally to a decrease in debt service interest expense of $5.0 million, offset with an increase in discontinued project costs of $3.1 million, and an increase in bond issuance costs of $1.5 million. These changes were partially offset by increases in interest income and non-capital grant revenue of $0.1 million and $0.3 million, respectively.

During the fiscal years ended September 30, 2013, 2012, and 2011, the Port received approximately $4.4 million, $9.8 million, and $3.4 million, respectively, in state and federal grant money to be used for capital expenditures.

In summary, net position during fiscal years 2013, 2012, and 2011 increased $37.1 million, $36.1 million, and $24.0 million, respectively.

PORT EVERGLADES DEPARTMENT OF BROWARD COUNTY, FLORIDA
Management's Discussion and Analysis
Fiscal Years Ended 2013, 2012, and 2011
(Unaudited)

Statements of Cash Flows

The following shows a summary of the major sources and uses of cash & cash equivalents. Cash equivalents include highly liquid investments, generally with a maturity at time of purchase of three months or less. A condensed comparative summary of the statements of cash flows for the fiscal years ended September 30, 2013, 2012, and 2011 is shown below:

Condensed Statements of Cash Flows
(Dollars in Thousands)

	FY 2013	FY 2012	FY 2011
Cash flows from operating activities	$ 68,693	$ 74,039	$ 66,842
Cash flows from (used for) non-capital financing activities	(432)	(177)	113
Cash flows used for capital and related financing activities	(82,347)	(52,511)	(46,640)
Cash flows from (used for) investing activities	8,494	(20,004)	(35,606)
Net increase (decrease) in cash & cash equivalents	(5,592)	1,347	(15,291)
Cash & cash equivalents			
Beginning of year	32,070	30,723	46,014
End of year	$ 26,478	$ 32,070	$ 30,723

The Port's available cash & cash equivalents decreased by $5.6 million, from $32.1 million at the end of FY 2012 to $26.5 million at the end of FY 2013. This was due to a decreased flow of funds from operating activities and an increased use of funds for capital and related financing activities, offset by an increased flow of funds from investing activities.

Capital Improvement Plan

The Port strategically evaluates the need for capital improvements based upon a demand-driven strategy that balances the deployment of capital resources with projected cash flows. Intermediate- and long-range capital investment plans are prepared based upon market demand, timing, costs, permitting, financing capabilities, and other factors. These plans are periodically updated to reflect changing events. Generally, the Port funds capital projects from a combination of operating cash flows, grants, and the issuance of revenue bonds. The Port continuously monitors economic factors and prudently manages its debt against realistic growth and associated cash flow expectations.

Capital Acquisitions and Construction Activities

During FY 2013, the Port put into use approximately $79.2 million of new and improved capital assets. The major additions were improvements to Cruise Terminals 2, 19, 21, and 26, cranes, and port security equipment.

During FY 2012, the Port put into use approximately $18.5 million of new and improved capital assets. The major new additions were a fire truck and mounted foam pumps for the on-port fire station, improvements to Cruise Terminal 18, Northport garage ramps, and a trolley rail support system for the Southport cranes.

Capital asset acquisitions are capitalized at cost. Acquisitions are funded primarily with Port revenues, grants, and revenue bonds. The Port had construction commitments of approximately $14.0 million as of September 30, 2013. Additional information on the Port's capital assets and commitments can be found in Note D – Capital Assets and Note J – Commitments and Contingencies.

Overview of Upcoming Projects

On March 1, 2011, the County Commission unanimously approved an update of the Port's 20-Year Master/Vision Plan (Plan) that includes new market projections and plans for increased berth space. The updated Plan was formally incorporated into the Broward County Comprehensive Plan, Coastal Management Element, and Deepwater Port Component, consistent with the Laws of Florida requirements of Chapter 163 on December 2, 2011.

As part of the Plan, the Port is moving forward with implementing three critical expansion projects that are projected to create 7,000 new jobs regionally and support 135,000 jobs statewide over the next 15 years.

These key expansion projects are expected to be completed over the next five years and will add up to five berths; widen and deepen the channel to 48 feet, plus 1 foot required overdepth, plus one foot allowable overdepth (48+1+1); and bring an Intermodal Container Transfer Facility (ICTF) for freight rail into the Port.

Southport Turning Notch (STN) Extension (Berth Additions)

The STN extension project will lengthen the existing deep water turn-around area for cargo ships from 900 feet to 2,400 feet, which will allow for up to five new cargo berths. This project is projected to provide a $10.7 billion annual increase in economic activity related to the Port and create 3,045 construction jobs in the near term and 5,529 regional jobs by the year 2027. The design and permitting contract for this project with DeRose Design Consultants was awarded on March 27, 2012. Design and permitting for various elements of the project are underway.

Westward extension of the existing STN is essential to increasing berthing capacity at the Port. This project will require excavating approximately 8.7 acres of mangrove habitat that was included in a Conservation Easement granted to the Florida Department of Environmental Protection (FDEP) in 1988. To offset this loss, the Port developed a habitat enhancement proposal that will convert 16.5 acres of Port land into mangrove habitat. The FDEP has approved the proposal, and permitting and design have begun, with construction expected to begin in FY 2014 for the enhancement and FY 2016 for the STN extension. Port officials worked closely with Port users, the environmental community, and FDEP to develop the plan for the new mangrove habitat. In addition, the plan supports completing a number of environmental improvements in West Lake Park, part of an overall initiative covering more than 70 acres of the park.

U.S. Army Corps of Engineers Deepening and Widening Project

The Port must deepen its channel to 48 feet (+1+1 overdepth) and widen it in certain areas to remain competitive with seaports in the southeastern United States that are already gearing up for the Panama Canal expansion. The Port already handles post-Panamax ships, those too large to fit through the Panama Canal at its current size. However, the ships must be lightly loaded, which is inefficient and may drive ocean shipping companies to use other ports that are dredging.

The project calls for deepening and widening the Outer Entrance Channel from an existing 45-foot project depth over a 500-foot channel width to a 55-foot depth with an 800-foot channel width, for a flared extension and extending 2,200 feet seaward, deepening the Inner Entrance Channel, Southport Access Channel, and Main Turning Basin from 42 feet to 48 feet (+1+1 overdepth) and widening the channels within the Port to increase the margin of safety for ships transiting to berth.

The total cost is estimated to be $313 million, including a $131 million investment by the Port. Deepening and widening the channel at the Port is projected to create 4,789 construction jobs in the near term and 1,491 direct regional jobs by FY 2027.

Overview of Upcoming Projects - <u>U.S. Army Corps of Engineers Deepening and Widening Project</u> (Continued)

Port harbor deepening is a long-term project that would result in deeper and wider waterways for the future, larger generations of cruise, containerized cargo, and petroleum vessels. The U.S. Army Corps of Engineers is nearing completion of a draft Deepening and Widening Feasibility Study and Environmental Impact Statement, with completion of the final Study estimated in FY 2014.

<u>Intermodal Container Transfer Facility (ICTF)</u>

The Port is working with the Florida East Coast Railway, L.L.C. (FEC) on a public/private partnership to build and operate an ICTF on Port property. A 30-Year Intermodal Container Transfer Facility Lease and Operating Agreement was approved by the County Commission on March 20, 2012. The ICTF in Southport will provide a near-dock facility to facilitate the transfer of waterborne containerized cargo between ship and rail via a rail spur connecting to the FEC main line. This will replace the current practice of having trucks haul the containers to and from off-port rail terminals, either at Andrews Avenue in Fort Lauderdale or in Hialeah in Miami-Dade County. The FEC also plans to relocate its existing domestic intermodal service from Andrews Avenue to the ICTF at the Port. Once completed, the ICTF is expected to reduce congestion on interstate highways and local roadways and reduce harmful air emissions by diverting an estimated 180,000 trucks from the roads annually by FY 2027. The County contributed 43.4 acres of Port property, valued at $19 million, for the ICTF. The ICTF is expected to be operational in summer 2014 and create 767 construction jobs (including the separate Eller Drive Overpass project discussed below). The Florida Department of Transportation provided the FEC with a $30 million Florida State Infrastructure Bank (SIB) loan and $18 million in state grants to finance a portion of the development of the ICTF at the Port. The FEC is managing this construction project.

<u>Eller Drive Overpass</u>

The Eller Drive Overpass project is currently underway and consists of the construction of a new overpass bridge from the I-595/US 1 interchange to McIntosh Road, installation of new railroad tracks and crossing signals, reconstruction of several ramps in the I-595/US 1/Eller Drive interchange, major utility relocations, reconstruction of Eller Drive at three intersections, construction of retention ponds and swales, and new highway lighting and landscaping. FDOT is the lead agency, managing the construction of and funding the Overpass project, which is expected to be completed in early FY 2015 at a cost of $42.5 million. The Eller Drive Overpass will elevate I-595/Eller Drive to allow FEC trains to access the ICTF at ground level without interrupting vehicle flow or blocking traffic.

<u>Southport Improvements</u>

The McIntosh Loop Road project will be completed in spring 2014. It will create a loop road with ample right-hand turning radii for trucks to directly enter the container terminals in Southport, while eliminating crossing traffic lanes.

<u>Cruise Terminal Improvements - Cruise Facility Upgrades</u>

As previously discussed, $54 million of renovations to Cruise Terminals 2, 19, 21, and 26 were substantially completed in FY 2012, with a portion of the work continuing into FY 2013. The Port will also begin the second phase of its cruise facility upgrades by renovating Cruise Terminal 4 in Northport in FY 2014. This project consists of relocating the existing access point of the terminal from the east side to the west side of the building. In addition, the project will encompass the construction of an intermodal area, including surface parking and passenger/baggage drop-off and pick-up areas. A separate-but-related project will begin in FY 2015 to also lengthen Berth 4 to the west by approximately 250 feet in order to accommodate a larger cruise vessel.

