



**Port Canaveral**

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**CANAVERAL PORT AUTHORITY**

**FINANCIAL STATEMENTS**

**YEARS ENDED**

**SEPTEMBER 30, 2009 AND 2008**

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# CANAVERAL PORT AUTHORITY

Years Ended September 30, 2009 and 2008

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# CANAVERAL PORT AUTHORITY

Public Officials

At September 30, 2009

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Tom Goodson  
Chairman

Ralph J. Kennedy (\*)  
Vice Chairman

Malcolm "Mac" McLouth  
Secretary-Treasurer

Raymond P. Sharkey  
Commissioner

Joe D. Matheny  
Commissioner

J. Stanley Payne  
Chief Executive Officer

Harold Bistline  
Port Attorney

Jon O. Brazee, P.E.  
Chief Engineer/Deputy Executive Director

Robert Giangrisostomi  
Business Development/Deputy Executive Director

Margaret T. Starkey (\*\*)  
Chief Financial Officer/Deputy Executive Director

(\*) Resigned effective October 30, 2009.

(\*\*) Resigned effective February 5, 2010.

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Hoyman Dobson



## Independent Auditors' Report

The Board of Commissioners  
Canaveral Port Authority

We have audited the accompanying basic financial statements of the Canaveral Port Authority as of and for the years ended September 30, 2009 and 2008, as listed in the table of contents. These financial statements are the responsibility of the Canaveral Port Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Canaveral Port Authority as of September 30, 2009 and 2008, and the changes in its financial position, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 15, 2010, on our consideration of the Canaveral Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The management's discussion and analysis on pages ix through xv is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted

### Certified Public Accountants

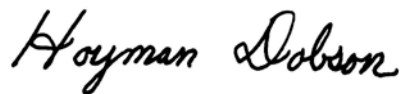
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4767 New Broad Street | Orlando, FL 32814 | p: (407) 422.1681 | f: (407) 514.2604  
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principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Canaveral Port Authority's basic financial statements. The financial information listed as supplementary information on pages 35 through 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information related to the 2009, 2008, 2007, 2006, and 2005 financial statements has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The accompanying schedule of expenditures of state financial assistance on page 55 is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements of the Canaveral Port Authority. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.



**Hoyman Dobson**  
Melbourne, Florida  
February 15, 2010

## Management's Discussion and Analysis

As management of the Canaveral Port Authority, we offer readers of the Canaveral Port Authority's financial statements this narrative overview and analysis of the financial activities of the Canaveral Port Authority for the fiscal years ended September 30, 2009 and 2008. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

### Financial Highlights

- The assets of the Canaveral Port Authority exceeded its liabilities at the close of the most recent fiscal year by \$203,223 (*net assets*). Of this amount, \$ 29,292 (*unrestricted net assets*) may be used to meet the Authority's ongoing obligations to creditors.
- The Authority's total net assets increased by \$8,196. This increase consists of \$924 of income before capital contributions, and \$7,272 of capital contributions.
- At the end of the current fiscal year, unrestricted net assets were 67 percent of total expenses.

### Overview of the Financial Statements

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

The basic financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net assets, a statement of revenues, expenses, and changes in net assets, and a statement of cash flows.

The statement of net assets presents information on all of the Canaveral Port Authority's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Canaveral Port Authority is improving or deteriorating.

The statement of revenues, expenses, and changes in fund net assets presents information showing how the Authority's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The statement of cash flows presents changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The basic enterprise fund financial statements can be found on pages 2-6 of this report.

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 7-33 of this report.

In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. This supplementary information can be found on pages 35-55 of this report.

## Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of an entity's financial position. Assets exceeded liabilities as of September 30, 2009 and 2008 by \$203,223 and \$195,027, respectively.

