Annual Financial Report
Port Everglades Department

A Major Enterprise Fund of Broward County, Florida

For the Fiscal Years Ended
September 30, 2018 and 2017

PORT EVERGLADES
BROWARD COUNTY, FLORIDA

Prepared by the Finance Division

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PORT EVERGLADES DEPARTMENT
of Broward County, Florida
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PORT EVERGLADES
BROWARD COUNTY, FLORIDA

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March 29, 2019

Bertha Henry, County Administrator
Robert Melton, County Auditor
115 South Andrews Avenue
Fort Lauderdale, Florida 33315

Ladies and Gentlemen:

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, 2018. 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, 2018, the Port ranked amongst the world's three busiest cruise ports, the eleventh 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 ninth 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, 2018. 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 the independent auditor's report, comprise the financial section of the annual financial report.

March 29, 2019
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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, who were responsible for assembling and compiling the data comprising the annual financial report. We also wish to thank the County's independent auditors, RSM US LLP, 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,

Glenn A. Wiltshire
Acting Chief Executive & Port Director

Leah Brasso

Leah Brasso
Director of Finance

Independent Auditor's Report

To the Honorable Board of County Commissioners
Broward County Port Everglades Department
Broward County, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Broward County Port Everglades Department (the Port), an enterprise fund of Broward County, Florida (the County), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port, as of September 30, 2018 and 2017, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the financial statements present only the Port and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2018 and 2017, and its changes in its financial position, or where applicable, its cash flows for the years then ended in accordance 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 1 to the accompanying financial statements, the Port adopted the recognition and disclosure requirements of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017. A cumulative effect adjustment to the beginning net position balance of the Port as of October 1, 2017, has been reported. Our opinion was 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, the pension and other post-employment benefit related schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port's basic financial statements. The accompanying supplementary information such as the introductory section and schedule of revenues, expenses and debt service coverage are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of revenues, expenses and debt service coverage is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of revenues, expenses and debt service coverage is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2019 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 solely describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's 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.

RSM US LLP

Fort Lauderdale, Florida
March 29, 2019

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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, 2018 and 2017. 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 the 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 1,212 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.

Financial Position

The Port's performance results during the fiscal year ended September 30, 2018 and the two preceding fiscal years were as follows:

	FY 2018	FY 2017	FY 2016
Operating revenues (dollars in thousands)	$ 167,996	$ 161,733	$ 162,597
Ship calls	4,214	4,029	3,959
Cruise passengers	3,870,342	3,863,662	3,826,415
TEUs (equivalent number of 20' container units)	1,108,465	1,076,912	1,037,226
Petroleum (barrels)	123,404,236	122,307,652	121,068,561
Tonnage (in 2,000-pound short tons)			
Total waterborne commerce	25,734,855	25,301,771	24,681,331
Containerized cargo	7,365,755	7,226,433	6,692,690
Petroleum	17,433,963	17,260,304	17,095,585

Port operating revenues totaled $168.0 million in FY 2018. This is 3.9% higher than the $161.7 million achieved in FY 2017, and 3.3% higher than in FY 2016, when operating revenues were $162.6 million. This increase in operating revenues is further discussed in the section related to the Schedule of Operating Revenues by Revenue Center, on page FS.11.

Cruise-related activity for the Port, including both cruise revenue and parking revenue, accounted for 40.6% of operating revenues in FY 2018. The number of multi-day passengers increased to 3,741,408 in FY 2018, or 0.1% from 3,738,252 in FY 2017, and 3,680,549 in FY 2016. The total number of passengers, including both single-day and multi-day, was 3,870,342 in FY 2018, which is an increase of 0.2% over the FY 2017 total of 3,863,662, and 3,826,415 in FY 2016. Cruise revenue reached $59.6 million in FY 2018, an increase of $3.7 million, or 6.7% compared to $55.9 million in FY2017, and $55.3 million in FY 2016. This was primarily due to increased passenger counts from the Carnival Corporation cruise lines, specifically Holland America and Princess, of 47,616. Parking revenue, mainly from cruise passengers and activity at the

Financial Position (Continued)

Greater Fort Lauderdale/Broward County Convention Center, generated $8.6 million in FY 2018, an increase of 2.1% compared to $8.4 million in FY 2017, and down from $9.1 million in FY 2016.

Containerized cargo accounted for 20.9% of operating revenue in FY 2018. Revenue from containerized cargo increased 3.0% in FY 2018 to $35.2 million, up from $34.2 million in FY 2017, and down from $36.7 million in FY 2016. This increase is mainly due to growth in throughput from the major terminal operators, including Crowley, King Ocean, and Florida International Terminal. The Port ranks second in Florida for total container cargo activity based on total TEUs (20-foot equivalent units, the standard measure for containerized cargo). It is also ranked eleventh among U.S. seaports for containerized cargo trade according to data from the American Association of Port Authorities (AAPA).

The Port surpassed its previous record for containerized cargo volumes with 1,108,465 TEUs in FY 2018. This represents a 2.9% increase compared to 1,076,912 TEUs in FY 2017, and a 6.9% increase from 1,037,226 TEUs in FY 2016.

Total waterborne commerce, measured in short tons (2,000 pounds), reached 25,734,855 tons, an increase of 1.7% over the 25,301,771 tons recorded in FY 2017, and a 4.3% increase from 24,681,331 tons in FY 2016. Containerized cargo activity has grown steadily over the years, reaching 7,365,755 tons in FY 2018, an increase of 1.9% compared to 7,226,433 tons in FY 2017, and 10.1% higher than 6,692,690 tons in FY 2016. In FY 2018 and FY 2017, the Port hosted 4,214 and 4,029 ship calls respectively, from vessels ranging from naval warships and mega cruise ships, to container ships and tankers of all sizes.

Petroleum accounted for 21.5% of operating revenue in FY2018. Petroleum movements through the Port generated $36.1 million in operating revenue in FY 2018, compared to $34.7 million in FY 2017, and $34.9 million in FY 2016. Overall throughput volume increased to approximately 123.4 million barrels in FY 2018, a 1.0% change compared to approximately 122.3 million barrels in FY 2017, and 1.9% higher than 121.1 million barrels in FY 2016. This increase was driven by higher regional demand for diesel and jet fuel.

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. The Port's primary trade lanes remain in the regional Caribbean, Central America, and South America markets, representing nearly 87.7% of the Port's cargo movements. As the nation's leading gateway for trade with Latin America, Port Everglades handled approximately 15.0% of all Latin American trade in the United States, and 49.7% of Florida Ports' total trade with South America, Central America, and the Caribbean. The Port also leads the United States in both exports and imports to and from Latin America. The Port is particularly dominant in Central America, where approximately 37.7% of the Port's containerized cargo volume was destined in FY 2018. With a 13.6% share of the entire Central American market in FY 2018, the Port is also first among all U.S. seaports operating in that market.

FY 2018 Event Highlights

<u>Planning & Development</u>

In March of 2018, the County approved an agreement to complete the 2018 Port Everglades Master/Vision Plan Update. The Master/Vision Plan, last updated in 2014, will identify capital investments over a 20-year timeframe to improve productivity and increase capacity for cargo, cruise and petroleum businesses that operate at the Port.

In June of 2018, the Port issued a second notice to proceed to Shanghai Zhenhua Heavy Industries Co., Ltd. Inc. (ZPMC) of China for the manufacturing of the first three new Super Post-Panamax container gantry cranes. The new cranes are part of the Port's largest expansion project in history, the Southport Turning Notch Extension (STNE)/Crane Rail Infrastructure Improvements project, which will add up to five new

FY 2018 Event Highlights (Continued)

containerized cargo berths in Southport. The new cranes will have the ability to handle containers stacked eight containers high and reach across 22 containers on a ship's deck. In comparison, the existing seven cranes in Southport are limited to containers stacked six containers high, and can reach across 16 containers on a ship's deck. In addition to the purchase of the new cranes, the existing cranes will be upgraded to a lift capacity of 65 tons from the current 46.5 tons.

Cruise

In October of 2017, the Port achieved substantial final completion of the Slip 2 Extension project. This project, adjacent to the recently renovated Cruise Terminal 4, lengthened the slip by 225 feet from the original 900 feet. The total 1,125-foot slip length now meets the needs of most of today's modern cruise ships such as Holland America Line's Pinnacle-class ships, which were introduced during the 2017 cruise season with the U.S. debut of *ms Koningsdam*, or Princess Cruises' Royal-class ships, which also homeport at Port Everglades. Carnival Corporation cruise lines is currently the primary user of the newly extended berth.

During FY 2018, the Port made significant progress toward the completion of the renovation of Cruise Terminal 25 (T-25). Scheduled for completion in time for the peak of the 2018 cruise season, T-25 will be the new home to many Celebrity ships during their winter deployment including *Celebrity Edge, Celebrity Infiniti, Celebrity Reflection*, and *Celebrity Silhouette.* When Celebrity is not using T-25, the facility will be available for other cruise lines.

Cargo

On November 6, 2017, the first shipment of Colombian Hass avocados into the United States arrived at Port Everglades. The inaugural shipment left Cartagena on November 2 aboard Hapag-Lloyd's *Dubai Express* bound for the United States, just two months after the U.S. Department of Agriculture opened access for Colombia as a source for the popular fruit.

In January of 2018, the County approved a new long-term lease with Horizon Terminal Services, LLC for a new auto processing facility which is expected to increase the volume of autos and heavy equipment processed through Port Everglades from 15,000 to between 40,000 - 50,000 units annually.

Other

The Port celebrated its 90th anniversary in February of 2018. The Port, originally known as Lake Mabel or Bay Mabel Harbor (part of which is now called Hollywood Harbor), was officially dedicated on February 22, 1928 when president Calvin Coolidge pushed a button from the White House to supposedly detonate explosives that would remove the rock barrier separating the harbor from the ocean. Nothing happened, but the barrier was removed shortly thereafter.

Required Financial Statements

The Port's financial statements report information about the 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 includes all of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. They provide 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 and deferred inflows of resources). They also provide the basis for computing rate of return, evaluating the capital structure of the Port, and assessing the liquidity and financial flexibility of the Port.

Required Financial Statements (Continued)

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 and deferred inflows 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 and 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 statements of net position 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 plus deferred inflows of resources — 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.

Statements of Net Position

The statements of net position serve as a useful indicator of the Port's financial position. They distinguish assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 and deferred inflows of resources by $822.6 million and $774.6 million as of September 30, 2018 and 2017, respectively, a $48.0 million increase from September 30, 2017, and a $59.1 million increase from September 30, 2016 to September 30, 2017. A condensed comparative summary of the Port's statements of net position as of September 30, 2018, 2017, and 2016 are shown below:

Statements of Net Position (Continued)

Condensed Statements of Net Position
(Dollars in Thousands)

	FY 2018	FY 2017	FY 2016
Assets			
Current assets (unrestricted)	$ 268,770	$ 320,636	$ 271,490
Current assets (restricted)	16,268	15,609	17,410
Other assets	30,355	28,803	28,846
Capital assets, less accumulated depreciation	740,367	633,794	622,272
Total assets	1,055,760	998,842	940,018
Deferred Outflows of Resources			
Deferred charge on refunding	1,034	1,150	1,265
Deferred outflows on other post employment benefits	25	-	-
Deferred outflows on pensions	6,116	6,307	5,387
Accumulated decrease in fair value of interest rate swap	1,706	2,948	4,542
Total deferred outflows of resources	8,881	10,405	11,194
Liabilities			
Current liabilities payable from unrestricted assets	44,723	23,671	9,626
Current liabilities payable from restricted assets	16,268	15,609	17,410
Non-current liabilities	179,451	194,330	208,314
Total liabilities	240,442	233,610	235,350
Deferred Inflows of Resources			
Deferred inflows on other post employment benefits	11	-	-
Deferred inflows on pensions	1,570	1,040	388
Total deferred inflows of resources	1,581	1,040	388
Net Position			
Net investment in capital assets	542,723	443,217	431,684
Restricted for			
Debt service	1,204	1,142	1,088
Operating and maintenance	17,028	15,476	15,519
Renewal and replacement	3,000	3,000	3,000
Unrestricted	258,663	311,762	264,183
Total net position	$ 822,618	$ 774,597	$ 715,474

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 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.