Overview of Upcoming Projects (Continued)

Foreign-Trade Zone (FTZ)

The County (and its predecessor, the Port Everglades Authority) has operated a foreign-trade zone at the Port since 1978, when the Port's Foreign-Trade Zone No. 25 became Florida's first such facility offering businesses duty-related advantages for import and export goods. Under the Port's Master/Vision Plan, the existing 21.87-acre FTZ site #1, containing four warehouse buildings and totaling approximately 390,000 square feet, will be converted to container yard area to replace existing container yards displaced by the STN. The Port intends to relocate the FTZ and construct new warehouses on undeveloped Port land west of the current location. A real estate study to analyze this proposed relocation of the FTZ was done in FY 2013. It is envisioned that project construction will commence in FY 2014 as a public-private partnership.

Seaport and Convention Center Security Improvement Project

This project will relocate the existing Northport security checkpoint and make other security improvements to remove the Broward County/Greater Fort Lauderdale Convention Center from the secure area of the Port. Construction is estimated to be completed in 2015.

Slip 1 New Bulkheads at Berths 9 and 10

This project will replace the existing bulkheads at Berths 9 and 10 in a new location approximately 125 feet south of their current location, which will widen Slip 1. The design of this project will commence in late FY 2014.

Legal

Through voluntary agreement, several petroleum companies having operations located at the Port created and funded an independent corporation, Port Everglades Environmental Corporation (PEECO). PEECO was created to address the problem of and clean-up of historical petroleum contamination on common areas owned by the Port, including pipeline right-of-ways, loading berths, and roadways adjacent to oil company properties used by the petroleum companies for transportation of their petroleum products. The majority of common areas on which petroleum contamination is known to exist have been accepted for state-funded clean-up under Florida's Early Detection Incentive Program. The Port believes that the likelihood of having a material financial liability for petroleum contamination costs not covered by the State of Florida or the oil industry is remote.

Liquidity Outlook

The Port believes that, based upon current and anticipated financial performance, cash flows from operations will be adequate to meet anticipated requirements for capital projects, as well as scheduled principal and interest payments for the coming year.

The Port's strategy for growth includes terminal expansion and new Port facilities in the near future. Cash on hand, investments, and cash generated from operations should enable the Port to support this strategy. There are plans to seek additional financing through the issuance of revenue bonds in the future, and there is excess borrowing capacity beyond the Port's current obligations. However, there can be no assurance that such financing would be available or, if so, at terms that would be acceptable.

The Port is exposed to various market risks. Market risk is the potential loss arising from adverse changes in market prices and rates. Additionally, there is exposure from various market risks associated with an interest rate swap agreement, which is more fully discussed in Note E – Long-term Obligations.

Long-term Debt

As of September 30, 2013, the outstanding balance of revenue bonds payable was approximately $259,330,000. Detailed information regarding the bonds is contained in Note E – Long-term Obligations.

Series 2008 Subordinate Bonds

During FY 2008, the Port issued $46,145,000 of Subordinated Port Facilities Refunding Revenue Bonds Series 2008. The refunding bonds closed on July 10, 2008 in the form of variable rate demand bonds to refund $43,160,000 of previously outstanding Subordinate Port Facilities Refunding Revenue Bonds Series 1998. The County entered into an interest rate swap agreement for $46,145,000 of its variable rate Series 2008 Subordinate Bonds for the outstanding period of the bonds as a means to lower its true borrowing costs when compared against fixed-rate bonds at the time of issuance. The intention of the swap was to effectively change the County's variable interest rate. Based on the swap agreement, the County pays a synthetic fixed rate of 3.642%.

Series 2009A Bonds

During FY 2009, the Port issued $83,235,000 of Port Revenue Bonds Series 2009A for the purpose of providing funds, together with other legally available funds, to (i) pay all or part of the costs for the Cruise Terminal 18 improvements and other capital improvements, (ii) fund a subaccount of the Reserve Account, and (iii) pay certain costs of issuance and expenses relating to the bonds.

Series 2011A, B, and C Bonds

On November 22, 2011, the Port issued Series 2011A, Series 2011B, and Series 2011C in the aggregate principal amount of $167,260,000. The proceeds of the issue were used to advance refund all of the outstanding Series 1989A Bonds, Series 1998B Bonds, and Series 1998C Bonds having a principal balance of $171,875,000, and to pay related issue costs. The Series 2011A, 2011B, and 2011C Bonds were issued as fixed rate bonds, with an average life of 8.19 years and a true interest cost of 4.10%. They are secured by a pledge of certain net revenues of the Port.

Bond Insurance and Credit Ratings

The Port's most recent bond ratings on revenue bond outstanding as of September 30, 2013 are as follows:

Issue	Insured	Fitch, Inc.	Moody's Investor Services	Standard & Poor's
2008 Subordinate Port Facilities Refunding Revenue	Scotia Bank Letter of Credit	AA-/F1+	-	A+
2009A Port Facilities Revenue	No	A	A2	A-
2011A Port Facilities Refunding Revenue	Assured Guaranty	A	A2	A-
2011B Port Facilities Refunding Revenue	Assured Guaranty	A	A2	A-
2011C Port Facilities Refunding Revenue	Assured Guaranty	A	A2	A-

There were no changes in these ratings from FY 2011 to FY 2012. In FY 2013, the Standard & Poor's Ratings Services downgraded its rating for the provider of the Letter of Credit for the 2008 Subordinate Port Facilities Refunding Revenue Bonds from AA- to A+.

Contacting the Port Department's Financial Management

If you have questions about this report or need additional financial information, please contact the Port's Director of Finance, 1850 Eller Drive, Fort Lauderdale, FL 33316 USA.

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
Statements of Net Position
September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
ASSETS		
Current assets		
Cash & cash equivalents	$ 9,567	$ 2,026
Investments	150,289	204,044
Accounts receivable, trade (less estimated uncollectible accounts of $3 in 2013 and $1 in 2012)	6,903	5,397
Accounts receivable, other (less estimated uncollectible accounts and unamortized discounts of $55 in 2013 and $59 in 2012)	137	144
Due from other County funds	-	388
Due from other governments	1,163	3,956
Inventories	6,130	5,889
Prepaid items	4,404	4,002
Restricted assets		
Cash & cash equivalents	3,052	4,212
Investments	55,343	19,986
Total current assets	236,988	250,044
Non-current assets		
Restricted assets		
Cash & cash equivalents	13,859	25,832
Investments	13,652	3,357
Capital assets		
Land and land improvements	56,756	56,756
Construction in progress and pending equipment	20,707	63,877
Buildings, piers, and other improvements	503,117	431,449
Equipment and vehicles	170,753	164,261
Property held for leasing	249,182	249,173
Total capital assets	1,000,515	965,516
Less accumulated depreciation	(391,623)	(365,251)
Total capital assets, net	608,892	600,265
Total non-current assets	636,403	629,454
Total assets	873,391	879,498
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on refunding	4,789	5,642
Accumulated decrease in fair value of interest rate swap	4,084	6,800
Total deferred outflows of resources	$ 8,873	$ 12,442

(Continued)

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
Statements of Net Position (Continued)
September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
LIABILITIES		
Current liabilities		
Accounts payable	$ 8,867	$ 31,558
Accrued liabilities	625	590
Due to other County funds	300	1,191
Due to other governments	882	1,042
Compensated absences	1,136	1,138
Payable from restricted assets		
Security deposits	3,133	3,056
Accrued interest payable	1,102	1,006
Unearned grant revenue, capital contributions	-	151
Revenue bonds payable	54,160	19,985
Total payable from restricted assets	58,395	24,198
Total current liabilities	70,205	59,717
Non-current liabilities		
Revenue bonds payable, net of discounts and premiums	209,388	263,865
Compensated absences	1,127	1,262
Other post-employment benefits	512	463
Fair value of interest rate swap	4,084	6,800
Total non-current liabilities	215,111	272,390
Total liabilities	285,316	332,107
Commitments and contingencies		
NET POSITION		
Net investment in capital assets	350,133	322,057
Restricted for		
Debt service	10,327	12,031
Renewal and replacement, operating and maintenance	17,184	17,010
Federal grants	-	148
Unrestricted	219,304	208,587
Total net position	$ 596,948	$ 559,833

See accompanying notes to financial statements.

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
Statements of Revenues, Expenses, and Changes in Net Position
For the Fiscal Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Operating revenues		
Vessel, cargo, and passenger services	$ 126,173	$ 122,234
Leasing of facilities	12,769	11,699
Vehicle parking	6,998	7,325
Other	1,379	1,673
Total operating revenues	147,319	142,931
Operating expenses		
Salaries and wages	13,812	13,515
Benefits	4,285	4,144
Total personal services expenses	18,097	17,659
Law enforcement and fire rescue	25,931	26,093
Contractual services	11,885	11,202
Insurance	5,470	5,824
Utilities	4,168	3,763
Maintenance, equipment, and supplies	5,423	4,177
General and administrative	3,964	3,427
Total non-personal expenses	56,841	54,486
Total operating expenses before depreciation	74,938	72,145
Depreciation	27,438	25,947
Total operating expenses	102,376	98,092
Operating income	44,943	44,839
Non-operating revenues (expenses)		
Interest income	390	909
Interest expense, net of capitalized interest	(12,051)	(14,090)
Bond issuance costs	-	(1,462)
Gain on disposal of capital assets	61	30
Discontinued projects costs	(1,054)	(3,319)
Other, net	399	(969)
Non-capital grant revenue	27	382
Total non-operating (expenses), net	(12,228)	(18,519)
Income before capital contributions	32,715	26,320
Capital contributions	4,400	9,781
Change in net position	37,115	36,101
Net position, beginning of year, as restated	559,833	523,732
Net position, end of year	$ 596,948	$ 559,833

See accompanying notes to financial statements.