The following table reflects the condensed statement of net assets:

### Canaveral Port Authority's Net Assets (in thousands)

	2009	2008	2007
Current and other assets	\$ 70,438	\$ 77,546 *	\$ 44,021 *
Capital assets	226,060	212,735 *	215,694 *
Total assets	<u>296,498</u>	<u>290,281</u>	<u>259,715</u>
Current liabilities	11,269	9,803	9,775
Noncurrent liabilities	82,006	85,451	57,899
Total liabilities	<u>93,275</u>	<u>95,254</u>	<u>67,674</u>
Net assets:			
Invested in capital assets, net of related debt	167,915	156,102 **	155,572 **
Restricted	6,016	6,016	6,016
Unrestricted	29,292	32,909 **	30,453 **
Total net assets	<u>\$ 203,223</u>	<u>\$ 195,027</u>	<u>\$ 192,041</u>

(\*) The 2008 and 2007 current and other assets have been reclassified to conform to the current year presentation, and now excludes intangible assets as they are now classified as capital assets.

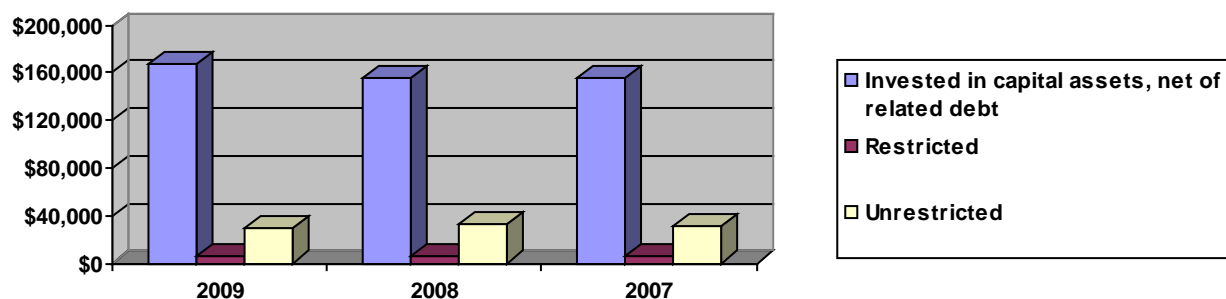
(\*\*) The 2008 and 2007 invested in capital assets and unrestricted have been reclassified to conform to the current year presentation. Unamortized bond issuance costs are now included in invested in capital assets, net of related debt.

By far the largest portion of the Canaveral Port Authority's net assets as of September 30, 2009 and 2008 (82.63 percent and 80.04 percent, respectively) reflects its investment in capital assets (e.g., land, buildings, improvements, equipment, intangibles, and construction in progress); less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the Canaveral Port Authority's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the Canaveral Port Authority's net assets as of September 30, 2009 and 2008 (2.96 percent and 3.08 percent, respectively) represents the reserve for maximum debt service restricted in accordance with existing bond covenants. The remaining balance of unrestricted net assets may be used to meet the Authority's ongoing obligations to creditors. At the end of the current fiscal year, the Canaveral Port Authority unrestricted net assets were reduced by \$3,617. In the prior year, \$2,456 was added.

The Authority's total net assets increased by \$8,196 during the current fiscal year. Of this amount, \$924 represents net income before capital contributions. The remaining \$7,272 represents capital contributions from federal and state sources. There is no assurance that these capital contributions from other sources will continue in the future.

### Net Assets



The following table shows condensed revenue and expense data:

### Canaveral Port Authority's Changes in Net Assets (in thousands)

	2009	2008	2007
Operating revenues:			
Fees and charges for services	\$ 43,722	\$ 46,107	\$ 47,572
Non-operating revenues:			
Investment earnings	410	650 *	1,961
Other	272	422	62
Total non-operating revenues	682	1,072	2,023
Total revenues	44,404	47,179	49,595
Operating expenses:			
Operations, maintenance and security	16,113	17,371	15,869
Executive, finance and administration	5,108	5,402	5,585
Engineering and environmental	1,660	2,352	1,362
Other	3,690	3,384	2,979
Depreciation and amortization	13,962	13,513	9,910
Total operating expenses	40,533	42,022	35,705
Non-operating expenses			
Interest	2,344	2,460	2,510
Other	603	991	548
Total non-operating expenses	2,947	3,451	3,058
Total expenses	43,480	45,473 *	38,763
Income before contributions	924	1,706	10,832
Capital contributions	7,272	1,280	1,609
Change in net assets	8,196	2,986	12,441
Net assets – beginning	195,027	192,041	179,600
Net assets – ending	\$ 203,223	\$ 195,027	\$ 192,041

\* The 2008 investment earnings and total expenses have been reclassified to conform to current year presentation.