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, 2018, 2017 and 2016 is shown below:

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

	FY 2018	FY 2017	FY 2016
Operating revenues	$ 167,996	$ 161,733	$ 162,597
Operating expenses (including depreciation)	131,316	116,866	110,947
Operating income	36,680	44,867	51,650
Non-operating revenues (expenses), net	(5,425)	(8,333)	(10,192)
Income before capital contributions and transfers	31,255	36,534	41,458
Capital contributions	16,932	15,819	2,258
Transfer in	-	6,770	-
Change in net position	48,187	59,123	43,716
Net position, beginning of year	774,597	715,474	671,758
Cumulative effect of adoption of GASB Statement No. 75	(166)	-	-
Net position, beginning of year, as restated (Note 1)	774,431	-	-
Net position, end of year	$ 822,618	$ 774,597	$ 715,474

In FY 2018, the Port increased its operating revenues by $6.3 million, or 3.9% to $168.0 million from $161.7 million in FY 2017, mainly due to increases in the cruise, petroleum, and containerized cargo revenue categories. Operating expenses (including depreciation) also increased by $14.4 million, or 12.4% to $131.3 million from $116.9 million in FY 2017. The increase occurred primarily in the maintenance, equipment, and supplies as well as in the contractual services expense categories. As a result, operating income in FY 2018 decreased by 8.2 million, or 18.2% from the prior year to $36.7 million. The decreasing trend over the past three years was primarily due to both recurring and one-time expenses to maintain the Port's facilities and equipment.

Capital contributions increased in FY 2018 by $1.1 million from the prior year to $16.9 million primarily due to grant eligible construction activities for the STNE/Crane Rail Infrastructure Improvements project. The transfer-in decreased by $6.8 million in FY 2018 from the prior year, due to a one-time event in FY 2017 when the Port received a contribution from the Broward County Convention Center upon the final completion of the Convention Center/Seaport Security Improvement project, which occurred in June of 2017.

The overall financial performance in FY 2018 resulted in a net position of $822.6 million, an increase of $48.0 million, or 6.2% from FY 2017. The following sections discuss in detail the changes in operating revenues, operating expenses, and net operating revenues (expenses), for each of the fiscal years ended September 30, 2018, 2017, and 2016.

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

The following table details operating revenues by revenue center for each of the fiscal years ended September 30, 2018, 2017, and 2016:

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

	FY 2018	FY 2017	FY 2016
Operating revenues			
Cruise	$ 59,596	$ 55,875	$ 55,323
Containerized cargo	35,182	34,156	36,703
Petroleum	36,080	34,733	34,868
Real estate	16,946	17,068	16,514
Parking	8,603	8,426	9,136
Other	3,300	3,379	2,830
Break Bulk	4,672	5,145	3,804
Bulk	3,617	2,951	3,419
Total operating revenues	$ 167,996	$ 161,733	$ 162,597

In FY 2018, operating revenues increased by 3.9% to $168.0 million from the prior year. This was primarily due to a $3.7 million increase in cruise revenue resulted from increased passenger counts and related revenue from the Carnival Corporation cruise lines. In addition, containerized cargo revenue increased by $1.0 million, primarily due to provisions in Crowley's new agreement which resulted in payments above the minimum guarantee amount. Petroleum revenue also increased by $1.3 million due to higher throughput.

In FY 2017, operating revenues decreased 0.5% from $162.6 million in FY 2016 to $161.7 million. This decrease was primarily due to a $2.5 million decrease in containerized cargo revenues resulting from changes in contract year-end dates for major terminal operators including Crowley and King Ocean, as well as a decrease in parking revenues of $0.7 million resulting from the closure of Cruise Terminal 4 from December 2016 through September 2017. These decreases were offset by increases in breakbulk revenues of $1.3 million, and real estate revenues of $0.6 million resulting from rent increases included in tenant leases.

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

The following table details operating expenses by function for September 30, 2018, 2017 and 2016:

Schedule of Operating Expenses by Function
(Dollars in Thousands)

	FY 2018	FY 2017	FY 2016
Operating expenses			
Personal services	$ 23,077	$ 22,066	$ 20,860
Law enforcement and fire rescue	26,512	25,672	25,141
Maintenance, equipment, and supplies	26,456	18,598	14,558
Contractual services	11,266	7,978	8,251
General and administrative	6,849	5,002	5,333
Insurance	5,313	4,931	4,942
Utilities	4,497	4,325	4,185
Total operating expenses before depreciation	103,970	88,572	83,270
Depreciation	27,346	28,294	27,677
Total operating expenses	$ 131,316	$ 116,866	$ 110,947

In FY 2018, the major increases in total operating expenses before depreciation were primarily attributed to the maintenance, equipment, and supplies expense category as well as contractual services. Maintenance, equipment and supplies expenses increased by $7.9 million, or 42.3% from the prior year, mainly due to the replacement of passenger loading bridge parts and higher costs for crane equipment maintenance, facilities maintenance, and repairs. Contractual services also increased by $3.3 million, or 41.2% from FY 2017, partially due to higher costs in parking management fees and construction project management services. Additionally, a big portion of the increase in this category was related to an agreement between Broward County and Florida Power & Light (FPL) in FY 2018, in which the Port incurred the cost for a new electric utility substation facility that will be owned, constructed, operated, and maintained by FPL once construction is complete. This electrical substation will provide the necessary power supply to operate the new Super Post-Panamax container gantry cranes in Southport. The construction of this electric utility substation began in July of 2018 and is estimated to be completed in FY 2019. General and administrative expenses increased $1.8 million, or 36.9% from FY 2017, which were related to chargebacks for County Auditor and County Attorney fees, as well as an increase in the General Fund cost allocation for central services and other miscellaneous expenses.

In FY 2017, personal services increased $1.2 million due to a decrease in attrition, which also increased group insurance benefit costs. Additionally, there was an increase in pension benefit expenses. Law enforcement and fire rescue services expense increased $0.5 million primarily due to annual contractual increases by service providers. Maintenance, equipment, and supplies increased by $4.0 million from FY 2016 due to higher volume of maintenance projects and also because repair projects that were delayed in FY 2016 were resumed in FY 2017. In addition, Hurricane Irma, which made landfall in South Florida on September 10, 2017, resulted in higher repair costs for property damage caused by the storm. Contractual expenses decreased by $0.3 million in FY 2017 mainly due to decreased consulting costs. General and administrative expenses decreased by $0.3 million from FY 2016 primarily due to lower costs in equipment rental, travel and other miscellaneous expenses.

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

The following table presents non-operating revenues and non-operating expenses for each of the fiscal years ended September 30, 2018, 2017, and 2016:

Schedule of Non-Operating Revenues (Expenses)
(Dollars in Thousands)

	FY 2018	FY 2017	FY 2016
Non-operating revenues			
Interest Income	$ 2,540	$ 1,623	$ 1,808
Grants	120	-	-
Other revenues, net	461	161	154
Total non-operating revenues	3,121	1,784	1,962
Non-operating expenses			
Interest expense	(5,178)	(7,966)	(9,429)
Loss on disposal of capital assets	(793)	(161)	(1,115)
Discontinued project costs	(1,563)	(72)	(547)
Capital asset donation	-	(991)	-
Other expenses, net	(1,012)	(927)	(1,063)
Total non-operating expenses	(8,546)	(10,117)	(12,154)
Non-operating revenues (expenses), net	$ (5,425)	$ (8,333)	$ (10,192)

In FY 2018, net non-operating expenses decreased by $2.9 million to $5.4 million from net expense of $8.3 million in FY 2017. The decrease was mainly attributed to the net effect of lower interest expense and higher interest income.

In FY 2017, net non-operating expenses decreased by $1.9 million to $8.3 million from net expense of $10.2 million in FY 2016. This decrease was the net effect of a decrease in interest income of $0.2 million, a decrease in interest expense of $1.5 million, a decrease in loss on disposal of capital assets of $1.0 million, a decrease in discontinued project costs of $0.5 million, and an increase in capital asset donation of $1.0 million.

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 including the global marketplace. 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 2018, the Port added $140.7 million of construction in progress and pending equipment. The major capital asset events related to these additions included T-25, STNE/Crane Rail Infrastructure Improvements, Southport Phase 9B Container Yard, and Cruise Terminals 2 and 4 Parking Garage Improvements projects. At the end of the fiscal year, the Port also put into use approximately $28.1 million of new capital assets. A major asset that was added was the extension of Slip 2 which lengthened the berth by 225 feet to the west for a total of 1,125 feet, in order to accommodate larger cruise vessels. It was converted from the construction in progress phase into a new depreciable asset. There were other assets added including a new drainage improvement on property shared with the Broward County Aviation Department, equipment, artwork and vehicles.

Capital Acquisitions and Construction Activities (Continued)

During FY 2017, the Port put into use approximately $4.0 million of new and improved depreciable capital assets. In addition, the Port added $39.6 million of construction in progress and $1.5 million of pending crane equipment. The major capital asset events related to these additions included T-25, STNE/Crane Rail Infrastructure Improvements, Slip 2 Extension, and Southport Phase 9B Container Yard projects.

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 $268.3 million as of September 30, 2018, compared to $37.6 million in FY 2017, a 613.3% increase. This large increase is primarily due to construction costs associated with STNE/Crane Rail Infrastructure Improvements and T-25. Additional information on the Port's capital assets and commitments can be found in Note 4 – Capital Assets and Note 14 – Commitments and Contingencies.

Overview of Upcoming Projects

During FY 2018, the Port continued implementing several key projects included in the Port Everglades 20-Year Master/Vision Plan. These projects include the STNE/Crane Rail Infrastructure Improvements, U.S. Army Corps of Engineers Deepening and Widening Project, Northport and Southport Improvements, T-25, and Foreign Trade Zone Relocation. These projects, as further described below, are expected to be completed over the coming years, and will add up to five berths, widen and deepen the channel to 48 feet, plus one foot required overdepth, plus one foot allowable overdepth (48+1+1), reconfigure existing space, and implement cruise terminal improvements to accommodate larger cruise ships and improve passenger flows and luggage handling.

Southport Turning Notch Extension (STNE)/Crane Rail Infrastructure Improvements

During FY 2018, pre-construction activities continued for the expansion project to add new berths for larger cargo ships and install crane rail infrastructure as part of the STNE/Crane Rail Infrastructure Improvements project. This project will lengthen the existing deepwater turn-around area for cargo ships from approximately 900 feet to 2,400 feet, which will allow for up to five new cargo berths. The existing gantry crane rails will be extended to the full length of the extended Turning Notch berth to utilize the existing cranes, and new crane rail will be added to the extended berth for the new Super Post-Panamax container gantry cranes.

U.S. Army Corps of Engineers Deepening and Widening

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 gearing up for the Panama Canal expansion. The Port already handles post-Panamax ships, those ships too large to fit through the Panama Canal before it was expanded in 2016. However, the ships must be lightly loaded, which is inefficient and may drive ocean shipping companies to use other ports that have deeper water or are currently dredging deeper.