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
Statements of Cash Flows
For the Fiscal Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Cash flows from operating activities		
Cash received from customers	$ 145,946	$ 145,025
Payments to suppliers for goods and services	(59,332)	(53,723)
Payments to employees for services	(18,150)	(17,614)
Other cash receipts	229	351
Net cash provided by operating activities	68,693	74,039
Cash flows from non-capital financing activities		
Cash from non-capital grants	27	382
Payment for contribution to other government agency	(459)	(559)
Net cash used for non-capital financing activities	(432)	(177)
Cash flows from capital and related financing activities		
Proceeds from bond refunding	-	1,366
Payments to refunded bond escrow agent	-	(5,435)
Acquisition of capital assets	(56,798)	(34,109)
Principal payments on bonds	(19,985)	(8,985)
Payment of interest and fiscal charges	(11,956)	(11,416)
Payment of other debt service costs	(717)	(471)
Proceeds from sales of capital assets	67	30
Capital contributions	7,042	6,509
Net cash used for capital and related financing activities	(82,347)	(52,511)
Cash flows from investing activities		
Purchases of investments	(212,200)	(315,154)
Proceeds from sales and maturities of investment securities	220,304	294,241
Interest on investments	390	909
Net cash provided by (used for) investing activities	8,494	(20,004)
Net Increase (decrease) in cash & cash equivalents	(5,592)	1,347
Cash & cash equivalents, beginning of year	32,070	30,723
Cash & cash equivalents, end of year	$ 26,478	$ 32,070
Cash & cash equivalents - unrestricted assets	$ 9,567	$ 2,026
Cash & cash equivalents - restricted assets - current	3,052	4,212
Cash & cash equivalents - restricted assets - non-current	13,859	25,832
	$ 26,478	$ 32,070

(Continued)

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
Statements of Cash Flows (Continued)
For the Fiscal Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 44,943	$ 44,839
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	27,438	25,947
Miscellaneous non-operating revenues	266	351
Decrease (increase) in assets		
Accounts receivable, trade	(1,506)	(3)
Accounts receivable, other	9	(1)
Due from other County funds	388	(388)
Inventories	(241)	(505)
Prepaid items	(471)	(336)
Increase (decrease) in liabilities		
Accounts payable	(1,106)	657
Accrued liabilities	35	21
Due to other County funds	(891)	894
Due to other governments	(160)	65
Compensated absences	(137)	(30)
Security deposits	77	2,474
Other post-employment benefits	49	54
Net adjustments	23,750	29,200
Net cash provided by operating activities	$ 68,693	$ 74,039
Supplemental information		
Non-cash investing, capital, and financing activities		
Refunding bond transactions through escrow agent (excluding cash payments reflected on prior page)	$ -	$ 169,126
Capital assets acquired through current accounts payable	$ 5,624	$ 27,207
Amortization of bond discounts and premiums	$ (317)	$ (255)
Amortization of deferred charges	$ 853	$ 831
Change in fair value of interest rate swap	$ (2,716)	$ 1,048
Change in fair value of investments	$ 129	$ (283)

See accompanying notes to financial statements.

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
Notes to Financial Statements
September 30, 2013 and 2012

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A. *Summary of Significant Accounting Policies*

Reporting Entity: These financial statements present the financial position, changes in net position, and cash flows of the Port Everglades Department (the "Port") of Broward County, Florida (the "County") and not the County as a whole. The Port is a department of the County and operates as a major enterprise fund thereof. The County owns Port Everglades, which is operated by the County's Board of County Commissioners (the "County Commission"). The Port, formerly known as Port Everglades Authority ("PEA") is located within the geographic boundaries of the County and was originally created in 1927 by a special act of the Florida Legislature to create and promote commerce and industry through the operation of a deep-water seaport. The Port's jurisdictional area consists of approximately 2,190 acres, inclusive of land and water, designated for shipping, warehousing, and all other non-residential uses, as approved. The Port owns approximately 1,277 acres.

The County Commission is responsible for legislative and fiscal control of the County. A County Administrator is appointed by the County Commission and is responsible for administrative and fiscal control of all County departments through the administration of directives and policies established by the County Commission.

On March 10, 1992, voters approved a binding referendum to abolish the PEA and transfer control to the County Commission. The Port remained independent until November 22, 1994. Laws of Florida, Chapter 91-346 (Resolution 92-1734) provided for dissolution and required the County to assume all of the Port's assets and obligations. The same law restricts the use of all monies and revenues owned or generated by the Port as being used for Port purposes to the same extent as such revenues could have been used by PEA prior to its dissolution and the transfer of its assets to the County.

Basis of Presentation and Accounting: The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured, such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The Port is a major enterprise fund of the County and uses the enterprise fund type to account for all of its operations. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

The financial statements distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the Port's principal ongoing operations. The principal operating revenues of the Port are charges to customers for services rendered or use of facilities. Operating expenses include the cost of services, general and administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses.

New Accounting Pronouncements: The Port adopted the following Governmental Accounting Standards Board ("GASB") Statements during the fiscal year ended September 30, 2013:

GASB Statement No. 60, *"Accounting and Financial Reporting for Service Concession Arrangement*s", provides guidance for financial reporting of service concession arrangements (SCAs) between a transferor (a government) and an operator (governmental or nongovernmental entity). It establishes recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner. This Statement contributes to the assessment of inter-period equity by reporting up-front payments or the present value of installment payments primarily as deferred inflows of resources, reflecting the acquisition of resources that are applicable to a future reporting period.

A. Summary of Significant Accounting Policies – New Accounting Pronouncements (Continued)

It further requires that specific relevant disclosures be made by transferors and governmental operators about SCAs. This Statement had no impact on the Port's financial statements.

GASB Statement No. 62, "*Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*", incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which do not conflict with or contradict GASB pronouncements:

- Financial Accounting Standards Board Statements (FASB) and Interpretations
- Accounting Principles Board Opinions
- Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure

This Statement also supersedes GASB Statement No. 20, *"Accounting and Financial Reporting for Propriety Funds and Other Governmental Entities That Use Propriety Fund Accounting".* Those entities who chose to apply post-November 30, 1989 FASB Statements and Interpretations that do not conflict with or contradict GASB pronouncements can continue to apply those pronouncements as other accounting literature. The financial reporting impact resulting from the implementation of GASB Statement No. 62 was not material.

GASB Statement No. 63, "*Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*", provides guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position. Amounts that are required to be reported as deferred outflows should be reported in a statement of net position in a separate section following assets. Similarly, amounts required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. This Statement also amends net asset reporting requirements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The adoption of this Statement resulted in a change in the presentation of the Statement of Net Assets to what is now referred to as the Statement of Net Position, and, in addition, the term "net assets" was changed to "net position" throughout the financial statements. Additionally, this Statement requires that the component of net position previously titled "Invested in Capital Assets, Net of Related Debt" now be titled "Net Investment in Capital Assets." The adoption of this Statement also resulted in the reclassification of amounts previously reported as an asset pertaining to the interest swap as a deferred outflow of resources.

GASB Statement No. 65, "*Items Previously Reported as Assets and Liabilities*", 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, and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The provisions of this Statement are effective for financial statement periods beginning after December 15, 2012; however, the Port opted to early implement this Statement. For a debt refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt was reclassified from liabilities to deferred outflow of resources in the statements of net position. In addition, this statement also required a change in the calculation of the deferred amount on refunding to exclude the effect of refunded debts' unamortized debt issuance costs. Additionally, the adoption of this Statement required that debt issuance costs be expensed in the period incurred, resulting in a restatement of net position, as discussed in the next section.

A. Summary of Significant Accounting Policies (Continued)

Change in Accounting Principle and Restatement of Prior Year Amounts: Beginning net positions were restated as follows due to the implementation of GASB Statement No. 65 (dollars in thousands):

	2012	2011
Net position, October 1, as previously stated	$563,920	$526,771
Restatement due to the write off of deferred bond issuance costs pursuant to the implementation of GASB Statement No. 65	(4,087)	(3,039)
Net position, October 1, as restated	$559,833	$523,732

Deposits and Investments: Cash & cash equivalents consist of demand deposits and investments with original maturities at time of purchase of three months or less.

The Port participates in the cash and investment pool maintained by the County. All investments are carried at fair value, as determined from quoted market prices. Each fund's portion of the pool is presented as "cash & cash equivalents," "investments," "restricted current assets," or "restricted non-current assets," as appropriate. Earnings are allocated to County funds based on their average daily cash and investment balances. The Port also maintains cash and investments outside the County pool for the purpose of funding debt service payments and bond reserve requirements and for investment purposes.

Accounts Receivable: The Port invoices customers for vessel, cargo, and passenger services and leasing of facilities. The Port records accounts receivable at the estimated net realizable value. Accordingly, accounts receivable are shown net of estimated uncollectible accounts and unamortized discounts, as determined by management policies.