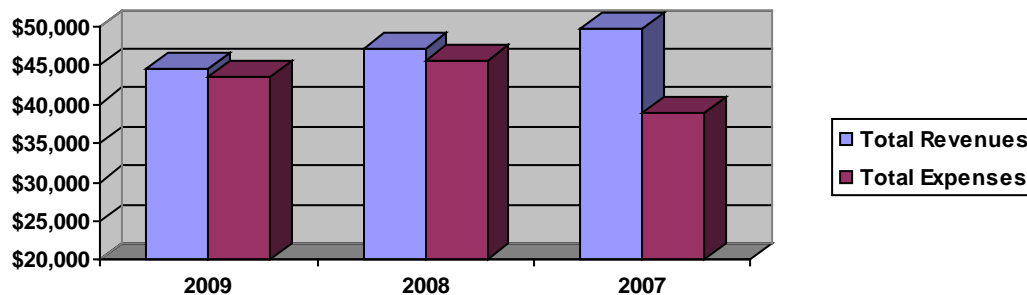
Key elements of the increase in net assets for the fiscal year ended September 30, 2009 are as follows.

- Fees and charges for services decreased by 5.17 percent. This is due primarily to the decrease in cruise revenue from the loss of a gaming vessel, the redeployment of the Mariner of the Seas and the Sensation being in dry dock during the fiscal year. However the arrival of the Freedom of the Seas dramatically offset the decrease in cruise revenues and promises to enhance future revenues.
- Other nonoperating revenues decreased \$390. The Authority received operating grants in the amount of \$272; \$143 from State sources, and \$129 from Federal sources, a decrease from the prior year by \$112. Investment earnings decreased \$240 due to lower balances in interest bearing accounts from investments in capital projects and dramatic declining market conditions.
- Capital contributions increased during the current fiscal year by \$5,992, due primarily to FDOT funding. It continues to be a revenue source for the Authority, contributing \$7,272 to the change in net assets.

Key elements of the increase in net assets for the fiscal year ended September 30, 2008 are as follows.

- Fees and charges for services decreased by 3.08 percent. This is due primarily to the decrease in cargo activity during the fiscal year.
- Other nonoperating revenues increased as a result of the Authority receiving operating grants in the amount of \$384; \$61 from state sources, and \$323 from FEMA for tropical storm damage reimbursement.
- Investment earnings decreased \$1,311 due to dramatic market conditions, despite the increase in cash and cash equivalents.
- Capital contributions decreased during the current fiscal year by \$329, but continued to be a revenue source for the Authority, contributing \$1,280 to the change in net assets.

### Total Revenues and Expenses



## Capital Asset and Debt Administration

**Capital assets.** The Canaveral Port Authority's capital assets as of September 30, 2009 and 2008 amount to \$226,060 and \$ 212,735, respectively, (net of accumulated depreciation). These balances include land, buildings, improvements, equipment, intangibles, and construction in progress. The total increase in the Canaveral Port Authority's capital assets for the current fiscal year was 6.26 percent. The decrease for fiscal year 2008 was 1.37 percent.