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 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 $389.3 million, and the U.S. Army Corps of Engineers and the Port are currently in the preconstruction engineering and design (PED) phase of this project.

Additional Northport and Southport Improvements

An additional project for Northport will replace the existing bulkheads at Berths 9 and 10 in a new location approximately 150 feet south of their current location, which will widen Slip 1. The programming and design of this project commenced in February of 2017, and is expected to be completed in 2019.

Overview of Upcoming Projects (Continued)

Additionally, the Southport Gate Lane addition on McIntosh Road will add an additional outbound lane (increasing outbound lanes to three), and shift the inbound lanes to the west with a reservation for an additional inbound lane. The objective of the project is to increase efficiency of Southport gate operations and reduce wait times, both inbound and outbound, through the gate. Design for the project is complete, with construction expected to begin in mid FY 2019.

Cruise Terminals 2 and 4 Parking Garage Improvements

In conjunction with the County's Convention Center Expansion and Convention Center Hotel project, Cruise Terminals 2 and 4 parking garage will undergo major improvements to provide additional parking capacity in the Northport area. In January of 2017, the design contract was awarded to Cartaya & Associates. Preconstruction is currently underway, and the project is expected to be completed in December of 2020.

Foreign Trade Zone Relocation

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 (FTZ) #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, 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 STNE/Crane Rail Infrastructure Improvements. Throughout FY 2018, the Port worked with the development team on the project design as part of a public-private-partnership (P3). The private development team commenced site preparation in June 2018, with construction of a new warehouse facility expected to begin during the second quarter of FY 2019, with estimated completion in the fall of 2020.

Debt Administration

As of September 30, 2018, 2017, and 2016, the Port had $169.5 million, $183.1 million, and $196.1 million, respectively, in outstanding long-term revenue bonds. The bonds are secured by a pledge of and lien on net revenues as defined in the Bond Resolution. Detailed information regarding the bonds is contained in Note 6 - Long-term Obligations.

The Port's bond ratings on outstanding revenue bonds as of September 30, 2018 are as follows:

Issue	Insured	Fitch Inc.	Moody's Investors Service	Standard & Poor's Ratings Services
2008 Subordinate Port Facilities Refunding Revenue	RBC Letter of Credit	-	A2	-
2009A Port Facilities Revenue	No	A	A1	A-
2011A Port Facilities Refunding Revenue	Assured Guarantee	A	A1	A-
2011B Port Facilities Refunding Revenue	Assured Guarantee	A	A1	A-

In October of 2018, Standard & Poor's Ratings Services upgraded its rating of the Port Facilities Revenue Bonds to A from 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.

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		2018		2017
ASSETS				
Current Assets				
Unrestricted assets				
Cash and cash equivalents	$	35,592	$	25,390
Investments		191,635		269,337
Receivables:				
Accounts, net of allowance of $26 in 2018 and $8 in 2017		8,459		7,141
Other		727		632
Due from other governments		10,416		8,826
Inventories		7,800		7,187
Prepaid items		14,141		2,123
Total current unrestricted assets		268,770		320,636
Restricted assets				
Cash and cash equivalents		1,950		1,953
Investments		14,318		13,656
Total current restricted assets		16,268		15,609
Total current assets		285,038		336,245
Noncurrent assets				
Restricted assets				
Cash and cash equivalents		13,327		13,327
Investments		17,028		15,476
Total noncurrent restricted assets		30,355		28,803
Capital assets				
Land and land improvements		58,303		58,303
Construction in progress and pending equipment		194,079		85,564
Buildings, piers, and other improvements		577,820		559,682
Equipment and vehicles		183,707		175,488
Property held for leasing		250,777		252,558
Total capital assets		1,264,686		1,131,595
Less accumulated depreciation		(524,319)		(497,801)
Total capital assets, net		740,367		633,794
Total noncurrent assets		770,722		662,597
Total assets		1,055,760		998,842
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charge on refunding		1,034		1,150
Deferred outflows on other post employment benefits		25		-
Deferred outflows on pensions		6,116		6,307
Accumulated decrease in fair value of interest rate swap		1,706		2,948
Total deferred outflows of resources	$	8,881	$	10,405

	2018	2017
LIABILITIES		
Current liabilities		
Payable from unrestricted assets		
Accounts payable	$ 41,930	$ 20,820
Accrued liabilities	348	316
Due to other County funds	387	361
Due to other governments	796	947
Compensated absences	1,262	1,227
Total current liabilities payable from unrestricted assets	44,723	23,671
Payable from restricted assets		
Accrued interest payable	746	811
Security deposits	1,202	1,153
Revenue bonds payable	14,320	13,645
Total current liabilities payable from restricted assets	16,268	15,609
Total current liabilities	60,991	39,280
Noncurrent liabilities		
Revenue bonds payable, including discounts and premiums	157,793	172,430
Compensated absences	1,326	1,304
Total other post employment benefits liability	899	692
Fair value of interest rate swap	1,706	2,948
Net pension liability	17,727	16,956
Total noncurrent liabilities	179,451	194,330
Total liabilities	240,442	233,610
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows on other post employment benefits	11	-
Deferred inflows on pensions	1,570	1,040
Total deferred inflows of resources	1,581	1,040
NET POSITION		
Net investment in capital assets	542,723	443,217
Restricted for		
Debt service	1,204	1,142
Operating and maintenance	17,028	15,476
Renewal and replacement	3,000	3,000
Unrestricted	258,663	311,762
Total net position	$ 822,618	$ 774,597

	2018	2017
Operating revenues		
Vessel, cargo, and passenger services	$ 141,020	$ 134,645
Lease of facilities	16,049	16,285
Vehicle parking	8,603	8,426
Other	2,324	2,377
Total operating revenues	167,996	161,733
Operating expenses		
Salaries and wages	15,907	15,235
Benefits	7,170	6,831
Total personal services expenses	23,077	22,066
Law enforcement and fire rescue	26,512	25,672
Maintenance, equipment, and supplies	26,456	18,598
Contractual services	11,266	7,978
General and administrative	6,849	5,002
Insurance	5,313	4,931
Utilities	4,497	4,325
Total non-personal services expenses	80,893	66,506
Total operating expenses before depreciation	103,970	88,572
Depreciation	27,346	28,294
Total operating expenses	131,316	116,866
Operating income	36,680	44,867
Non-operating revenues (expenses)		
Interest income	2,540	1,623
Interest expense, net of capitalized interest	(5,178)	(7,966)
Loss on disposal of capital assets	(793)	(161)
Grants	120	-
Discontinued project costs	(1,563)	(72)
Capital asset donation	-	(991)
Other, net	(551)	(766)
Total non-operating expenses	(5,425)	(8,333)
Income before capital contributions and transfers	31,255	36,534
Capital contributions	16,932	15,819
Transfer in	-	6,770
Change in net position	48,187	59,123
Net position, beginning of year	774,597	715,474
Cumulative effect of adoption of GASB Statement No. 75	(166)	-
Net position, beginning of year, as restated (Note 1)	774,431	715,474
Net position, end of year	$ 822,618	$ 774,597

	2018	2017
Cash flows from operating activities:		
Cash received from customers	$ 166,759	$ 158,938
Payments to suppliers for goods and services	(88,885)	(65,616)
Payments to employees for services	(21,469)	(20,725)
Other cash receipts	462	162
Other cash paid	(638)	(552)
Net cash provided by operating activities	56,229	72,207
Cash flows from non-capital financing activities:		
Nonoperating grants received	120	-
Transfer in	-	6,770
Net cash provided by non-capital financing activities	120	6,770
Cash flows from capital and related financing activities:		
Acquisition of capital assets	(116,580)	(26,546)
Principal payments on bonds	(13,645)	(13,020)
Payment of interest and fiscal charges	(8,902)	(9,519)
Payment of other debt service costs	(327)	(330)
Proceeds from sale of capital assets	62	16
Capital contributions	15,342	9,709
Net cash used for capital and related financing activities	(124,050)	(39,690)
Cash flows from investing activities:		
Purchase of investments	(433,944)	(330,001)
Proceeds from sales and maturities of investments	509,432	313,738
Interest on investments	2,412	1,369
Net cash provided by (used for) investing activities	77,900	(14,894)
Net increase in cash and cash equivalents	10,199	24,393
Cash and cash equivalents, beginning of year	40,670	16,277
Cash and cash equivalents, end of year	$ 50,869	$ 40,670
Cash and cash equivalents - unrestricted assets	$ 35,592	$ 25,390
Cash and cash equivalents - restricted assets - current	1,950	1,953
Cash and cash equivalents - restricted assets - noncurrent	13,327	13,327
	$ 50,869	$ 40,670

	2018	2017
Reconciliation of operating income to net cash provided by operating activities		
Operating income	$ 36,680	$ 44,867
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation	27,346	28,294
Miscellaneous non-operating expenses	(176)	(390)
Decrease (increase) in assets and deferred outflows of resources:		
Accounts receivable, trade	(1,318)	(717)
Accounts receivable, other	32	290
Inventories	(613)	(57)
Prepaid items	(7,451)	150
Deferred outflows on other post employment benefits liability	(25)	-
Deferred outflows on pensions	191	(920)
Increase (decrease) in liabilities and deferred inflows of resources:		
Accounts payable	197	1,033
Accrued liabilities	32	(5)
Due to other County funds	26	55
Due to other governments	(151)	(291)
Compensated absences	57	102
Security deposits	49	(2,368)
Total other post employment benefits liability	45	41
Net pension liability	767	1,471
Deferred inflows on other post employment benefits liability	11	-
Deferred inflows on pensions	530	652
Net adjustments	19,549	27,340
Net cash provided by operating activities	$ 56,229	$ 72,207
Supplemental information		
Non-cash investing, capital, and financing activities		
Capital assets acquired through current accounts payable	$ 36,892	$ 15,979
Capital contributions	10,420	8,826
Amortization of bond discounts and premiums	(317)	(317)
Amortization of deferred charges	116	115
Change in fair value of interest rate swap	(1,242)	(1,594)
Change in fair value of investments	(2,549)	(1,555)

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Note 1 - Summary of Significant Accounting Policies

A. 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 1,212 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.

B. Measurement Focus and Basis of 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 when the related cash flows take place.

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 employee wages and benefits, the purchase of services, other expenses related to operating the Port, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses.

C. Implementation of Governmental Accounting Standards Board Statements: The Port adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2018:

1. ***GASB Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"***

Statement No. 75 establishes reporting by governments that provide other postemployment benefits (OPEB) to their employees and for governments that financed OPEB for employees of other governments. This standard will require the immediate recognition of the entire total OPEB liability and a more comprehensive measurement of OPEB expense. The adoption of Statement No. 75 resulted in the restatement of the October 1, 2017 net position (see Note 1, Section D).

Note 1 - Summary of Significant Accounting Policies (Continued)

2. GASB Statement No. 85 "Omnibus 2017"

Statement No. 85 establishes practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and OPEB). The Port implemented this Statement for FY 2018. The adoption of GASB 85 did not impact the Port's financial position or results in operations.

3. GASB Statement No. 86 "Certain Debt Extinguishment Issues"

Statement No. 86 establishes improved consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The Port implemented this Statement for FY 2018. The adoption of GASB 86 did not impact the Port's financial position or results in operations.

The Port evaluated the following GASB Statements during the fiscal year ended September 30, 2018:

4. ***GASB Statement No. 83 "Certain Asset Retirement Obligations"***

Statement No. 83 will be effective for the Port beginning with the fiscal year ending September 30, 2019. This Statement establishes guidance for determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. Management is currently evaluating the impact of the adoption of this Statement on the Port's financial statements.