Due from Other Governments: The amounts due from other governments represent grants receivable from federal and state governments for their share of amounts expended on various capital projects

Due from or to Other County Funds: The amounts due from or to other County funds represent lending arrangements outstanding at the end of the fiscal year.

Inventories and Prepaid Items: Crane spare parts inventory and supplies inventory are carried at the lower of average cost or market. Fire retardant chemical inventory is recorded using the lower of cost (first-in, first-out method) or market. Prepaid items consist primarily of insurance costs that will benefit future periods.

Capital Assets: Capital assets are stated at cost or, if donated, fair market value on the date of donation. Capital assets are defined as assets with an initial, individual cost of $1,000 or more for equipment and $5,000 or more for all other capital assets and an estimated useful life in excess of one year. Expenditures that materially extend the useful lives of existing assets are capitalized. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized. The cost of property sold or retired, together with the related accumulated depreciation, is removed from the appropriate accounts, and any resulting gain or loss is reflected in the change in net position. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings (including buildings held for leasing)	30 – 50 years
Piers	20 – 50 years
Other improvements	10 – 30 years
Equipment and vehicles	3 – 30 years

A. Summary of Significant Accounting Policies (Continued)

Capitalization of Interest Costs: Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. The Port incurred interest of $12,589,000 and $14,440,000 for the fiscal years ended September 30, 2013 and 2012, respectively, and, of this, $538,000 and $350,000, respectively, was included as part of the cost of construction in progress and assets placed into service.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The Port has reported the deferred charge on refunding as a deferred outflow of resources in the statements of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. The Port has also reported a deferred outflow of resources for the accumulated decrease in fair value of the interest rate swap in the statements of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Port does not have any items that qualify for reporting in this category.

Unearned Grant Revenue, Capital Contributions**:** Monies received that do not yet meet the criteria for revenue recognition are recorded as unearned grant revenue.

Compensated Absences**:** It is the Port's policy to permit employees to accumulate vacation and sick leave. The cost of earned-but-unused vacation pay is accrued as a liability in the period in which the leave is earned. Liabilities for earned but unused sick leave are accrued only to the extent that the leave will result in cash payments at termination.

Long-term Obligations**:** Long-term debt and other long-term obligations are reported as liabilities in the statements of net position. Bond premiums or discounts are amortized on a straight-line basis over the life of the bonds. Bonds payable are reported net of the applicable unamortized bond premium or discount.

Net Position and Net Position Flow Assumption: Net position represents the residual interest in the Port's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted, and consists of three components: net investment in capital assets, restricted net position, and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds. The restricted net position category represents the balance of assets restricted for general use by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position not meeting the definition of either of the other two components.

Sometimes, the Port will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Port's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

A. Summary of Significant Accounting Policies (Continued)

Capital Contributions: Capital contributions consist mainly of grants from federal and state governments. These capital contributions are recognized as earned as related project costs are incurred.

Reclassifications: Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the dates of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

B. Deposits and Investments

As of September 30, 2013 and 2012, the Port's deposits and investments consisted of the following (dollars in thousands):

	September 30, 2013	September 30, 2012
Cash deposits	$ 26,478	$ 32,070
Investments:		
U.S. Treasuries	57,891	51,830
U.S. Agencies	157,017	172,775
Commercial paper	4,376	2,782
Total investments	219,284	227,387
Total cash & cash equivalents and investments	$ 245,762	$ 259,457

Cash & cash equivalents and investments are classified in the statements of net position as follows (dollars in thousands):

	September 30, 2013	September 30, 2012
Current assets		
Cash & cash equivalents - unrestricted	$ 9,567	$ 2,026
Cash & cash equivalents - restricted	3,052	4,212
Investments - unrestricted	150,289	204,044
Investments - restricted	55,343	19,986
Non-current assets		
Cash & cash equivalents - restricted	13,859	25,832
Investments - restricted	13,652	3,357
Total cash & cash equivalents and investments	$ 245,762	$ 259,457

B. Deposits and Investments (Continued)

Deposits – Custodial Credit Risk: The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County 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 County mitigates custodial credit risk by requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under State Statutes, each qualified public depository is required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depository's collateral pledging level. The pledging level may range from 25% to 200%, depending upon the depository's financial condition and establishment period. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default.

As of September 30, 2013, $16,394,000 was exposed to custodial credit risk, because it was uninsured and collateralized with securities held by the pledging financial institution's trust department, but not in the County's name.

Investments: The County's investment practices are governed by 218.415 of State Statutes; County Code of Ordinances, Chapter I, Article I, Section 1-10; and the requirements of outstanding bond covenants. The County has a formal investment policy that, in the opinion of management, is designed to ensure conformity with State Statutes and seeks to limit exposure to investment risks. The investment policy specifies the types, issuer, maturity, and performance measurement of investment securities that are permissible. Securities are held to maturity, with limited exceptions outlined in the investment policy. Qualified institutions utilized for investment transactions are also addressed within the policy, as well as diversification requirements for the investment portfolio.

Under State Statutes and County Ordinances, the County is authorized to invest in obligations of the U.S. Treasury, its agencies and instrumentalities, commercial paper, repurchase agreements, certificates of deposit, certain money market funds, and the Florida Local Government Investment Trust. County policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

Interest Rate Risk: In accordance with its investment policy, the County manages its exposure to interest rate volatility by limiting the weighted average maturity of its investment portfolio within the following maturity categories:

Overnight	35%
1 to 30 days	80%
31 to 90 days	80%
91 days to 1 year	70%
1 year to 2 years	40%
2 years to 3 years	20%
3 years to 4 years	15%
4 years to 5 years	10%

Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2013, the County portfolio's weighted average maturity was 561 days and was in accordance with the County's investment policy.

Credit Risk: The County's investment policy contains specific rating criteria for certain investments. The policy states that commercial paper, bonds, notes, or obligations of the State of Florida, any municipality or political subdivision, or any agency or authority of the state, if such obligations are rated, must be rated in one of the two highest rating categories by at least two nationally recognized rating agencies. Commercial paper that is not rated must be backed by a letter of credit or line of

B. Deposits and Investments – Investments – Credit Risk (Continued)

credit rated in one of the two highest rating categories. Any investments in World Bank notes, bonds, and discount notes must be rated AAA or equivalent by Moody's Investors Service and/or Standard & Poor's Ratings Services. Investments in Securities and Exchange Commission registered money market funds must have the highest credit quality rating from a nationally recognized rating agency.

The County's investments in U.S. Treasuries and U.S. Agencies are rated AA+ by Standard & Poor's Ratings Services and Aaa by Moody's Investors Service. The County's investments in commercial paper are rated P-1 by Moody's Investors Service and A-1 or higher by Standard & Poor's Ratings Services.

Concentration of Credit Risk: The County places no limit on the amount that may be invested in securities of the U. S. Government and U.S. Agencies thereof or in government-sponsored corporation securities. The County requires that all other investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer. GASB Statement No. 40, *Deposit and Investment Disclosures,* requires disclosure when the percent is 5% or more invested in any one issuer. As of September 30, 2013, the County's investment in the Federal Agricultural Mortgage Corporation was 5.55%; the Federal Home Loan Bank was 15.48%; the Federal Home Loan Mortgage Corporation was 18.40%; and the Federal National Mortgage Association was 27.69%.

C. Restricted Assets

Restricted assets of the Port as of September 30, 2013 and 2012 represent amounts restricted for debt service, required reserves for maintenance and improvements under the terms of outstanding bond agreements and regulatory requirements, amounts restricted for investment in capital assets, refundable customer security deposits, and grants. The debt service accounts contain the principal and interest amounts required for bond payments due on the scheduled dates. The bond reserve accounts contain the maximum amount of the required amounts for the renewal and replacement and operating and maintenance reserves. The capital projects and federal grants accounts include proceeds restricted per bond or grant requirements to purchase capital assets.

As of September 30, 2013 and 2012, assets were restricted for the following purposes (dollars in thousands):

	September 30, 2013	September 30, 2012
Debt service	$ 65,589	$ 33,022
Bond reserve accounts	17,184	17,010
Security deposits	3,133	3,056
Federal grants	-	299
	$ 85,906	$ 53,387

As of September 30, 2013 and 2012, restricted assets were classified in the statements of net position as follows (dollars in thousands):

	September 30, 2013	September 30, 2012
Current assets – restricted		
Cash & cash equivalents	$ 3,052	$ 4,212
Investments	55,343	19,986
Non-current assets - restricted		
Cash & cash equivalents	13,859	25,832
Investments	13,652	3,357
Total restricted assets	$ 85,906	$ 53,387

D. *Capital Assets*

Capital asset activity was as follows for the fiscal years ended September 30, 2013 and 2012 (dollars in thousands):

	Balance October 1, 2012 *	Additions	Deletions	Balance September 30, 2013
Capital assets not being depreciated				
Land and land improvements	$ 56,756	$ -	$ -	$ 56,756
Property held for leasing - land and land improvements	151,324	-	-	151,324
Construction in progress and pending equipment				
Construction in progress	62,105	31,553	(73,548)	20,110
Pending equipment	1,772	5,572	(6,747)	597
Total construction in progress and pending equipment	63,877	37,125	(80,295)	20,707
Total non-depreciable capital assets	271,957	37,125	(80,295)	228,787
Capital assets being depreciated				
Buildings, piers, and other improvements	431,449	71,668	-	503,117
Property held for leasing - buildings, piers, and other improvements	97,849	9	-	97,858
Equipment and vehicles	164,261	7,564	(1,072)	170,753
Total depreciable capital assets	693,559	79,241	(1,072)	771,728
Less accumulated depreciation				
Buildings, piers, and other improvements	(224,623)	(16,419)	-	(241,042)
Property held for leasing - buildings, piers, and other improvements	(59,174)	(2,592)	-	(61,766)
Equipment and vehicles	(81,454)	(8,427)	1,066	(88,815)
Total accumulated depreciation	(365,251)	(27,438)	1,066	(391,623)
Total capital assets being depreciated, net	328,308	51,803	(6)	380,105
Total capital assets, net	$ 600,265	$ 88,928	$ (80,301)	$ 608,892