Major capital asset events during the current fiscal year include the following:

- Construction began or continued on several projects for the Authority, including, Improvements to both land and waterside for Cruise Terminal #8 and construction of a parking garage at Cruise Terminal 8, Cruise Terminal parking upgrades and George King Boulevard Upgrades. The cumulative total increase to Construction in Progress was \$27.3 million.
- Several major projects included in Construction in Progress were completed in 2009 including:
  - West Turning Basin Corner Cutoff at a cost of \$8,410
  - Improvements to Cruise Terminal 10 for waterside, paving and baggage screening at a cost of \$2,393
  - Cove/Marina Stormwater improvements at a cost of \$4,247
  - North Cargo Pier Improvements at a cost of \$355
  - Portwide signage at a cost of \$432
  - Cruise Terminal 5 improvements at a cost of \$297
  - CCTV upgrades at a cost of \$294
- Additions for the year ended September 30, 2009 were offset by depreciation expense of \$12,734 and amortization expense of \$1,228.

Major capital asset events for the fiscal year ended September 30, 2008 were as follows:

- Construction began or continued on several projects for the Authority, including, Improvements to both land and waterside for Cruise Terminal #8 and Cruise Terminal #10, Cruise Terminal #10 X-Ray Area Upgrades, Cruise Terminal #5 Upgrades, and Cove/Marina Stormwater Improvements. The cumulative total increase to Construction in Progress was \$11.9 million.
- Several major projects included in Construction in Progress were completed in 2008 including:
  - Maintenance Dredging and South Jetty Deposition Basin at cost of \$5,413
  - New Computer System/Software at a cost of \$1,011
  - South Piers Rebuild, widen and repair at a cost of \$12,477
  - North Cargo Pier Repair at a cost of \$6,743
  - South Cargo Pier Bulkhead Wall Replacement at a cost of \$3,313
  - Cruise Terminal Generators for CT 5, 8 & 10 at a cost of \$1,439
  - Cove/Marina Road and Utilities at a cost of \$1,158
  - North Cargo Staging Area at a cost of \$1,806
- Additions for the year ended September 30, 2008 were offset by depreciation expense of \$12,437 and amortization expense of \$1,076.

**Canaveral Port Authority's Capital Assets  
(net of depreciation)  
(in thousands)**

	2009	2008	2007
Land	\$ 4,603	\$ 4,603	\$ 4,603
Buildings	14,015	15,025	15,285
Improvements other than buildings	173,263	166,919	148,065
Equipment	7,283	7,826	8,062
Equipment under capital leases	80	110	140
Intangibles	4,389	5,616 *	268 *
Construction in progress	22,427	12,636	39,271
Total	<u>\$ 226,060</u>	<u>\$ 212,735</u>	<u>\$ 215,694</u>

\* The 2008 and 2007 intangible assets have been reclassified to conform to the current year presentation

Additional information on the Canaveral Port Authority's capital assets can be found in note 3.C. on pages 15-17 of this report.

**Long-term debt.** At September 30, 2009 and 2008, the Canaveral Port Authority had total bonded debt outstanding of \$83,359 and \$87,733, respectively, net of unamortized deferred amounts. The Canaveral Port Authority's debt represents bonds secured solely by operating revenues (i.e., revenue bonds).

**CANAVERAL PORT AUTHORITY'S Outstanding Debt  
Revenue Bonds  
(in thousands)**

	2009	2008	2007
Revenue Refunding Bonds, Series 1996B	\$ 710	\$ 710	\$ 710
Revenue Refunding Bonds, Series 2002A	10,765	14,135	17,410
Revenue Bonds, Series 2002B	8,650	8,650	8,650
Revenue Refunding Bonds, Series 2005	15,870	16,005	16,135
Revenue Refunding Bonds, Series 2006A	16,390	16,565	16,735
Revenue Bonds, Series 2006B	1,330	1,330	1,330
Revenue Bonds, Series 2008	31,095	32,000	-
Less deferred amounts for discounts	(170)	(191)	(212)
Plus deferred amounts for premiums	376	428	483
Less deferred loss on refunding	(1,657)	(1,899)	(2,141)
Total revenue bonds	<u>\$ 83,359</u>	<u>\$ 87,733</u>	<u>\$ 59,100</u>

The Canaveral Port Authority's total revenue bonds decreased by \$4,374 (4.99 percent) during the current fiscal year and increased by \$28,633 (48.45 percent) during the prior year. The key factor for the increase during the prior fiscal year was the issuance of the Series 2008 Revenue Bonds in the amount of \$32,000, and the current year fiscal decrease was a result of normal payment reductions. The outstanding revenue bonds of the Canaveral Port Authority, except the Series 2008 Revenue Bonds are insured by Financial Guarantee

Insurance Company (FGIC), which is currently not rated by the three national rating agencies. The underlying rating assigned by all three national rating agencies are in the "A" category.