5. GASB Statement No. 84 "Fiduciary Activities"

Statement No. 84 will be effective for the Port beginning with the fiscal year ending September 30, 2020. This Statement establishes improved guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. Management is currently evaluating the impact of the adoption of this Statement on the Port's financial statements.

6. ***GASB Statement No. 87 "Leases"***

Statement No. 87 will be effective for the Port beginning with the fiscal year ending September 30, 2020. The Statement establishes the new guidance for a single approach to accounting for and reporting leases by state and local governments to better align the reporting of these leases with their particular situations, as well as providing greater transparency and usefulness of financial statements. Management is currently evaluating the impact of the adoption of this Statement, which may have a material impact on the Port's financial statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

7. *GASB Statement No. 88, "Certain disclosures related to debt, including direct borrowings and direct placements"*

Statement No. 88 will be effective for the Port beginning with the fiscal year ending September 30, 2019. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

8. *GASB Statement No. 89, "Accounting for Interest Cost Incurred Before the End of a Construction Period"*

Statement No. 89 will be effective for the Port beginning with the fiscal year ending September 30, 2021. The primary objective of this Statement is to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period.

9. *GASB Statement No. 90, "Majority equity interests -An amendment of GASB Statements No. 14 and No 61"*

Statement No. 90 will be effective for the Port beginning with the fiscal year ending September 30, 2021. The primary objective of this Statement is to improve the consistency of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units.

D. Change in Accounting Principle: Due to the implementation of GASB Statement No. 75, the Port adopted the accounting and reporting requirements of the new standard, which resulted in a restatement of the total OPEB liability as of October 1, 2017. Information was not available to implement GASB Statement No. 75 for the prior period presented in the financial statements. Also refer to Note 8 for additional information on the impact of the adoption of this Statement. The adjustment to the beginning net position is presented below (dollars in thousands):

Net position, September 30, 2017, as previously reported	$774,597
Net position effect of GASB Statement No. 75	(166)
Net position, October 1, 2017, as restated	$774,431

E. Deposits and Investments: Cash and cash equivalents consist of cash on hand, 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. The Port's portion of the pool is presented as "cash and cash equivalents," "investments," or "restricted assets," as appropriate. Earnings are allocated to the Port based on the average daily cash and investment balances. The Port also maintains cash and investments outside of the County pool relating to bond proceeds for the purpose of funding debt service payments, bond reserve requirements, as well as for investment purposes. All investments are carried at fair value.

Note 1 - Summary of Significant Accounting Policies (Continued)

F. 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, based on current economic conditions and consideration of the customer's ability to pay. Accordingly, accounts receivables are shown net of estimated uncollectible accounts, as determined by management policies.

G. 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.

H. Due from or to Other County Funds: During the course of operations, the Port has activity with other County funds for various purposes. Any residual balances outstanding at year end are reported as due from or to other County funds.

I. Inventories and Prepaid Items: Crane and loading bridge spare parts, supplies, and fender inventories 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 of insurance and other necessary costs paid in advance that will benefit future accounting periods.

J. Capital Assets: Capital assets are stated at cost or, if donated, acquisition 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. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized. 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

K. 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 $8,641,000 and $9,265,000 for the fiscal years ended September 30, 2018 and 2017, respectively, and, of this, $3,463,000 and $1,299,000 respectively, was included as part of the cost of construction in progress and assets placed into service.

L. 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 category of deferred outflows of resources reported in the Port's Statements of Net Position is related to debt refunding, the interest rate swap, OPEB and pensions. 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. A deferred outflow of resources has been reported for the accumulated decrease in fair value of the interest rate swap in the Statements of Net Position. Deferred outflows on OPEB activities are more fully discussed in Note 1, Section O and Note 8. Deferred outflows on pension activities are more fully discussed in Note 1, Section P and Note 9.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 category of deferred inflows of resources reported in the Port's Statements of Net Position is related to OPEB and pensions. Deferred inflows of resources on OPEB activities are more fully discussed in Note 1, Section O and Note 8. Deferred inflows of resources on pension activities are more fully discussed in Note 1, Section P and Note 9.

M. 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, which approximates the effective interest rate method. Bonds payable as reported include unamortized amounts of bond premiums or discounts.

N. Compensated Absences: It is the Port's policy to permit employees to accumulate earned but unused 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.

O. Total OPEB liability: The total OPEB liability is measured as the portion of the actuarial present value of projected benefits that is attributed to past periods of employee service. The total OPEB liability is measured as of a date (measurement date) no earlier than the end of the employer's prior fiscal year, consistently applied from period to period. The total OPEB liability is reported in the Statements of Net Position.

P. Pensions: In the Statements of Net Position, pension liabilities are recognized for the Port's proportionate share of the County's share of each pension plan's net pension liability. For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (Pension Plan) defined benefit plan and the Health Insurance Subsidy (HIS) defined benefit plan, and additions to and deductions from the Pension Plan's and the HIS's fiduciary net position, have been determined on the same basis as they are reported by the Pension Plan and HIS plans. Changes in the net pension liability during the period are recorded as pension expense, deferred outflows of resources, or deferred inflows of resources depending on the nature of the change. Those changes in the net pension liability that are recorded as deferred outflows of resources or deferred inflows of resources that arise from changes in actuarial assumptions or other inputs, changes in the proportionate share of the net pension liability, and differences between expected or actual experience, are amortized over the average expected remaining service lives of all employees that are provided with pensions through the pension plans, and recorded as a component of pension expense beginning with the period in which they arose. Differences between projected and actual investment earnings are reported as deferred outflows of resources or deferred inflows of resources and are amortized as a component of pension expense using a systematic and rational method over a five year period beginning with the period in which a difference arose.

Q. 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 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 category represents the balance of assets restricted from general use by external

Note 1 - Summary of Significant Accounting Policies (Continued)

R. 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.

S. Capital Contributions: Capital contributions consist mainly of grants from Federal and State governments. These capital contributions are recognized when eligibility requirements have been met, which usually is when project costs have been incurred.

T. Reclassifications: Certain amounts presented in the prior year's data have been reclassified in order to be consistent with the current year's presentation.

U. 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 and disclosures of contingent assets or liabilities 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.

Note 2 - Deposits and Investments

As of September 30, 2018 and 2017, the Port's deposits and investments consisted of the following (dollars in thousands):

	September 30, 2018	September 30, 2017
Cash deposits	$ 50,869	$ 40,670
Investments:		
U.S. Agencies	173,102	175,636
U.S. Treasuries	41,480	84,328
Commercial Paper	-	30,035
World Bank	7,868	8,470
Sovereign Bond	531	-
Total investments	222,981	298,469
Total cash and cash equivalents and investments	$ 273,850	$ 339,139

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

Note 2 - Deposits and Investments (Continued)

	September 30, 2018	2017
Current assets:		
Cash and cash equivalents - unrestricted	$ 35,592	$ 25,390
Cash and cash equivalents - restricted	1,950	1,953
Investments - unrestricted	191,635	269,337
Investments - restricted	14,318	13,656
Non-current assets:		
Cash and cash equivalents - restricted	13,327	13,327
Investments - restricted	17,028	15,476
Total cash and cash equivalents and investments	$ 273,850	$ 339,139

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 generally requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under the State Statutes, all qualified public depositories are 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 depositories' collateral pledging level. The pledging level may range from 25% to 150% depending upon the depositories' financial condition ranking from two nationally recognized financial rating services, as well as consideration of financial ratios, trends and other pertinent information. 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. At September 30, 2018 and 2017, $15,228,000 and $15,215,000, respectively, was collateralized with securities held by the pledging financial institutions' trust department.

Investments: The Port follows the County's investment practices and are governed by Section 218.415 of the Florida 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 Government, its agencies and instrumentalities, the Florida Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, repurchase agreements with primary dealers, commercial paper, bonds, notes or obligations of the State of Florida or any municipality, political subdivision or agency or authority of the State, certificates of deposit, securities in certain open-end or closed-end investment companies or trusts, World Bank notes, bonds and discount notes, obligations of the Tennessee Valley Authority, certain money market funds and rated or unrated bonds, notes or instruments backed by the full faith and credit of the government of Israel. The County may also invest in collateralized mortgage obligations, reverse repurchase agreements and asset-

Note 2 - Deposits and Investments (Continued)

backed commercial paper with the approval of the County's Chief Financial Officer. 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 year	25%
3 years to 4 year	20%
4 years to 5 year	15%
5 years to 7 year	10%

Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2018 and 2017, the portfolio weighted average maturity was 509 days, and 600 days, respectively, 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 and asset-backed commercial paper, as well as bonds, notes, or obligations of the State of Florida, any municipality or political subdivision, or any agency or authority of the State, must be rated in one of the two highest rating categories by at least two nationally recognized rating agencies. Commercial paper not rated must be backed by a letter of credit or line of 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 or Standard & Poor's Ratings Services. Investments in Sovereign bonds are allowable by the Broward County Investment Policy whether the bonds are rated or unrated. Investments in Securities and Exchange Commission registered money market funds must have the highest credit quality rating from a nationally recognized rating agency.

As of September 30, 2018 and 2017, the County's investments in U.S. Treasuries and U.S. Agencies, except for investments of $9,739,000 and $13,607,000, respectively, in the Federal Agricultural Mortgage Corporation which are not rated, are rated AA+ by Standard & Poor's Rating Services and Aaa by Moody's Investors Service. The County's investments in commercial paper are rated A-1 and A-1+ by Standard & Poor's Ratings Services, P-1 by Moody's Investors Service and F1 by Fitch. The County's investments in World Bank notes are rated AAA by Standard & Poor's Rating Services and Aaa by Moody's Investors Service. The County's investments in Sovereign (government of Israel) bonds are rated AA- by Standard & Poor's Rating Services, A1 by Moody's Investors Service and rated A+ by Fitch.

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 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 Risk Disclosures - an amendment of GASB Statement No. 3*" requires disclosure when 5% or more is invested in any one issuer. As of September 30, 2018, the investment in the Federal Home Loan Bank is 17.75%, the Federal Home Loan Mortgage Corporation is 16.90%, the Federal National Mortgage Association is

Note 2 - Deposits and Investments (Continued)

18.21%, and the Federal Farm Credit Bank is 8.55%. As of September 30, 2017, the investment in the Federal Home Loan Bank is 16.12%, the Federal Home Loan Mortgage Corporation is 10.02%, the Federal National Mortgage Association is 26.02%, the Federal Farm Credit Bank is 7.86%, and the Federal Agricultural Mortgage Corporation is 5.24%.

Fair Value Measurement: The Port categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and liability. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Port does not have any investments that are categorized as Level 1 or 3.

The Port has the following recurring fair value measurements as of September 30, 2018 and 2017 (dollars in thousands):

	Significant Other Observable Inputs (Level 2) September 30, 2018	2017
Investments by Fair Value Level		
Debt Securities:		
U.S. Agencies	$ 173,102	$ 175,636
U.S. Treasuries	41,480	84,328
Commercial Paper	-	30,035
World Bank	7,868	8,470
Sovereign Bond	531	-
Total Investments at Fair Value	$ 222,981	$ 298,469
Liability by Fair Value Level		
Derivative Instrument - Interest Rate Swap	$ 1,706	$ 2,948

- U.S. Treasuries, U.S. Agencies, Commercial Paper and World Bank debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices (Level 2 inputs).
- The interest rate swap derivative instrument is valued using the zero coupon method (Level 2 inputs), receives observable quotes from the over-the counter swap markets and is based on models that reflect the contractual terms of the derivative.