	Balance October 1, 2011 *	Additions	Deletions	Balance September 30, 2012
Capital assets not being depreciated				
Land and land improvements	$ 56,754	$ 2	$ -	$ 56,756
Property held for leasing - land and land improvements	151,324	-	-	151,324
Construction in progress and pending equipment				
Construction in progress	26,287	50,861	(15,043)	62,105
Pending equipment	3,139	6,987	(8,354)	1,772
Total construction in progress and pending equipment	29,426	57,848	(23,397)	63,877
Total non-depreciable capital assets	237,504	57,850	(23,397)	271,957
Capital assets being depreciated				
Buildings, piers, and other improvements	419,450	11,999	-	431,449
Property held for leasing - buildings, piers, and other improvements	97,485	364	-	97,849
Equipment and vehicles	158,642	6,107	(488)	164,261
Total depreciable capital assets	675,577	18,470	(488)	693,559
Less accumulated depreciation				
Buildings, piers, and other improvements	(209,589)	(15,034)	-	(224,623)
Property held for leasing - buildings, piers, and other improvements	(56,467)	(2,707)	-	(59,174)
Equipment and vehicles	(73,736)	(8,206)	488	(81,454)
Total accumulated depreciation	(339,792)	(25,947)	488	(365,251)
Total capital assets being depreciated, net	335,785	(7,477)	-	328,308
Total capital assets, net	$ 573,289	$ 50,373	$ (23,397)	$ 600,265

* The October 1, 2012 and 2011 beginning balances in the tables above incorporate reclassifications between property held for leasing and property used in operations. There was no effect on the total net capital assets reported.

D. Capital Assets (Continued)

As of September 30, 2013, property held for leasing included both non-depreciable capital assets (land and land improvements of $151,324,000 and depreciable capital assets (buildings, piers, and other improvements of $97,858,000), totaling $249,182,000, less accumulated depreciation of $61,766,000 for a net book value of $187,416,000.

As of September 30, 2012, property held for leasing included both non-depreciable capital assets (land and land improvements of $151,324,000) and depreciable capital assets (buildings, piers, and other improvements of $97,849,000), totaling $249,173,000, less accumulated depreciation of $59,174,000 for a net book value of $189,999,000.

E. Long-term Obligations

Changes in long-term obligations for the fiscal years ended September 30, 2013 and 2012 were as follows (dollars in thousands):

	Balance October 1, 2012 *	Additions	Reductions	Balance September 30, 2013	Due within One Year
Revenue bonds payable					
2008 Subordinate Port Facilities, Refunding	$ 37,665	$ -	$ (1,930)	$ 35,735	$ 35,735
2009A Port Facilities	75,895	-	(2,900)	72,995	3,045
2011A Port Facilities, Refunding	12,370	-	-	12,370	-
2011B Port Facilities, Refunding, Serial	69,055	-	-	69,055	-
2011B Port Facilities, Refunding, Term	31,640	-	-	31,640	-
2011C Port Facilities, Refunding	52,690	-	(15,155)	37,535	15,380
Total face amount of revenue bonds payable	279,315	-	(19,985)	259,330	54,160
Unamortized bond discounts	(1,425)	-	84	(1,341)	-
Unamortized bond premiums	5,960	-	(401)	5,559	-
Total net revenue bonds payable	283,850	-	(20,302)	263,548	54,160
Compensated absences payable	2,400	872	(1,009)	2,263	1,136
Other post-employment benefits	463	99	(50)	512	-
Total	$ 286,713	$ 971	$ (21,361)	$ 266,323	$ 55,296

	Balance October 1, 2011 *	Additions	Reductions	Balance September 30, 2012	Due within One Year
Revenue bonds payable					
1989A Port Facilities, Refunding	$ 53,185	$ -	$ (53,185)	$ -	$ -
1998A Port Facilities, Refunding	2,855	-	(2,855)	-	-
1998B Port Facilities, Refunding	79,825	-	(79,825)	-	-
1998C Port Facilities, Serial	10,220	-	(10,220)	-	-
1998C Port Facilities, Term	28,645	-	(28,645)	-	-
2008 Subordinate Port Facilities, Refunding	39,525	-	(1,860)	37,665	1,930
2009A Port Facilities	78,660	-	(2,765)	75,895	2,900
2011A Port Facilities, Refunding	-	12,370	-	12,370	-
2011B Port Facilities, Refunding, Serial	-	69,055	-	69,055	-
2011B Port Facilities, Refunding, Term	-	31,640	-	31,640	-
2011C Port Facilities, Refunding	-	54,195	(1,505)	52,690	15,155
Total face amount of revenue bonds payable	292,915	167,260	(180,860)	279,315	19,985
Unamortized bond discounts	(8,177)	-	6,752	(1,425)	-
Unamortized bond premiums	1,073	5,242	(355)	5,960	-
Total net revenue bonds payable	285,811	172,502	(174,463)	283,850	19,985
Compensated absences payable	2,430	1,101	(1,131)	2,400	1,138
Other post-employment benefits	409	101	(47)	463	-
Total	$ 288,650	$ 173,704	$ (175,641)	$ 286,713	$ 21,123

* The October 1, 2012 and October 1, 2011 beginning balances in the tables above were restated due to the implementation of GASB Statement No. 65. This restatement reclassifies the unamortized deferred charge on refunding from liabilities to deferred outflows of resources in the statements of net position.

E. Long-term Obligations (Continued)

Revenue Bonds Payable: The following is a summary of the major provisions and significant debt service requirements for bonds outstanding as of September 30, 2013 and 2012 (dollars in thousands):

			Interest Payment		Optional (O) or Mandatory (M) Redemption		Final Maturity	Original Amount	Retired/	Outstanding September 30,	
Bond Issue	Primary Purpose	Type	Rate (%)	Dates	Redemption	Year	Date	Issued	Refunded	2013	2012
2008 Subordinate Port Facilities Refunding	Refunding Issue	Demand	3.642 *	Monthly	O	2009	9-1-2027	$ 46,145	$(10,410)	$ 35,735	$ 37,665
2009A Port Facilities	Capital Improvements	Serial	3.0 - 6.0	3-1 9-1	O	2019	9-1-2025	$ 48,085	$(10,240)	37,845	40,745
2009A Port Facilities	Capital Improvements	Term	5.25 - 5.5	3-1 9-1	M	2023	9-1-2029	$ 35,150	$ -	35,150	35,150
2011A Port Facilities	Refunding Issue	Serial	5.0	3-1 9-1	O	2021	9-1-2025	$ 12,370	$ -	12,370	12,370
2011B Port Facilities	Refunding Issue	Serial	5.0	3-1 9-1	O	2021	9-1-2023	$ 69,055	$ -	69,055	69,055
2011B Port Facilities	Refunding Issue	Term	4.625	3-1 9-1	M	2025	9-1-2027	$ 31,640	$ -	31,640	31,640
2011C Port Facilities	Refunding Issue	Serial	1.098 - 3.0	3-1 9-1	N/A	N/A	9-1-2016	$ 54,195	$(16,660)	37,535	52,690
Total face amount of revenue bonds payable										$259,330	$279,315

* Synthetic fixed rate per swap agreement.

The annual debt service requirements for all bonds outstanding as of September 30, 2013 are as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest *	Total
2014	$ 54,160	$ 11,621	$ 65,781
2015	18,870	11,103	29,973
2016	19,670	10,235	29,905
2017	10,790	9,497	20,287
2018	11,335	8,873	20,208
2019-2023	65,935	33,808	99,743
2024-2028	72,015	12,907	84,922
2029	6,555	361	6,916
	$ 259,330	$ 98,405	$ 357,735

* Although the principal includes the Series 2008 Bonds as a current liability pursuant to GASB Interpretation No. 1, *"Demand Bonds Issued by State and Local Governmental Entities – an interpretation of NCGA Statement I and NCGA Interpretation 9,"* the related interest amounts reflected are based upon the original maturity schedule, as it is the Port's intent to negotiate a new credit facility.

E. Long-term Obligations – Revenue Bonds Payable (Continued)

Details of the Port's bonds outstanding as of September 30, 2013 and 2012 are provided in the following sections. Terms not defined in these Notes to Financial Statements that are capitalized are defined in the underlying agreements.

Series 2008 Bonds: In July, 2008, the Port issued $46,145,000 of Subordinated Port Facilities Refunding Revenue Bonds Series 2008 (the "Series 2008 Bonds"). The Series 2008 Bonds were issued to refund $43,160,000 of outstanding Series 1998 Bonds. The Series 2008 Bonds bear interest at a weekly variable rate. The variable rate as of September 30, 2013 and 2012 was 0.07% and 0.18%, respectively.

Demand bonds. The Series 2008 Bonds are subject to purchase on the demand of the holder or a mandatory tender for purchase at a price equal to principal plus accrued interest. The Port's remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate.