Additional information on the Canaveral Port Authority's long-term debt can be found in note 3.F. on pages 19-25 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- Charges for services are budgeted to increase 11.51 percent for fiscal year ending September 30, 2010, while operating expenses are budgeted to increase 8.74 percent, due to a number of factors including a \$1,082 increase in budgeted depreciation expense and amortization costs, a \$1,432 increase in public safety for the new police department, and a projected \$972 increase in operation costs.
- The Authority has budgeted \$8.2 million for security costs for the 2010 budget year.
- Income before capital contributions, for the fiscal year ending September 30, 2010 is budgeted at \$3,980. This represents a 330.92 percent increase over the current year.

### **Requests for Information**

This financial report is designed to provide a general overview of the Canaveral Port Authority's finances for all those with an interest in the Authority's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, Canaveral Port Authority, P.O. Box 267, Cape Canaveral, Florida, 32920.

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**BASIC FINANCIAL STATEMENTS**

# CANAVERAL PORT AUTHORITY

## Statements of Net Assets

September 30, 2009 and 2008

### ASSETS

	<u>2009</u>	<u>2008</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 24,544,390	\$ 28,797,548
Restricted cash and cash equivalents	28,047,090	34,015,281
Investments	2,930,677	860,772
Restricted investments	-	276,628
Accounts receivable - trade	2,326,137	2,723,671
Prepaid expenses	1,676,577	1,660,220
Due from other governmental units	2,187,919	892,855
Other receivables, current	454,210	587,686
Total current assets	<u>62,167,000</u>	<u>69,814,661</u>
<b>Noncurrent assets</b>		
Restricted cash and cash equivalents	6,016,423	6,016,423
Unamortized bond issuance costs	902,363	1,037,180
Other receivables, long-term	1,351,951	677,811
Capital assets (net of accumulated depreciation or amortization):		
Land	4,602,954	4,602,954
Buildings	14,014,719	15,024,889
Improvements other than buildings	173,262,811	166,918,509
Equipment	7,283,129	7,826,154
Equipment held under capital lease	79,988	109,983
Intangible assets	4,388,698	5,616,441
Construction in progress	22,427,364	12,635,874
Total noncurrent assets	<u>234,330,400</u>	<u>220,466,218</u>
<b>Total assets</b>	<u>\$ 296,497,400</u>	<u>\$ 290,280,879</u>

The accompanying notes are an integral part of these financial statements.

**LIABILITIES**

	<u>2009</u>	<u>2008</u>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 4,465,151	\$ 3,032,363
Unearned revenue	570,740	485,725
Payroll and sales taxes payable	91,723	88,190
Revenue bonds payable, current portion	3,346,666	3,358,334
Note payable, current portion	85,694	80,716
Compensated absences, current portion	4,414	1,861
Other liabilities, current portion	209,000	372,867
Payable from restricted assets:		
Accrued interest payable	1,231,804	1,156,511
Revenue bonds payable, current portion	1,263,334	1,226,666
Total current liabilities	<u>11,268,526</u>	<u>9,803,233</u>
<b>Noncurrent liabilities</b>		
Revenue bonds payable, less current portion	78,748,532	83,148,284
Note payable, less current portion	745,328	831,023
Compensated absences, less current portion	614,438	567,477
Net OPEB liability (Note 3.L.)	95,000	-
Other liabilities, long-term portion	1,802,601	903,750
Total noncurrent liabilities	<u>82,005,899</u>	<u>85,450,534</u>
<b>Total liabilities</b>	<u>93,274,425</u>	<u>95,253,767</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	167,914,606	156,102,044
Restricted for debt service	6,016,423	6,016,423
Unrestricted	29,291,946	32,908,645
<b>Total net assets</b>	<u>203,222,975</u>	<u>195,027,112</u>
<b>Total liabilities and net assets</b>	<u>\$ 296,497,400</u>	<u>\$ 290,280,879</u>