The investment balances categorized by fair value above include the Port's investment in the County "pool" and the input levels presented are based on the actual allocation of the underlying investments held directly by the County.

Note 3 - Restricted Assets

Restricted assets of the Port as of September 30, 2018 and 2017 represent amounts restricted for debt service, bond reserves, operating and maintenance, and renewal and replacement under the terms of outstanding bond agreements, as well as refundable customer security deposits. The debt service accounts contain the principal due within one year and the accumulated cash for one-twelfth of the required interest payable for the subsequent year. Under the bond resolutions in effect, the bond reserve accounts contain the required amounts for the debt service reserves established by the Series 2008 and the Series 2009A bonds; the operating and maintenance reserve is the required amount to be set aside to cover two months of operating expenses; and the renewal and replacement reserve is the required amount to be set aside for renewal and replacement of equipment. The security deposits represent refundable amounts received from customers to lease land and buildings within the Port.

As of September 30, 2018 and 2017, assets were restricted for the following purposes (dollars in thousands):

	September 30, 2018	September 30, 2017
Debt service accounts	$ 15,066	$ 14,456
Bond reserve accounts	10,327	10,327
Operating and maintenance	17,028	15,476
Renewal and replacement	3,000	3,000
Security deposits	1,202	1,153
Total restricted assets	$ 46,623	$ 44,412

As of September 30, 2018 and 2017, restricted assets were classified in the Statements of Net Position as follows (dollars in thousands):

	September 30, 2018	September 30, 2017
Current assets – restricted		
Cash and cash equivalents	$ 1,950	$ 1,953
Investments	14,318	13,656
Noncurrent assets - restricted		
Cash and cash equivalents	13,327	13,327
Investments	17,028	15,476
Total restricted assets	$ 46,623	$ 44,412

Note 4 - Capital Assets

Capital asset activity was as follows for the fiscal years ended September 30, 2018 and 2017 (dollars in thousands):

	Balance October 1, 2017	Additions	Deletions	Balance September 30, 2018
Capital assets not being depreciated				
Land and land improvements	$ 58,303	$ -	$ -	$ 58,303
Property held for leasing - land and land improvements	151,276	-	-	151,276
Construction in progress and pending equipment				
Construction in progress	79,283	136,724	(22,400)	193,607
Pending equipment	6,281	4,000	(9,809)	472
Total construction in progress and pending equipment	85,564	140,724	(32,209)	194,079
Total non-depreciable capital assets	295,143	140,724	(32,209)	403,658
Capital assets being depreciated				
Buildings, piers, and other improvements	559,682	19,095	(957)	577,820
Property held for leasing - buildings, piers, and other improvements	101,282	-	(1,781)	99,501
Equipment and vehicles	175,488	9,032	(813)	183,707
Total depreciable capital assets	836,452	28,127	(3,551)	861,028
Less accumulated depreciation				
Buildings, piers, and other improvements	(308,323)	(19,000)	99	(327,224)
Property held for leasing - buildings, piers, and other improvements	(73,156)	(973)	-	(74,129)
Equipment and vehicles	(116,322)	(7,373)	729	(122,966)
Total accumulated depreciation	(497,801)	(27,346)	828	(524,319)
Total capital assets being depreciated, net	338,651	781	(2,723)	336,709
Total capital assets, net	$ 633,794	$ 141,505	$ (34,932)	$ 740,367

As of September 30, 2018, property held for leasing included both non-depreciable capital assets (land and land improvements of $151,276,000) and depreciable capital assets (buildings, piers, and other improvements of $99,501,000), totaling $250,777,000, less accumulated depreciation of $74,129,000 for a net book value of $176,648,000.

Note 4 - Capital Assets (Continued)

	Balance October 1, 2016	Additions	Deletions	Balance September 30, 2017
Capital assets not being depreciated				
Land and land improvements	$ 50,550	$ 8,744	$ (991)	$ 58,303
Property held for leasing - land and land improvements	160,068	-	(8,792)	151,276
Construction in progress and pending equipment				
Construction in progress	40,820	39,612	(1,149)	79,283
Pending equipment	5,337	1,452	(508)	6,281
Total construction in progress and pending equipment	46,157	41,064	(1,657)	85,564
Total non-depreciable capital assets	256,775	49,808	(11,440)	295,143
Capital assets being depreciated				
Buildings, piers, and other improvements	560,896	1,049	(2,263)	559,682
Property held for leasing - buildings, piers, and other improvements	99,019	2,263	-	101,282
Equipment and vehicles	175,372	681	(565)	175,488
Total depreciable capital assets	835,287	3,993	(2,828)	836,452
Less accumulated depreciation				
Buildings, piers, and other improvements	(292,436)	(15,887)	-	(308,323)
Property held for leasing - buildings, piers, and other improvements	(67,927)	(5,229)	-	(73,156)
Equipment and vehicles	(109,427)	(7,178)	283	(116,322)
Total accumulated depreciation	(469,790)	(28,294)	283	(497,801)
Total capital assets being depreciated, net	365,497	(24,301)	(2,545)	338,651
Total capital assets, net	$ 622,272	$ 25,507	$ (13,985)	$ 633,794

As of September 30, 2017, property held for leasing included both non-depreciable capital assets (land and land improvements of $151,276,000) and depreciable capital assets (buildings, piers, and other improvements of $101,282,000), totaling $252,558,000, less accumulated depreciation of $73,156,000 for a net book value of $179,402,000.

Note 5 - Lease Agreements

The Port recognizes a significant portion of its revenue through leasing of real property. A summary of future minimum rentals for non-cancellable leases is as follows (dollars in thousands):

Fiscal Year(s)	Amount
2019	$ 12,273
2020	11,624
2021	10,663
2022	10,567
2023	9,714
2024-2028	22,186
2029-2035	2,586
Total	$ 79,613

Note 6 - Long-term Obligations

Changes in long-term obligations for the fiscal years ended September 30, 2018 and 2017 were as follows (dollars in thousands):

	Balance October 1, 2017 *	Additions	Reductions	Balance September 30, 2018	Due within One Year
Revenue bonds payable					
2008 Subordinate Port Facilities, Refunding	$ 27,285	$ -	$ (2,310)	$ 24,975	$ 2,395
2009A Port Facilities	59,880	-	(3,700)	56,180	3,900
2011A Port Facilities, Refunding	12,370	-	-	12,370	-
2011B Port Facilities, Refunding, Serial	51,950	-	(7,635)	44,315	8,025
2011B Port Facilities, Refunding, Term	31,640	-	-	31,640	-
Total face amount of revenue bonds payable	183,125	-	(13,645)	169,480	14,320
Unamortized bond discounts	(298)	-	25	(273)	-
Unamortized bond premiums	3,248	-	(342)	2,906	-
Total net revenue bonds payable	186,075	-	(13,962)	172,113	14,320
Compensated absences payable	2,531	1,653	(1,596)	2,588	1,262
Total other post employment benefits liability*	854	45	-	899	-
Net pension liability*	16,960	767	-	17,727	-
Total	$ 206,420	$ 2,509	$ (15,602)	$ 193,327	$ 15,582

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due within One Year
Revenue bonds payable					
2008 Subordinate Port Facilities, Refunding	$ 29,515	$ -	$ (2,230)	$ 27,285	$ 2,310
2009A Port Facilities	63,400	-	(3,520)	59,880	3,700
2011A Port Facilities, Refunding	12,370	-	-	12,370	-
2011B Port Facilities, Refunding, Term	59,220	-	(7,270)	51,950	7,635
2011B Port Facilities, Refunding, Serial	31,640	-	-	31,640	-
Total face amount of revenue bonds payable	196,145	-	(13,020)	183,125	13,645
Unamortized bond discounts	(323)	-	25	(298)	-
Unamortized bond premiums	3,590	-	(342)	3,248	-
Total net revenue bonds payable	199,412	-	(13,337)	186,075	13,645
Compensated absences payable	2,429	1,647	(1,545)	2,531	1,227
Other post employment benefits	651	41	-	692	-
Net pension liability	15,485	1,471	-	16,956	-
Total	$ 217,977	$ 3,159	$ (14,882)	$ 206,254	$ 14,872

*The October 1, 2017 beginning balance was restated due to the implementation of GASB Statement No. 75.

Note 6 - 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, 2018 and 2017 (dollars in thousands):

			Interest Payment		Redemption					Outstanding September 30,	
Bond Issue	Primary Purpose	Type	Rate (%)	Dates	Optional (O) or Mandatory (M)	Year	Final Maturity Date	Original Amount Issued	Retired / Refunded	2018	2017
2008 Subordinate Port Facilities Refunding	Refunding Issue	Demand	3.642 *	Monthly	O	2018	9-1-2027	$ 46,145	$ (21,170)	$ 24,975	$ 27,285
2009A Port Facilities	Capital Improvements	Serial	3.0 - 6.0	3-1 9-1	O	2019	9-1-2025	$ 48,085	$ (27,055)	21,030	24,730
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	$ (24,740)	44,315	51,950
2011B Port Facilities	Refunding Issue	Term	4.625	3-1 9-1	M	2025	9-1-2027	$ 31,640	$ -	31,640	31,640
Total face amount of revenue bonds payable										$ 169,480	$ 183,125

*Synthetic fixed rate per swap agreement

The annual debt service requirements for all bonds outstanding as of September 30, 2018, (assuming the variable rate demand debt is carried to maturity and the credit facility is renewed) are as follows (dollars in thousands):

Fiscal Year(s)	Principal	Interest	Total
2019	$ 14,320	$ 8,220	$ 22,540
2020	15,010	7,523	22,533
2021	15,730	6,806	22,536
2022	16,480	6,054	22,534
2023	17,275	5,260	22,535
2024-2028	84,110	12,949	97,059
2029	6,555	360	6,915
Total	$ 169,480	$ 47,172	$ 216,652

Note 6 - Long-term Obligations (Continued)

Details of the Port's bonds outstanding as of September 30, 2018 and 2017 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, 2018 and 2017 was 1.56% and 0.94%, respectively. The bonds are secured by subordinate pledged revenue derived from the operation of the Port.

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% of the principal amount by adjusting the interest rate.

An irrevocable Direct-Pay Letter of Credit (LOC) was issued by the Royal Bank of Canada (RBC) pursuant to a Letter of Credit Reimbursement Agreement dated July 1, 2014, between the County and RBC as a replacement for the original expiring Direct-Pay Letter of Credit provided by the Bank of Nova Scotia. The LOC was issued in an amount equal to the outstanding $35,735,000 of original aggregate principal of the Series 2008 Bonds, plus 56 days' interest thereon at the rate of 15% per annum, totaling $822,000. The LOC will terminate upon the earlier to occur of RBC's close of business on (a) October 2, 2019 (as extended from time to time) or (b) upon the occurrence of any event that constitutes an "Event of Default", as defined in the agreement. In the event that the LOC is not renewed or replaced by the expiration date of October 2, 2019, the outstanding principal amount of $22,580,000 will become due. In the event that the LOC is exercised, the outstanding principal amount will be converted to a term loan payable in equal quarterly installments for a period of no more than two years from the anniversary date of the drawing. Interest payments will be calculated using the Base Rate plus 2%. The Base Rate is defined in the agreement as a per annum rate equal to the highest of (i) the sum of the Prime Rate for such day plus 2.5%, (ii) the sum of the Federal Funds Rate for such day plus 3%, and (iii) 8%. Assuming a rate of 5.5%, the debt service requirements would be as follows:

Period	**Principal**	**Interest**	**Total**
Year 1	$ 11,290,000	$ 1,009,044	$ 12,299,044
Year 2	11,290,000	388,094	11,678,094
Total Debt Service Requirements	$ 22,580,000	$ 1,397,138	$ 23,977,138

In addition, in the event of either of the debt acceleration scenarios described above, a swap termination payment in the estimated amount of $1,706,000 as of September 30, 2018 would also become due.