An irrevocable transferable direct-pay Letter of Credit was issued by The Bank of Nova Scotia (BONS) pursuant to the Reimbursement Agreement dated July 1, 2008, between the Port and BONS, and its First Amendment was executed on May 26, 2011. The Letter of Credit was issued in an amount equal to the $46,145,000 original aggregate principal amount of the Series 2008 Bonds, plus 56 days' interest thereon at the rate of 15% per annum. At the time of the First Amendment, $41,320,000 aggregate principal remained outstanding. The Letter of Credit will terminate upon the earlier to occur of BONS' close of business on (a) July 8, 2014 (as extended from time to time) or (b) earlier dates as defined in the Letter of Credit agreement. Pursuant to GASB Interpretation No. 1, *"Demand Bonds Issued by State and Local Governmental Entities* - *on interpretation of NCGA Statement 1 and NCGA Interpretation* 9," since a new credit facility was not negotiated as of September 30, 2013, the bonds are reflected as a current liability in the statement of net position as of September 30, 2013.

In the event that a demand for purchase by an owner or a mandatory tender for purchase of the Series 2008 Bonds is not remarketed, the Trustee, complying with the terms of the Letter of Credit, is authorized to draw an amount sufficient to pay principal and interest when due and to pay the applicable portion of the purchase price of Series 2008 Bonds and accrued interest. Liquidity advances representing draws to pay the portion of the purchase price of principal not remarketed bear interest based on an Alternative Base Rate, which is defined as the highest of the bank's base rate; the Federal Funds Rate plus 2%; the London Interbank Offered Rate (LIBOR) plus 3%; or 7%. Within the first 90 days, interest is at the applicable Alternative Base Rate and for 91-180 days interest is at the Alternative Base Rate plus 1%. Liquidity advances that remain outstanding upon the earlier of 180 days or facility expiration will convert to a three-year term loan. The principal portion of the term loan of $35,735,000 shall be payable in twelve equal quarterly installments commencing 90 days after such conversion, with interest at the Alternative Base Rate plus 2%. As of September 30, 2013, no amounts have been drawn from the Letter of Credit.

The Port is required to pay BONS, on a quarterly basis, a commitment fee for the Letter of Credit. Through July 2011, the fee was 0.50% per annum of the average daily gross available amount of the Letter of Credit. For the period commencing on July 8, 2011 through termination, the fee varies based upon the bond ratings from Moody's Investors Services, Standard & Poor's Ratings Services, and Fitch Ratings Services. The current rate is 1.35% per annum. In addition, the remarketing agent is paid an annual fee equal to 0.60% of the then outstanding aggregate principal amount of the Series 2008 Bonds.

E. Long-term Obligations – Revenue Bonds Payable – Series 2008 Bonds (Continued)

2008 interest rate swap agreement. The Port entered into an interest rate swap agreement in July 2008, with Goldman Sachs Capital Markets, L.P. to provide a synthetic fixed rate structure for the $46,145,000 Series 2008 Bonds that bear interest at a variable weekly rate. Interest rate swaps are considered to be derivative instruments and are carried on the statement of net position at fair value.

Objective of the interest rate swap — The interest rate swap agreement was a means to lower the Port's true borrowing costs when compared against fixed-rate bonds at the time of issuance. The intention of the swap was to effectively change the Port's variable interest rate. Based on the swap agreement, the Port pays a synthetic fixed rate of 3.642%.

Terms — The interest rate swap was entered into at the same time that the Series 2008 Bonds were issued in July 2008. The Series 2008 Bonds and the related interest rate swap agreement expire on September 1, 2027. The interest rate swap's original notional amount of $46,145,000 matches the original principal amount of the Series 2008 Bonds. The outstanding notional amount of the interest rate swap matches the principal amortization schedule of the Series 2008 Bonds. Under the terms of the interest rate swap agreement, the Port pays the counterparty a fixed rate of 3.642% and receives a variable rate payment based on the SIFMA Municipal Swap Index.

Fair value — As of September 30, 2013 and 2012, the swap had a negative fair value of $4,084,000 and $6,800,000, respectively. This represented a decrease of $2,716,000 as of September 30, 2013, as compared to the prior year. The swap's fair value is reported as a deferred outflow of resources as "Accumulated Decrease in Fair Value of Interest Rate Swap" and as a liability as "Fair Value of Interest Rate Swap" in the accompanying statements of net position. The swap's notional amount as of September 30, 2013 and 2012, which equaled the principal outstanding on the Series 2008 Bonds as of those dates, was $35,735,000 and $37,665,000, respectively. The fair value is developed by a pricing service that considers the significant assumptions to be proprietary.

Credit risk — As of September 30, 2013 and 2012, the Port was not exposed to credit risk, because the swap had a negative fair value. However, should interest rates change and the fair value become positive, the Port could be exposed to credit risk in the amount of the swap's fair value. The swap agreement is subject to termination prior to September 1, 2027, upon the occurrence of certain termination events.

Basis risk — Municipal interest rate swaps are normally based on a fixed payment and an indexed variable receipt instead of the actual variable debt payment. Any difference between the indexed variable receipt and the actual market-determined variable rate paid on the bonds is called "basis risk." The Port is exposed to basis risk on its interest rate swap, because the variable rate payments received are based on the weekly SIFMA Municipal Swap Index, which may differ from the interest rates the Port pays on the variable rate debt, which is remarketed every seven days.

Termination risk — Under certain conditions, the Port or the counterparty may terminate the swap. If the swap is terminated, the Port would be exposed to variability in the amount of its debt service payments resulting from changes in the variable interest rate on the Series 2008 Bonds. While this could increase the Port's total debt service, if, at the time of termination, the swap has a negative fair value by approximately the amount of such negative fair value, the counterparty would have no claim against the Port for any other compensation.

The interest rate swap agreement does not affect the obligation of the Port under the indenture to repay the principal and variable interest on the Series 2008 Bonds. However, during the term of the swap agreement, the Port effectively pays a fixed rate on the debt. The debt service requirements to maturity for these bonds (presented in this note) are based on that fixed rate. The Port will be exposed to variable rates if the counterparty to the swap defaults or if the swap agreement is terminated. A termination or default of the swap agreement may also result in the Port making or receiving a termination payment.

E. *Long-term Obligations – Revenue Bonds Payable –* *__Series 2008 Bonds__* – 2008 interest rate swap agreement *(Continued)*

Swap payment and associated debt – As interest rates vary, the variable-rate interest payments and swap payments will vary. The debt service requirements to maturity of the variable-rate bonds as of September 30, 2013, assuming the synthetic fixed rate of 3.642%, were as follows (dollars in thousands):

Year(s)	Principal	Interest	Total *
2014	$ 2,000	$ 1,288	$ 3,288
2015	2,075	1,216	3,291
2016	2,145	1,143	3,288
2017	2,230	1,062	3,292
2018	2,310	981	3,291
2019-2023	12,880	3,587	16,467
2024-2027	12,095	1,079	13,174
Total	$ 35,735	$ 10,356	$ 46,091

* Although the principal of the Series 2008 Bonds is presented as a current liability in the statement of net position as of September 30, 2013 pursuant to GASB Interpretation No. 1, *"Demand Bonds Issued by State and Local Governmental Entities – an interpretation of NCGA Statement 1 and NCGA Interpretation 9,"* the table above is based upon the original maturity schedule, as it is the Port's intent to negotiate a new credit facility.

__Series 2009A Bonds__: In July 2009, the Port issued $83,235,000 of Port Everglades Revenue Bonds Series 2009A (the "Series 2009A Bonds") for the purpose of providing funds, together with other legally available funds to (i) pay all or part of the costs for the Terminal 18 improvements and other capital improvements, (ii) fund a subaccount of the Reserve Account, and (iii) pay certain costs of issuance and expenses relating to the Series 2009A Bonds. The Series 2009A Bonds, Outstanding Bonds, along with any Additional Bonds or Refunding Bonds hereafter issued under the Bond Resolution, are payable from and are equally and ratably secured pursuant to the Bond Resolution by a pledge of and a lien on the Net Revenue of the County derived from the operation of the Port Facilities and the moneys on deposit from time to time in the Funds and Accounts established pursuant to the Bond Resolution (excluding the Rebate Fund and the Operation and Maintenance Fund and the accounts therein), subject to the provisions of the Bond Resolution permitting application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution. The Series 2009A Bonds interest rate ranges from 3% to 6%.

__Series 2011 Bonds__: On November 22, 2011, the Port issued Port Facilities Refunding Bonds Series 2011A in the amount of $12,370,000; Port Facilities Refunding Bonds Series 2011B in the amount of $100,695,000; and Port Facilities Refunding Bonds Series 2011C in the amount of $54,195,000 (collectively, the "Series 2011 Bonds"), with interest rates ranging from 1.098% to 5% (true interest rate of 4.107%). The proceeds of the issue were used to advance refund $53,185,000 of Series 1989A Bonds, $79,825,000 of Series 1998B Bonds, and $38,865,000 of Series 1998C Bonds (Serial and Term), with the interest rates ranging from 5% to 5.375%.

***__Defeased Bonds__*:** The Port has entered into refunding transactions whereby refunding bonds were issued to facilitate the retirement of the Port's obligation with respect to certain outstanding bond issues. The net proceeds of the refunding issues have been placed in irrevocable escrow accounts and invested in U.S. Treasury obligations that, together with interest earned thereon, will provide amounts sufficient for future payments of interest and principal on the bond issues being refunded. The refunded bonds are not included in the statements of net position as a liability, since the Port has legally satisfied its obligation through the refunding process.