# CANAVERAL PORT AUTHORITY

## Statements of Revenues, Expenses and Changes in Net Assets

Years Ended September 30, 2009 and 2008

	2009	2008
<b>Operating revenues</b>		
Fees and charges for services	\$ 43,721,867	\$ 46,106,932
<b>Operating expenses</b>		
Operations	9,333,672	10,148,744
Public safety	6,779,382	7,221,901
Parks and recreation	1,226,187	1,177,051
Fire training facility	174,658	189,165
Executive	1,254,653	1,261,528
Finance and accounting	910,855	846,443
Administrative services	2,942,404	3,293,793
Engineering and environmental	1,659,732	2,352,466
Business development	805,548	934,804
Communications	582,543	592,642
Tenant development	344,705	489,910
Depreciation	12,733,871	12,436,688
Amortization	1,227,743	1,076,006
Bad debt expense	557,433	1,213
Total operating expenses	<u>40,533,386</u>	<u>42,022,354</u>
<b>Operating income</b>	<u>3,188,481</u>	<u>4,084,578</u>
<b>Non-operating revenues</b>		
Investment earnings	410,363	650,194
Grant revenue	271,809	384,047
Gain on equipment disposals	42	38,554
Total non-operating revenues	<u>682,214</u>	<u>1,072,795</u>
<b>Non-operating expenses</b>		
Interest expense	2,344,471	2,460,073
Amortization of bond costs and discounts	398,129	430,855
Loss on equipment disposals	21,888	4,559
Commissions and fees	1,000	1,500
Federal grant expense	127,580	-
Grant administration fee	54,000	37,000
Casualty loss - natural disaster (Note 3.M.)	-	517,137
Total non-operating expenses	<u>2,947,068</u>	<u>3,451,124</u>
Income before capital contributions	923,627	1,706,249
Capital contributions	<u>7,272,236</u>	<u>1,279,271</u>
<b>Change in net assets</b>	8,195,863	2,985,520
<b>Net assets, beginning of year</b>	<u>195,027,112</u>	<u>192,041,592</u>
<b>Net assets, end of year</b>	<u>\$ 203,222,975</u>	<u>\$ 195,027,112</u>

The accompanying notes are an integral part of these financial statements.

# CANAVERAL PORT AUTHORITY

## Statements of Cash Flows

Years Ended September 30, 2009 and 2008

	2009	2008
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 43,663,752	\$ 47,752,878
Cash paid to suppliers for goods and services	(15,513,918)	(18,182,449)
Cash payments to employees for services	(9,370,241)	(10,192,157)
Net cash provided by operating activities	18,779,593	19,378,272
<b>Cash flows from non-capital financing activities:</b>		
Grant revenue	304,375	41,534
Net cash provided by non-capital financing activities	304,375	41,534
<b>Cash flows from capital and related financing activities:</b>		
Interest paid on revenue bonds	(2,269,178)	(2,115,946)
Principal payments on revenue bonds	(4,585,000)	(3,575,000)
Revenue bond proceeds, net of related costs	-	31,903,441
Acquisition and construction of capital assets	(26,878,092)	(12,520,227)
Contributed capital	5,944,606	1,522,033
Principal payments on note payable	(80,717)	(76,027)
Principal payments on capital lease	-	(35,649)
Proceeds from the sale of assets	42	38,554
Payment of commissions and fees	(1,000)	(1,500)
Net cash provided by (used in) capital and related financing activities	(27,869,339)	15,139,679
<b>Cash flows from investing activities:</b>		
Interest received on investments	563,594	901,822
Purchase of investments	(2,250,000)	-
Sale of investments	250,428	-
Reclassification of SBA Fund B from cash equivalent to investment	-	(1,443,993)
Net cash used in investing activities	(1,435,978)	(542,171)
<b>Net increase (decrease) in cash and cash equivalents</b>	(10,221,349)	34,017,314
<b>Cash and cash equivalents, beginning of year</b>	68,829,252	34,811,938
<b>Cash and cash equivalents, end of year</b>	\$ 58,607,903	\$ 68,829,252