The Port, commencing October 1, 2014, is required to pay RBC, on a quarterly basis, in arrears, a facility fee for the LOC. For the period commencing on July 1, 2014 through termination, the fee may vary based upon the bond ratings from Moody's Investors Services, Standard & Poor's Rating Services, and Fitch Rating Services. The current rate is 0.92% per annum. In addition, the remarketing agent is paid an annual fee equal to 0.045% of the then outstanding aggregate principal amount of the Series 2008 Bonds.

Note 6 - Long-term Obligations (Continued)

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 refund $53,185,000 of Series 1989A Bonds, $79,825,000 of Series 1998B Bonds, and $38,865,000 of Series 1998C Bonds. The Series 2011 Bonds are Refunding Bonds issued under the Bond Resolution, and were issued on parity with the Series 2009A Bonds as described above.

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.

As of September 30, 2018 and 2017, the Port has no outstanding principal of the defeased bond from advance refundings.

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

Note 6 - Long-term Obligations (Continued)

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.

    The Port was in compliance with bond indenture requirements as of September 30, 2018 and 2017.

The Port's 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, 2018 and 2017 were as follows (dollars in thousands):

	September 30, 2018	September 30, 2017
Current pledged revenues	$ 65,119	$ 72,657
Current year debt service	$ 22,547	$ 22,539
Total future pledged revenues	$ 216,652	$ 239,186
Percentage of debt service to pledged revenues (current year)	34.6%	31.1%

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 have become due for payment but are unpaid by reason of nonpayment by the Port.

Note 7 – Derivative Instrument – Interest Rate Swap

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.

The fair value of the interest rate swap is estimated using the income approach from “mid-market” pricing data. The pricing data consists primarily of observable quotes from the over-the-counter swap markets that fall into Level 2 of the fair value hierarchy under GASB Statement No. 72, “Fair Value Measurement and Application”. The income approach utilizes the discounted cash flow methodology which considers the net present value of the future scheduled payments required by the swap, assuming future coupon rates are based on forward rates, derived from the relevant yield curve data as of the valuation date. The present value discount factors applied to future scheduled payments are also determined by the London Interbank Offered Rate (LIBOR) yield curve data, using the zero coupon method.

Following are disclosures of key aspects of the 2008 interest rate swap agreement.

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, 2018 and 2017, the swap had a negative fair value of $1,706,000 and $2,948,000, respectively. This represented a decrease of $1,242,000 and $1,594,000, respectively, as of September 30, 2018 and 2017. 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, 2018 and 2017, which equaled the principal outstanding on the Series 2008 Bonds as of those dates, was $24,975,000 and $27,285,000, respectively.

Credit risk — As of September 30, 2018 and 2017, 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

Note 7 – Derivative Instrument – Interest Rate Swap (Continued)

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.

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, 2018, assuming the synthetic fixed rate of 3.642%, were as follows (dollars in thousands):

Year(s)	Principal	Interest	Total
2019	$ 2,395	$ 909	$ 3,304
2020	2,480	822	3,302
2021	2,575	732	3,307
2022	2,665	638	3,303
2023	2,765	541	3,306
2024-2027	12,095	1,121	13,216
Total	$ 24,975	$ 4,763	$ 29,738

Note 8 - Other Post Employment Benefits (OPEB)

The Port follows the guidance contained in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for certain post employment health care benefits provided by the County for the fiscal year ended September 30, 2018.

Plan Description and Benefits Provided

The Port, as a department of the County, participates in the County's single-employer defined-benefit OPEB plan. 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 the provisions of Section 112.0801, Florida Statutes, which are the legal authority for the plan. The Port makes no direct contribution to the plan. Retirees and their beneficiaries pay the same group rates as are charged to the Port for active employees. The Port does not issue separate OPEB financial reports. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. At September 30, 2018, the OPEB Plan covered 198 active benefit eligible Port employees. The County has 237 inactive employees currently receiving benefit payments, whereas the number of the Port’s inactive employees is not available.

Note 8 - Other Post Employment Benefits (OPEB) (Continued)

Actuarial Assumptions and Other Inputs - The total OPEB liability in the September 30, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Healthcare inflation	2.60%
Salary increases	3.25%
Source of mortality assumptions	Florida State Retirement System
Healthcare cost trend rates	Initial 8.50% - Ultimate 4.50%
Discount rate	4.15%
Projected cash flows	Pay as you go
Municipal bond rate	20-Year Tax-Exempt General Obligation
Bond rate basis	Average rating of AA/Aa or higher
Actuarial valuation date	September 30, 2018
Actuarial cost method	Entry Age Normal Level % of Salary

The discount rate was based on a range of three indices for the 20-year tax-exempt general obligation municipal bonds, where the range was given as the spread between the lowest and the highest rate. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB. The actuarial assumptions used were based on the results of an actuarial experience study for the period from October 1, 2016 to September 30, 2018.

Changes in the Total OPEB Liability

Due to the implementation of GASB Statement No. 75, the Port's total OPEB liability as of October 1, 2017 was restated from the reported balance of $692,000 to $854,000, an increase of $162,000. As of September 30, 2018, the total OPEB liability of $899,000 was determined by an actuarial valuation with the measurement date of September 30, 2018.

Below are the details regarding the Port's total OPEB liability for the period from October 1, 2017 to September 30, 2018 (dollars in thousands):

	Total OPEB Liability
Balance at October 1, 2017	$ 854
Changes for the fiscal year:	
Service cost	$ 41
Interest	32
Differences between expected and actual experience	28
Changes of assumptions and other inputs	(12)
Benefit payments	(44)
Net changes	45
Balance at September 30, 2018	$ 899

Changes of assumptions and other inputs include the change in the discount rate from 3.50% as of the beginning of the measurement period, to 4.15% as of September 30, 2018.

Note 8 - Other Post Employment Benefits (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate - The following presents the total OPEB liability of the Port, as well as what the Port's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.15%), or 1-percentage-point higher (5.15%) than the current discount rate (dollars in thousands):

	1% Decrease (3.15%)	Discount Rate (4.15%)	1% Increase (5.15%)
Total OPEB liability	$ 1,025	$ 899	$ 791

Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates - The following presents the total OPEB liability of the Port, as well as what the Port's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (7.5% decreasing to 3.5%) or 1 percentage point higher (9.5% decreasing to 5.5%) than the current healthcare cost trend rates (dollars in thousands):

	1% Decrease (7.50% decreasing to 3.50%)	Healthcare Cost Trend Rates (8.50% decreasing to 4.50%)	1% Increase (9.50% decreasing to 5.50%)
Total OPEB liability	$ 773	$ 899	$ 1,061

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the fiscal years ended September 30, 2018 and 2017 the Port recognized OPEB expense of $74,000 and $41,000, respectively. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollars in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 25	
Changes of assumptions and other inputs		$ (11)
Total	$ 25	$ (11)

Note 8 - Other Post Employment Benefits (OPEB) (Continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

Fiscal years ending September 30		
2019	$	2
2020		2
2021		2
2022		2
2023		2
Thereafter		4
Total	$	14

Note 9 – Retirement Plans

All of the Port's eligible employees, as employees of the County, participate in the Florida Retirement System (FRS). As provided by Chapters 121 and 112, Florida Statutes, the FRS provides two cost sharing, multiple employer defined benefit plans administered by the Florida Department of Management Services, Division of Retirement, including the Pension Plan and the Retiree Health Insurance Subsidy (HIS Plan). Under Section 121.4501, Florida Statutes, the FRS also provides a defined contribution plan (Investment Plan) alternative to the Pension Plan, which is administered by the State Board of Administration (SBA). As a general rule, membership in the FRS is compulsory for all employees working in a regularly established position for a state agency, county government, district school board, state university, community college, or a participating city or special district within the State of Florida. The FRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The Florida Legislature establishes and may amend the contribution requirements and benefit terms of all FRS plans.

The plan administrator for FRS prepares and publishes its own stand-alone comprehensive annual financial report, including financial statements and required supplementary information. Copies of this report can be obtained from the Department of Management Services, Division of Retirement, Bureau of Research and Member Communications, P.O. Box 9000, Tallahassee, Florida 32315-9000; or at the Division's website (www.frs.myflorida.com).

A. Pension Plan

Plan Description - The Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees.

The general classes of membership for the Port are as follows:

- Regular Class - Members of the FRS who do not qualify for membership in the other classes.
- Senior Management Service Class (SMSC) - Members in senior management level positions.

Employees enrolled in the Pension Plan prior to July 1, 2011, vest after six years of creditable service, and employees enrolled in the Pension Plan on or after July 1, 2011, vest after eight years of creditable service. Regular Class and SMSC members initially enrolled in the Pension Plan before July 1, 2011, once vested, are eligible for normal retirement benefits at age 62 or at any age after 30 years of creditable service. Members in these classes initially enrolled in the Pension Plan on or after July 1, 2011, once vested, are eligible for normal retirement benefits at age 65 or any time after 33 years of creditable service. Early retirement may be taken any time after vesting within 20 years of normal retirement age, however, there is a 5.0% benefit reduction for each year prior to the normal retirement age.

DROP is available under the Pension Plan when the member first reaches eligibility for normal retirement. The DROP allows a member to retire while continuing employment for up to 60 months. While in the DROP, the member's retirement benefits accumulate in the FRS Trust Fund increased by a cost-of-living adjustment each July, and earn monthly interest equivalent to an annual rate of 1.30% on the preceding months DROP accumulation until DROP participation ends.

Benefits Provided - Benefits under the Pension Plan are computed on the basis of age and/or years of service, average final compensation, and service credit. Credit for each year of service is expressed as a percentage of the average final compensation. For members initially enrolled before July 1, 2011, the average final compensation is the average of the five highest fiscal years' earnings; for members initially enrolled on or after July 1, 2011, the average final compensation is the average of the eight highest fiscal years' earnings. The total percentage value of the benefit received is determined by calculating the total value of all service, which is based on the retirement plan and/or class to which the member belonged when the service credit was earned.

Note 9 – Retirement Plans (Continued)

The following chart shows the percentage value for each year of service credit earned.

Class, Initial Enrollment, and Retirement Age/Years of Service	% Value (Per Year of Service)
Regular Class Members Initially Enrolled Before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class Members Initially Enrolled On or After July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Senior Management Service Class	2.00%

The benefits received by retirees and beneficiaries are increased by a cost-of-living adjustment (COLA) each July. If the member was initially enrolled in the Pension Plan before July 1, 2011, and all service credit was accrued before that time, the annual COLA is 3.0% per year. The annual COLA for retirees with an effective retirement date or DROP date beginning on or after August 1, 2011, who were initially enrolled before July 1, 2011, is a proportion of 3.0% determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3.0%. Pension Plan members initially enrolled on or after July 1, 2011, will not have a COLA after retirement.

Contributions - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018, respectively, were as follows: Regular - 6.20% and 6.54%, Senior Management Service - 20.99% and 22.34%; and DROP Participants - 11.60% and 12.37%. The employer contribution rates by job class for the periods from July 1, 2016 through June 30, 2017, were as follows: Regular – 5.80%, Senior Management Service – 20.05%, and DROP Participants - 11.33%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment.