E. Long-term Obligations – Revenue Bonds Payable – Defeased Bonds (Continued)

The following is a summary of the Port's defeasance transactions from advance refundings (dollars in thousands):

Year of Defeasance	Bond Issue Defeased	Principal Outstanding September 30, 2013	Principal Outstanding September 30, 2012
1989	Port Facilities Revenue Bonds Series 1986	$ 28,695	$ 34,720

Bond Covenants: The Series 2009A and 2011 bond covenants require the Port to do the following:

1. Continue in effect the present tariff of rates and fees for, and the present rentals and other charges for the use of, the Port Facilities and the services furnished by the County, until the same are revised as provided in the Bond Resolution;

2. Not change, revise, or reduce any such rates, fees, rentals and other charges if such change, revision or reduction will result in producing less Gross Revenue, unless such rates, fees rentals and other charges as so changed, revised, or reduced will produce sufficient Gross Revenue to comply with the following paragraph; and

3. Subject to the two preceding paragraphs, from time to time and as often as it appears necessary, revise the rates, fees, rentals, and other charges for the use of the Port Facilities and for the services furnished by the County as may be necessary or proper in order that the Gross Revenue (excluding investment income on funds on deposit in the Construction Fund, Ad Valorem Tax, Rebate, and Operating and Maintenance trust accounts) will at all times be sufficient in each fiscal year to provide an amount at least equal to the sum of the following:

   a) 100% of the current expenses;
   b) 125% of the current bond principal and interest requirements;
   c) 100% of the bond reserve requirement; and
   d) 100% of the required current deposits to the Renewal & Replacement Fund.

The 2008 Subordinate bond covenants require that gross revenue (excluding investment income on funds on deposit in the Construction Fund) and on investment income on funds on deposit in the Sinking Fund and the Debt Service Reserve Fund will at all times be sufficient in each current fiscal year to provide an amount at least equal to the sum of a, c, and d above and, furthermore, the following:

a) 100% of the aggregate of current expenses, the reserve account deposit requirement, and the amount required to be deposited in the Renewal & Replacement Fund for the current fiscal year;
b) 100% of the administrative expenses for the current fiscal year;
c) 110% of the composite principal and interest requirements for the current fiscal year; and
d) 100% of the debt service reserve fund deposit requirement for the current fiscal year.

E. *Long-term Obligations – Revenue Bonds Payable – Bond Covenants (Continued)*

The Port was in compliance with bond indenture requirements as of September 30, 2013 and 2012.

Schedule of Revenues, Expenses, Debt Service, and Debt Service Coverage
For the Fiscal Years Ended September 30, 2013 and 2012
(Dollars in Thousands)

	2013	2012
Operating revenues		
Vessel, cargo, and passenger services	$ 126,173	$ 122,234
Leasing of facilities	12,769	11,699
Vehicle parking	6,998	7,325
Other	1,379	1,673
Total operating revenues	147,319	142,931
Eligible non-operating revenues		
Interest income	390	909
Less O&M reserve interest	(10)	(3)
Less 2008 sinking fund interest	(2)	(2)
Less 2008 debt service reserve interest	(7)	(7)
Gain on disposals of capital assets	61	30
Refund of prior year's expenditures	235	351
Total eligible non-operating revenues	667	1,278
Total eligible revenues	147,986	144,209
Operating expenses before depreciation	(74,938)	(72,145)
Eligible non-operating expenses		
Other debt service costs	(717)	(469)
Payment in lieu of taxes	(469)	(459)
	(1,186)	(928)
Total eligible expenses	(76,124)	(73,073)
Net income available for debt service	$ 71,862	$ 71,136
Debt service requirements - senior lien bonds	$ 28,758	$ 28,754
Actual coverage	2.50	2.47
Required coverage	1.25	1.25
Composite debt service requirements -- senior and subordinate bonds	$ 32,046	$ 32,042
Actual coverage	2.24	2.22
Required coverage	1.10	1.10

* Although the principal of the Series 2008 Bonds is presented as a current liability in the statement of net position as of September 30, 2013 pursuant to GASB Interpretation No. 1, *"Demand Bonds Issued by State and Local Governmental Entities – an interpretation of NCGA Statement 1 and NCGA Interpretation 9,"* the calculations above are based upon the original maturity schedule, as it is the Port's intent to negotiate a new credit facility.

E. *Long-term Obligations – Revenue Bonds Payable – <u>Bond Covenants</u> (Continued)*

The Port's issued bonds are secured by a pledge of specific revenues. Total pledged revenues to repay the principal and interest of revenue bonds payable as of September 30, 2013 and 2012 were as follows (dollars in thousands):

	September 30,	
	2013	**2012**
Current pledged revenues	$ 71,862	$ 71,136
Current debt service	$ 32,042	$ 19,897
Total future pledged revenues	$ 357,735	$ 389,777

Current pledged revenues are equivalent to "Net income available for debt service," as shown in the table above. Total future pledged revenues reflect principal and interest payment requirements on a cash basis through fiscal year 2029.

All of the bonds are payable from the net revenues of the Port derived from the operation of Port facilities and the monies on deposit in accounts established pursuant to the bond resolutions. No recourse to the credit or taxing power of the County exists for payment of principal and interest on the bonds. Payment of principal and interest on the Series 2011 bonds is guaranteed under a municipal bond insurance policy issued by Assured Guaranty Municipal Corporation (AGMC). These policies unconditionally guarantee the payment of that portion of the principal and interest on the bonds that has become due for payment but is unpaid by reason of nonpayment by the Port.

Other Post-employment Benefits (OPEB): The Port, as a department of the County, participates in the County's single-employer, defined-benefit healthcare plan.

<u>Plan Description</u>: The plan allows employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the plan conform to State Statutes, which are the legal authority for the plan. The plan has no assets and does not issue separate financial reports.

<u>Funding Policy and Annual OPEB Cost</u>: The Port makes no direct contribution to the defined-benefit healthcare plan. Retirees and their beneficiaries pay the same group rates as are charged to the Port for active employees. However, the County's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits, which is described below, and is called the Employer Contribution.

The Port's annual OPEB cost for the plan is calculated based on the annual required contribution of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The annual required contribution represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

E. *Long-term Obligations – Other Post-employment Benefits (OPEB) – <u>Funding Policy and Annual OPEB Cost</u> (Continued)*

The annual OPEB cost for the Port as of September 30, 2013 and 2012 and the related information for the plan are as follows (dollars in thousands):

	September 30, 2013	September 30, 2012
Required contribution rates:		
Employer	Pay as you go	Pay as you go
Plan members	N/A	N/A
Annual required contribution	$ 99	$ 101
Interest on net OPEB obligation	18	17
Adjustment to annual required contribution	(18)	(17)
Annual OPEB cost	99	101
Contributions made	(50)	(47)
Increase in net OPEB obligation	49	54
Net OPEB obligation, beginning of year	463	409
Net OPEB obligation, end of year	$ 512	$ 463

The annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of September 30, 2013, 2012, and 2011 for the Port were as follows (dollars in thousands):

	September 30, 2013	September 30, 2012	September 30, 2011
Annual OPEB cost	$ 99	$ 101	$ 144
Percentage of annual OPEB cost contributed	49.61 %	46.88 %	32.41 %
Net OPEB obligation	$ 512	$ 463	$ 409

<u>Funded Status and Funding Progress</u>: The funded status of the plan as of October 1, 2011, the date of the most recent actuarial valuation, was as follows (dollars in thousands):

Actuarial accrued liability	$ 24,800
Actuarial value of plan assets	-
Unfunded actuarial accrued liability	$ 24,800
Funded ratio	- %
Covered payroll	$231,302
Unfunded actuarial accrued liability as a percentage of covered payroll	10.72 %

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in 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 to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information is designed to provide multi-year trend information to show whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

E. Long-term Obligations – Other Post-employment 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 evaluation date and the pattern of sharing benefit costs between the Port and 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:

Actuarial valuation date	October 1, 2011
Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	25 years
Asset valuation method	Unfunded
Actuarial assumptions:	
Investment rate of return*	3.75%
Projected salary increases*	4.00% - 8.38%
Healthcare cost trend rate	8.5% initial, 4.92% ultimate

*Includes general inflation at 3.00%

F. Pension Plan

The Port, as a department of the County, participates in the Florida Retirement System (“FRS”), a cost-sharing, multiple-employer public employment retirement system, which covers substantially all permanent, full- and part-time employees. The FRS provides retirement, death and disability benefits to plan members and beneficiaries. FRS offers a defined benefit plan (the “Pension Plan”) or a defined contribution plan (the “Investment Plan”). Benefits for both Plans are established by the State Statutes and may only be amended by the Florida Legislature.

The FRS issues an annual financial report. A copy can be obtained by sending a written request to the Division of Retirement, P.O. Box 9000, Tallahassee, FL 32315-9000 or by visiting their website at http://dms.myflorida.com.

Pension Plan benefits are computed on the basis of age, average final compensation and service credit. For employees initially enrolled in the Pension Plan on or after July 1, 2011, average final compensation is the average of the eight highest fiscal years of earnings compared with the average of the five highest years of earnings for those enrolled prior to July 1, 2011. The Pension Plan provides vesting of benefits after eight years of creditable service for employees initially enrolled in the Pension Plan on or after July 1, 2011, compared with a vesting period of six years for those enrolled prior to July 1, 2011. Members initially enrolled in the Pension Plan on or after July 1, 2011 are eligible for normal retirement if they are vested and age 65 or if they have 33 years of service, regardless of age. Members initially enrolled in the Pension Plan prior to July 1, 2011 are eligible for normal retirement if they are vested and age 62 or have 30 years of creditable service, regardless of age. Early retirement may be taken any time after vesting; however, there is a 5% benefit reduction for each year prior to normal retirement age or date.