For the fiscal years ended September 30, 2018 and 2017, contributions, including employee contributions of $337,000 and $401,000, to the Pension Plan for the Port totaled $1,283,000 and $1,331,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2018 and 2017, the Port reported liabilities of $12,059,000 and $11,447,000, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2018 and June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2018 and July 1, 2017. The Port's proportionate share of the net pension liability was based on its share of the County's 2017-2018 and 2016-2017 fiscal year contributions relative to the 2017-2018 and 2016-2017 fiscal year contributions of all participating members. At June 30, 2018, the Port's proportionate share was 0.03601%, which was a decrease of 0.00268% from its proportionate share measured as of June 30, 2017. At June 30, 2017, the Port's proportionate share was 0.03869%, which was an increase of 0.00058% from its proportionate share measured as of June 30, 2016.

Note 9 – Retirement Plans (Continued)

For the fiscal years ended September 30, 2018 and 2017, the Port recognized pension expense of $1,860,000 and $1,950,000, respectively. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources (dollars in thousands):

As of September 30, 2018	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 919	$ (33)
Change of Assumptions	3,544	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(838)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	352	(133)
Pension Plan Contributions Subsequent to the Measurement Date	298	-
Total	$ 5,113	$ (1,004)

As of September 30, 2017	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**
Differences Between Expected and Actual Experience	$ 1,030	$ (62)
Change of Assumptions	3,773	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	(278)
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	230	(190)
Pension Plan Contributions Subsequent to the Measurement Date	286	-
Total	$ 5,319	$ (530)

Note 9 – Retirement Plans (Continued)

The deferred outflows of resources related to the Pension Plan totaling $298,000 for the Port, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as of September 30, 2018 as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows (dollars in thousands):

Years Ending September 30		
2019	$	1,392
2020		950
2021		132
2022		632
2023		423
Thereafter		282
Total	$	3,811

Actuarial Assumptions - The total pension liability in the July 1, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	7.00% in 2018 and 7.10% in 2017, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions used in the July 1, 2018 and 2017 valuations were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013. The assumptions used in the July 1, 2018 valuation were unchanged from those used in the prior valuation as of July 1, 2017 except for the investment return assumption which was decreased from 7.10% to 7.00%.

The long-term expected rate of return on Pension Plan investments was not based on historical returns, but instead is based on a forward-looking capital market economic model. The allocation policy's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. The target allocation and best estimates of arithmetic and geometric real rates of return for each major asset class are summarized in the following table:

Note 9 – Retirement Plans (Continued)

As of September 30, 2018

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	2.9%	2.9%	1.8%
Fixed Income	18.0%	4.4%	4.3%	4.0%
Global Equity	54.0%	7.6%	6.3%	17.0%
Real Estate (Property)	11.0%	6.6%	6.0%	11.3%
Private Equity	10.0%	10.7%	7.8%	26.5%
Strategic Investments	6.0%	6.0%	5.7%	8.6%
Total	100.0%			
Assumed Inflation - Mean		2.6%		1.9%

As of September 30, 2017

Asset Class	Target Allocation*	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.0%	3.0%	1.8%
Fixed Income	18.0%	4.5%	4.4%	4.2%
Global Equity	53.0%	7.8%	6.6%	17.0%
Real Estate (Property)	10.0%	6.6%	5.9%	12.8%
Private Equity	6.0%	11.5%	7.8%	30.0%
Strategic Investments	12.0%	6.1%	5.6%	9.7%
Total	100.0%			
Assumed Inflation - Mean		2.6%		1.9%

*As outlined in the Pension Plan's investment policy.

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 7.00% and 7.10%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7.00% rate of return assumption used in the June 30, 2018 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Plan.

Note 9 – Retirement Plans (Continued)

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Port's proportionate share of the net pension liability calculated as of September 30, 2018 and 2017 using the discount rate of 7.00% and 7.10%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00% and 6.10%, respectively) or one percentage point higher (8.00% and 8.10%, respectively) than the current rate (dollars in thousands):

As of September 30, 2018	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Proportional Share of the Net Pension Liability	$ 19,797	$ 12,059	$ 3,414

As of September 30, 2017	1% Decrease 6.10%	Current Discount Rate 7.10%	1% Increase 8.10%
Proportional Share of the Net Pension Liability	$ 18,003	$ 11,447	$ 2,978

Pension Plan Fiduciary Net Position - Detailed information regarding the Pension Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the Pension Plan - At September 30, 2018 and 2017, the Port reported payables in the amount of $77,000 and $118,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2018 and 2017.

B. HIS Plan

Plan Description - The HIS Plan is a non-qualified, cost-sharing multiple-employer defined benefit pension plan established under Section 112.363, Florida Statutes, and may be amended by the Florida Legislature at any time. The benefit is a monthly payment to assist retirees of State-administered retirement systems in paying their health insurance costs and is administered by the Florida Department of Management Services, Division of Retirement.

Benefits Provided - For the fiscal year ended September 30, 2018, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

Contributions - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. The employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rates for the periods from July 1, 2017 through June 30, 2018 and from July 1, 2018 through September 30, 2018 were 1.66%, respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

Note 9 – Retirement Plans (Continued)

For the fiscal years ended September 30, 2018 and 2017, contributions to the HIS Plan for the Port totaled $210,000 and $222,000, respectively.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At September 30, 2018 and 2017, the Port reported liabilities of $5,668,000 and $5,509,000 respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2018 and 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. Liabilities originally calculated as of actuarial valuation date have been recalculated as of June 30, 2018 using a standard actuarial roll-forward technique. The Port's proportionate share of the net pension liability was based on its share of the County's 2017-2018 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members. At June 30, 2018, the Port's proportionate share was 0.04799%, which was a decrease of 0.00353% from its proportionate share measured as of June 30, 2017. At June 30, 2017, the Port's proportionate share was 0.05152%, which was an increase of 0.00122% from its proportionate share measured as of June 30, 2016.

For the fiscal years ended September 30, 2018 and 2017, the Port recognized pension expense of $378,000 and $405,000, respectively. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources (dollars in thousands):

As of September 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$ -	$ (9)
Change of Assumptions	643	(537)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contribution	286	(20)
Pension Plan Contributions Subsequent to the Measurement Date	71	-
Total	$ 1,003	$ (566)

Note 9 – Retirement Plans (Continued)

As of September 30, 2017	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	$	$ (11)
Change of Assumptions	758	(467)
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	3	-
Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions	152	(32)
Pension Plan Contributions Subsequent to the Measurement Date	75	-
Total	$ 988	$ (510)

The deferred outflows of resources related to the HIS Plan totaling $71,000 for the Port, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2019. Other amounts reported as of September 30, 2018 as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows (dollars in thousands):

Years Ending September 30	
2018	$ 70
2019	70
2020	48
2021	11
2022	(68)
Thereafter	235
Total	$ 366

Actuarial Assumptions - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2017 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2018 and 2017. The total pension liabilities as of June 30, 2018 and 2017 were determined using the following actuarial assumptions:

Inflation	2.60%
Salary Increases	3.25% average, including inflation
Investment Rate of Return	3.87% in 2018 and 3.58% in 2017, net of pension plan investment expense, including inflation

Mortality rates were based on the Generational RP-2000 with Projection Scale BB tables.

The actuarial assumptions that determined the total pension liability as of June 30, 2018 were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

Note 9 – Retirement Plans (Continued)

Discount Rate - The discount rate used to measure the total pension liability at June 30, 2018 and 2017 was 3.87% and 3.58%, respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The change between the two measurement dates is due to the changes in the applicable municipal bond index between the dates.

Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate - The following represents the Port's proportionate share of the net pension liability calculated as of September 30, 2018 and 2017 using the discount rate of 3.87% and 3.58%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87% and 2.58%, respectively) or one percentage point higher (4.87% and 4.58%, respectively) than the current rate (dollars in thousands):

As of September 30, 2018	**1% Decrease 2.87%**	**Current Discount Rate 3.87%**	**1% Increase 4.87%**
Proportional Share of the Net Pension Liability	$ 5,785	$ 5,668	$ 4,491

As of September 30, 2017	**1% Decrease 2.58%**	**Current Discount Rate 3.58%**	**1% Increase 4.58%**
Proportional Share of the Net Pension Liability	$ 6,288	$ 5,509	$ 4,861

Pension Plan Fiduciary Net Position - Detailed information regarding the HIS Plan's fiduciary net position is available in the separately issued FRS Pension Plan and Other State-Administered Systems Comprehensive Annual Financial Report.

Payables to the HIS Plan - At September 30, 2018 and 2017, the Port reported payables in the amount of $16,000 and $27,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2018 and 2017.

C. Investment Plan

The SBA administers the defined contribution plan officially titled the FRS Investment Plan. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. County employees participating in DROP are

Note 9 – Retirement Plans (Continued)

not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida State Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30% and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated account balance. For the fiscal years ended September 30, 2018 and 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Port.

After termination and applying to receive benefits, the member may rollover vested funds to another qualified plan, structure a periodic payment under the Investment Plan, receive a lump-sum distribution, leave the funds invested for future distribution, or any combination of these options. Disability coverage is provided; the member may either transfer the account balance to the Pension Plan when approved for disability retirement to receive guaranteed lifetime monthly benefits under the Pension Plan, or remain in the Investment Plan and rely upon that account balance for retirement income.

The Investment Plan pension expense for the Port totaled $283,000 and $190,000 respectively for the fiscal years ended September 30, 2018 and 2017.

Payables to the Investment Plan - At September 30, 2018 and 2017, the Port reported payables in the amount of $22,000 and $34,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2018 and 2017.

Note 10 - 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, 2018 and 2017:

	Percent of Operating Revenues September 30,	
Customer	**2018**	**2017**
Royal Caribbean Cruises Ltd. and its affiliates	18.7%	18.9%
Carnival Corporation and its affiliates	16.2%	15.4%
	34.9%	34.3%

	Percent of Accounts Receivable September 30,	
Customer	**2018**	**2017**
Royal Caribbean Cruises Ltd. and its affiliates	21.2%	19.8%
Carnival Corporation and its affiliates	8.5%	6.6%
	29.7%	26.4%

Note 11 - Capital Contributions

Grants and other contributions used to acquire or construct capital assets are classified as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. For the fiscal years ended September 30, 2018 and 2017, capital contributions were as follows (dollars in thousands):

	September 30,	
Contributor - Purpose	**2018**	**2017**
State of Florida – Southport Turning Notch Extension	$ 15,037	$ 9,308
State of Florida – Slip 2 Westward Lengthening	-	3,413
State of Florida – ACOE Deepening and Widening	537	2,003
State of Florida – Slip 1 Berths 9 & 10 Improvements	612	1,010
State of Florida – Transportation Regional Incentive Program	8	2
Federal – Port Security Improvements	734	25
Local – Florida Inland Navigation District Assistance Program	-	58
Donated Assets	4	-
Total capital contributions	$ 16,932	$ 15,819

Note 12 - 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 Workers' Compensation program. For its Workers' Compensation exposure, the County purchases excess coverage above a $1,500,000 retention limit and pays any claims below the retention from its Self-Insurance Fund. The Port (through the Self-Insurance Fund) also purchases commercial insurance for property damage and numerous smaller policies that are required by lease agreements, union contracts, State Statutes, etc. The Port does not participate in the County's general liability program, electing instead to purchase its own general liability insurance through an agent in the commercial market. The Port's general liability insurance provides limits of $75,000,000 per occurrence and has a $14,950 deductible. The Port has purchased $75,000,000 in terrorism coverage. The Owner Controlled Insurance Program (OCIP) is a large deductible self-insurance program for County construction projects providing qualified participants with workers' compensation, general liability, and environmental insurance coverage. The program has a $250,000 per occurrence deductible for workers' compensation and general liability claims and a $25,000 deductible for environmental claims. The Port participates in the OCIP program and makes contributions based on the estimated construction value, insurance costs and estimated potential losses of its projects. On January 1, 2017, the County entered into a contract with United Health to provide for employee health insurance through a self-insurance program with United Health as a third party payer. The County has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of $400,000. Settled claims have not exceeded commercial coverage in the past three years.