The Port’s required contribution rate to the Pension Plan is established by State Statutes. Through June 30, 2013, rates ranged from 4.13% to 5.23% of covered payroll, based on employee risk groups. Effective July 1, 2013, rates ranged from 6.08% to 20.97% of covered payroll, based on employee risk groups. Effective July 1, 2011, the State Legislature mandated a 3% employee contribution for all employees participating in the Pension Plan. Employees who were enrolled in the Deferred Retirement Option Program (“DROP”) before July 1, 2011 were not subject to the contribution.

F. Pension Plan (Continued)

A summary of the covered payroll, employer contributions, and percentage of covered payroll for the Pension Plan is as follows (dollars in thousands):

	2013	2012	2011
Covered Payroll	$ 12,767	$ 12,307	$ 13,295
Employer Contributions	$ 745	$ 624	$ 1,243
Employer Contributions % of Covered Payroll	5.84 %	5.07 %	9.35 %

The Port's contribution to the Pension Plan for the current and two preceding years were equal to the required contributions for each year.

The Investment Plan is a participant directed program selected by employees in lieu of participation in the defined benefit option of FRS. Benefits are accrued in individual accounts that are participant directed, portable, and funded by employer/employee contributions. The Investment Plan offers a diversified mix of investment options that span the risk-return spectrum and give participants an opportunity to accumulate retirement benefits. The members are vested after one year of service. Benefits are based on the total value of the account at distribution. This amount is based on contributions, reduced by expenses, and adjusted for earnings or losses on those contributions.

The Port's required contribution to the Investment Plan is established by State Statutes. The required contribution rate as of September 30, 2013 remained the same as the prior year and ranged from 3.55% to 4.93% of covered payroll, based on employee risk groups. Effective July 1, 2011, the State legislature mandated a 3% employee contribution for all employees participating in the Investment Plan. For the year ended September 30, 2013, the Port contributed approximately $99,000, and employees contributed approximately $51,000 to the Investment Plan. For the year ended September 30, 2012, the Port contributed approximately $59,000 and employees contributed approximately $35,000 to the Investment Plan.

G. Major Customers

A significant portion of the Port's revenues are directly or indirectly attributed to the activity of two major customers operating out of the Port. The Port's revenues could be materially and adversely affected, should either of these major customers discontinue operations at the Port and not be replaced with comparable activity.

The following tables present major customers contributing to the Port's total operating revenues and accounts receivable, respectively, for the fiscal years ended September 30, 2013 and 2012:

	Percent of Operating Revenues September 30,	
Customer	**2013**	**2012**
Royal Caribbean Cruises Ltd. and its affiliates	26.6%	25.0%
Carnival Corporation and its affiliates	13.9%	15.2%
	40.5%	40.2%

	Percent of Accounts Receivable September 30,	
Customer	**2013**	**2012**
Royal Caribbean Cruises Ltd. and its affiliates	26.5%	25.6%
Carnival Corporation and its affiliates	24.6%	6.4%
	51.1%	32.0%

H. Lease Agreements

The Port recognizes a significant portion of its revenue through leasing of real property. A summary of future minimum rentals for non-cancelable leases for the next five fiscal years and in the aggregate is as follows (dollars in thousands):

Fiscal Year(s)	Amount
2014	$ 10,176
2015	8,794
2016	6,722
2017	6,438
2018	6,504
2019-2023	14,811
2024-2028	6,515
2029-2033	5,054
2034-2038	3,035
2039-2043	3,693
2044-2048	4,493
2049-2053	5,466
2054-2058	6,650
2059-2063	8,091
2064-2068	9,844
2069-2073	11,976
2074-2078	14,571
2079-2083	17,728
2084-2088	21,569
2089-2093	21,032
Total:	$ 193,162

I. Capital Contributions

For the fiscal years ended September 30, 2013 and 2012, capital contributions were as follows (dollars in thousands):

	September 30,	
Contributor - Purpose	**2013**	**2012**
State of Florida - Terminals 2, 19, 21, and 26 Improvements	$ -	$ 8,441
State of Florida - McIntosh Road Realignment	1,525	927
State of Florida - Southport Turning Notch Extension	962	-
Federal - Port Security Improvements	1,913	413
Total capital contributions	$ 4,400	$ 9,781

J. Commitments and Contingencies

Any owner or operator of real estate may be adversely affected by legislative, regulatory, administrative and enforcement actions involving environmental controls. For example, if any of the property on which Port facilities are located or other property operated by the County is determined to be contaminated, the County could be liable for significant clean-up costs, even if it is not responsible for the contamination. The costs of decontamination or clean-up could be significant and the incurrence of such costs could have a material adverse impact on the Port's financial position and change in net position.

Through voluntary agreement, several petroleum companies having operations located at the Port created and funded an independent corporation, Port Everglades Environmental Corporation ("PEECO"). PEECO was created to address the problem of and clean-up of historical petroleum contamination on common areas owned by the Port, including pipeline right-of-ways, loading berths, and roadways adjacent to oil company properties used by the petroleum companies for transportation of their petroleum products. The majority of common areas on which petroleum contamination is known to exist have been accepted for state funded clean-up under Florida's Early Detection Incentive Program. The Port believes that the likelihood of having a material financial liability for petroleum contamination costs not covered by the State of Florida or the oil industry is remote.

Federal and state grants are subject to audit by the grantor agencies to determine if activities comply with conditions of the grants. Management believes that no material liability will arise from any such audits.

At September 30, 2013, the Port had in process various uncompleted constructions projects with commitments totaling approximately $13,951,000. The retainage payable on these contracts totaled approximately $755,000. Funding of these projects is to be made through a combination of internally-generated funds and grant proceeds.

K. Risk Management

The Port is exposed to various risks and losses related to alleged torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Port participates in the County's self-insured Worker's Compensation program, which provides coverage up to a maximum of $1,500,000 (Self-Insured Retention Limit) for each workers' compensation occurrence. In addition, the County has purchased excess coverage for losses above the self-insured retention limit in accordance with State Statutes. General liability is entirely self-insured, with the County providing coverage up to the statutory limits of $200,000 per person and $300,000 per occurrence. The County (through the Risk Management Fund) purchases commercial insurance for port liability, property damage, and numerous smaller policies that are required by lease agreements, State Statutes, etc. Settled claims have not exceeded this commercial coverage in the past three years.

The Port makes payments for the self-insurance program to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and to establish reserves for all losses. The actuarial estimates include the effects of specific, incremental claim adjustment expenses, salvage, subrogation and other allocated claim adjustments. The reserves for the self-insurance program are reported as a liability of the County's Self-Insurance Fund.

L. Transactions with Other County Departments

The County allocates certain support department costs which include administration, legal, fiscal, purchasing, personnel, audit, and communication costs to other County departments. Certain funds are also charged for the cost of the services provided by the Self-Insurance, Fleet Services, and Print Shop funds. Costs of approximately $9,100,000 and $8,600,000 for these services were allocated to the Port during the fiscal years ended September 30, 2013 and 2012, respectively.

The Port contracts directly with Broward Sheriff's Office for security services at Port Everglades. The cost of these services from the Sheriff's Office was approximately $14,100,000 and $13,900,000 for the fiscal years ended September 30, 2013 and 2012, respectively. The Port also contracts with the Broward Sheriff's Office Department of Fire Rescue and Emergency Services for fire rescue and emergency medical services at the Port. The cost of these services was approximately $7,600,000 and $7,700,000 for the fiscal years ended September 30, 2013 and 2012, respectively.

The Port reimburses the Broward County Aviation Department for allocated maintenance costs for the landscaping of U.S. 1 at Fort Lauderdale International Airport. The cost of these services from the Aviation Department was approximately $15,000 and $19,000 for the fiscal years ended September 30, 2013 and 2012, respectively.

At September 30, 2013 and 2012, approximately $300,000 and $1,191,000, respectively, was due to other County funds for services provided.

The Port was not owed any monies from other County funds as of September 30, 2013. As of September 30, 2012, the Port was owed approximately $388,000 from the County's General Fund – Emergency Management Division for a grant reimbursement.

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
September 30, 2013

Required Supplementary Information

Schedule of Funding Progress – Other Post-employment Benefits

PORT EVERGLADES DEPARTMENT
of Broward County, Florida
Required Supplementary Information
September 30, 2013

Schedule of Funding Progress – Other Post-employment Benefits

(Dollars in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of covered Payroll [(b-a)/c]
10/1/2007	$0	$44,858	$44,858	0.00%	$246,655	18.19%
10/1/2009	0	40,098	40,098	0.00%	245,050	16.36%
10/1/2011	0	24,800	24,800	0.00%	231,302	10.72%

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This schedule shows the County's actuarial accrued liability (AAL). An estimated 4.03% of this liability can be attributed to Port Everglades for the 10/1/2011 valuation.

Crowe Horwath LLP
Independent Member Crowe Horwath International

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*

To the Board of County Commissioners
Broward County, Florida
Fort Lauderdale, Florida

We have audited, 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, the financial statements of the Port Everglades Department (the "Port") of Broward County, Florida (the "County"), an enterprise fund of the County, as of and for the year ended September 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated March 3, 2014. As discussed in Note A, the financial statements present only the Port and do not purport to, and do not, present fairly the financial position of the County, the changes in its financial position, or, where applicable, its cash flows in conformity with accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port'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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port'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's financial statements are free from 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.

Crowe Horwath LLP

Crowe Horwath LLP
Fort Lauderdale, Florida
March 3, 2014