The Port makes payments for the Self-Insurance Programs to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and fund reserves for all losses. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2018. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and amount of payouts), and other economic and social factors. The claim liability estimates also include amounts for incremental adjustment expenses as well as estimated recoveries from salvage or subrogation. The claims liability is based on an estimate and the ultimate settlement of the claims may differ from the amounts recorded. The claim liabilities for the Self-Insurance Programs are reported in the County's Self-Insurance Fund. The Port is not liable for amounts beyond the premiums paid to the Self-Insurance Fund.

In March 2018, the Port purchased several policies under the Controlled Insurance Program (PECIP) for a major construction project, the Southport Turning Notch Extension (STNE)/Crane Rail Infrastructure Improvements. The PECIP is a program designed to provide insurance and claims management of construction project insurance and to minimize legal challenges and adequately protect the contractor and the County. The PECIP for the STNE/Crane Rail Infrastructure project is funded by the Port as part of the capital project costs. The PECIP provides the project insurance coverages including workers compensation, general liability, excess liability and contractors' pollution liability. As part of the program agreement, the Port provided to the insurer as security for payment obligations a renewable twelve-month term Standby Irrevocable Letter of Credit, in the amount of $3,650,000.

Below is a summary of the various insurance policies, coverage limits and corresponding deductibles for PECIP:

- Workers' compensation and general liability insurance has a deductible amount of $250,000 for each occurrence respectively, and $350,000 for the worker's compensation and general liability in aggregate. Under the PECIP, the Port's maximum deductible exposure for worker's compensation and general liability shall not exceed $3,625,250.

Note 12 - Risk Management (Continued)

- Excess liability insurance has a zero deductible amount and the limit of insurance is $100,000,000 for each occurrence and $100,000,000 in the aggregate.

- Contractor's pollution insurance has a $50,000 self-insured retention and the limit of insurance is $50,000,000. The insurer will pay claims exceeding the deductible, up to the policy limit.

The STNE project also required the Port to purchase owner's protection professional liability insurance (OPPI) and builder's risk insurance with terms of coverage that started at the beginning of the actual construction of the project and will continue until project completion plus ten-year completed operations from substantial completion. OPPI is essentially a supplemental insurance that provides additional coverage in excess of the construction manager's professional liability insurance. The OPPI self-insured retention amount is $500,000 and the limit of the policy is $20,000,000. Builder's risk insurance policy is an insurance purchased by the Port to provide coverage protection to the property controlled by the Port while the STNE project is under construction by the contractor. The builders' risk policy will reimburse the Port for the repairs less the $100,000 deductible, of which $25,000 will be paid by the contractor. For flood and named windstorm, the builder's risk policy will cover the repairs less a deductible of 5% of the total insured value at the time and place of loss, subject to a $250,000 minimum. The insurer will pay up to the limits set forth in the policy.

Note 13 – Transactions with Other County Departments

The County allocates certain support department costs which include administration, legal, fiscal, internal audit, purchasing, personnel, and communication costs to other County departments. The Port's Seaport Engineering and Facilities Maintenance Division is also required to obtain licenses and permits from other County departments for its construction projects. Certain funds are also charged for the cost of the services provided by the Fleet Services and Print Shop funds. Costs of approximately $8,483,000 and $7,619,000 for these services were allocated to the Port during the fiscal years ended September 30, 2018 and 2017, respectively.

The Port contracts directly with the Broward Sheriff's Office for law enforcement services at Port Everglades. The cost of these services from the Sheriff's Office was approximately $16,595,000 and $16,134,000 for the fiscal years ended September 30, 2018 and 2017, respectively. The Port utilizes the services of 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 $9,846,000 and $9,471,000 for the fiscal years ended September 30, 2018 and 2017, respectively.

The Port reimburses the Broward County Aviation Department for allocated maintenance costs for the landscaping of US1 at Fort Lauderdale-Hollywood International Airport. The cost of these services from the Aviation Department was approximately $25,000 and $21,000 for the fiscal years ended September 30, 2018 and 2017, respectively.

At September 30, 2018 and 2017, approximately $387,000 and $361,000, respectively, was due to other County funds for services provided.

Note 14 - Commitments and Contingencies

Environmental Hazards: 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 and clean-up of historical petroleum contamination on common areas owned by the Port, including pipeline rights-of-way, 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

Note 14 - Commitments and Contingencies (Continued)

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.

Other: 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, 2018 and 2017, the Port had various uncompleted construction projects in process, with commitments totaling approximately $268,282,000 and $37,610,000, respectively. The retainage payable on these contracts totaled approximately $8,077,000 and $2,509,000, respectively. Funding of these projects is to be made through a combination of internally-generated funds and grant proceeds.

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Required Supplementary Information

Schedule of Changes in the Port's Total Other Post Employment Benefits Liability and Related Ratios

Schedule of the Proportionate Share of the Net Pension Liability - Florida Retirement System Pension Plan

Schedule of Contributions - Florida Retirement System Pension Plan

Schedule of the Proportionate Share of the Net Pension Liability - Florida Retirement System Health Insurance Subsidy Plan

Schedule of Contributions - Florida Retirement System Health Insurance Subsidy Plan

Notes to Required Supplementary Information

Schedule of Changes in the Port's Total Other Postemployment Benefits Liability and Related Ratios
Last Ten Fiscal Years*
(Dollars in Thousands)

Total OPEB Liability	2018
Service cost	$ 41
Interest	32
Differences between expected and actual experience	28
Changes of assumptions and other inputs	(12)
Benefit payments	(44)
Net change in total OPEB liability	45
Total OPEB liability - beginning	854
Total OPEB liability - ending	$ 899
Covered-employee payroll	$ 11,443
Total OPEB liability as a percentage of covered-employee payroll	7.86%

The amounts presented for each fiscal year were determined as of September 30th.

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Schedule of the Proportionate Share of the Net Pension Liability
Florida Retirement System Pension Plan
Last Ten Fiscal Years*
(Dollars in Thousands)

	2018	2017	2016	2015	2014
Port's proportion of the net pension liability (asset)	0.03601%	0.03869%	0.03811%	0.03965%	0.03995%
Port's proportionate share of the net pension liability (asset)	$ 12,059	$ 11,447	$ 9,623	$ 5,121	$ 2,438
Port's covered payroll	$ 12,537	$ 13,178	$ 13,254	$ 11,672	$ 12,894
Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	96.18%	86.86%	72.61%	43.87%	18.91%
Plan fiduciary net position as a percentage of the total pension liability	84.26%	83.89%	84.88%	92.00%	96.00%

The amounts presented for each fiscal year were determined as of June 30th.

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Schedule of Contributions
Florida Retirement System Pension Plan
Last Ten Fiscal Years*
(Dollars in Thousands)

	2018	2017	2016	2015	2014
Contractually required contribution	$ 946	$ 930	$ 861	$ 881	$ 867
Contributions in relation to the contractually required contribution	$ (946)	$ (930)	$ (861)	$ (881)	$ (867)
Contribution deficiency (excess)	-	-	-	-	-
Port's covered payroll	$ 12,625	$ 13,357	$ 13,457	$ 13,035	$ 13,164
Contributions as a percentage of covered payroll	7.50%	6.96%	6.40%	6.76%	6.59%

The amounts presented for each fiscal year were determined as of September 30th.

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Schedule of the Proportionate Share of the Net Pension Liability
Florida Retirement System Health Insurance Subsidy Plan
Last Ten Fiscal Years*
(Dollars in Thousands)

	2018	2017	2016	2015	2014
Port's proportion of the net pension liability (asset)	0.04799%	0.05152%	0.05030%	0.04939%	0.04959%
Port's proportionate share of the net pension liability (asset)	$ 5,668	$ 5,509	$ 5,862	$ 5,037	$ 4,637
Port's covered payroll	$ 12,537	$ 13,178	$ 13,254	$ 11,672	$ 12,894
Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	45.21%	41.81%	44.23%	43.15%	35.96%
Plan fiduciary net position as a percentage of the total pension liability	2.15%	1.64%	0.97%	0.50%	0.99%

The amounts presented for each fiscal year were determined as of June 30th.

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Schedule of Contributions
Florida Retirement System Health Insurance Subsidy Plan
Last Ten Fiscal Years*
(Dollars in Thousands)

	2018	2017	2016	2015	2014
Contractually required contribution	$ 210	$ 222	$ 223	$ 164	$ 158
Contributions in relation to the contractually required contribution	$ (210)	$ (222)	$ (223)	$ (164)	$ (158)
Contribution deficiency (excess)	-	-	-	-	-
Port's covered payroll	$ 12,625	$ 13,357	$ 13,457	$ 13,035	$ 13,164
Contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.26%	1.20%

The amounts presented for each fiscal year were determined as of September 30th.

* This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule in future fiscal years until 10 years of information is available.

Note 1 - OPEB Information

The Port did not have plan assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. For the measurement date of September 30, 2018, the actuarial valuation used a discount rate of 4.15% as of September 30, 2018. The discount rate will be updated annually to reflect market conditions as of the measurement date.

Note 2 - Pension Information

The discount rate used to measure the total pension liability at June 30, 2018 was decreased to 7.00% from 7.10%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 7.00% rate of return assumption used in the June 30, 2018 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standards of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Plan.

Supplementary Financial Information

Schedule of Revenues, Expenses, and Debt Service Coverage
For the Fiscal Years Ended September 30, 2018 and 2017
(Dollars in Thousands)

	2018	2017
Operating revenues		
Vessel, cargo, and passenger services	$ 141,020	$ 134,645
Leasing of facilities	16,049	16,285
Vehicle parking	8,603	8,426
Other	2,324	2,377
Total operating revenues	167,996	161,733
Eligible non-operating revenues		
Interest income	2,540	1,623
Less O&M reserve interest	-	(82)
Less 2008 sinking fund interest	(15)	(5)
Less 2008 debt service reserve interest	(40)	(13)
Loss on disposals of capital assets	(793)	(161)
Refund of prior year's expenditures	361	1
Total eligible non-operating revenues	2,053	1,363
Total eligible revenues	170,049	163,096
Operating expenses before depreciation	(103,970)	(88,572)
Eligible non-operating expenses		
Other debt service costs	(322)	(324)
Capital Asset Donation	-	(991)
Payment in lieu of taxes	(638)	(552)
Total eligible non-operating expenses	(960)	(1,867)
Total eligible expenses	(104,930)	(90,439)
Net income available for debt service	$ 65,119	$ 72,657
Debt service requirements - senior lien bonds	$ 19,320	$ 19,225
Actual coverage	3.37	3.78
Required coverage	1.25	1.25
Composite debt service requirements -- senior and subordinate bonds	$ 22,547	$ 22,539
Actual coverage	2.89	3.22
Required coverage	1.10	1.10

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Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To the Honorable Board of County Commissioners
Broward County Port Everglades Department
Broward County, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Broward County Port Everglades Department (the Port), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated March 29, 2019. Our report included an emphasis of matter paragraph for the adoption of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective October 1, 2017.

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.

RSM US LLP

Fort Lauderdale, Florida
March 29, 2019

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