The accompanying notes are an integral part of these financial statements.

# CANAVERAL PORT AUTHORITY

Statements of Cash Flows (continued)

Years Ended September 30, 2009 and 2008

**Reconciliation of operating income to net cash provided by operating activities:**

<b>Operating income</b>	<u>\$ 3,188,481</u>	<u>\$ 4,084,578</u>
<b>Adjustment to reconcile operating income to net cash provided by operating activities</b>		
Depreciation expense	12,733,871	12,436,688
Amortization of other assets	1,227,743	1,076,006
Bad debt expense	557,433	1,213
Write-off of construction projects	-	1,344,211
Grant administration	(54,000)	(37,000)
Federal grant expense	(127,580)	-
Casualty loss	-	(517,137)
(Increase) decrease in assets:		
Accounts receivable	(159,899)	1,689,301
Other receivables, current	(540,664)	(92,722)
Prepaid expenses	(16,357)	60,216
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	1,002,519	(704,301)
Unearned revenue	85,015	48,154
Compensated absences	49,514	75,609
Post employment benefit obligations	95,000	-
Other liabilities, current	734,984	(100,668)
Payroll and sales tax payable	3,533	14,124
Total adjustments	<u>15,591,112</u>	<u>15,293,694</u>
<b>Net cash provided by operating activities</b>	<u><u>\$ 18,779,593</u></u>	<u><u>\$ 19,378,272</u></u>

**Supplemental schedule of non-cash investing, capital and financing activities:**

During 2009 and 2008, the Authority reallocated the amounts related to environmental remediation between current and long term.

Increase in other receivables, current	\$ (174,560)	\$ (291,436)
Decrease in other receivables, long term	174,560	291,436
Increase in other liabilities, current	232,747	388,580
Decrease in other liabilities, long term	(232,747)	(388,580)
Net non-cash effect	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

During 2009 and 2008, the Authority recorded an unrealized loss on investments of \$280,862 and \$306,953, respectively.

The accompanying notes are an integral part of these financial statements.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

The Canaveral Port Authority (Authority) is the governing body of the Canaveral Harbor Port Authority, an independent special taxing Authority established in 1953 by Chapter 28922, Laws of Florida, Special Acts of 1953, as amended.

### B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The Authority uses the proprietary fund basis for the presentation of its financial statements. Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are fees and charges for cruise ships, cargo ships and land leases. Operating expenses include costs to operate and maintain facilities of the Authority, administrative expenses and depreciation and amortization expenses related to long-lived assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

The Canaveral Port Authority operates as an enterprise fund that accounts for the construction, operation and maintenance of the Authority. An enterprise fund is a type of proprietary fund that provides services to the general public. This fund is used to account for the acquisition, operation and maintenance of governmental facilities and services which are entirely or predominantly self-supported by user charges. The operations of the Authority are accounted for in such a manner as to show a profit or loss similar to comparable private enterprises.

The Authority is applying all applicable GASB pronouncements and only FASB Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins issued on or before November 30, 1989, unless they conflict with or contradict GASB pronouncements.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.

### C. ASSETS, LIABILITIES AND NET ASSETS

#### 1. Cash and Cash Equivalents

State statutes authorize the government to invest in the Local Government Surplus Funds Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, SEC registered money market funds with the highest credit quality rating, interest-bearing time deposits or savings accounts in qualified public depositories, and direct obligations of the U. S. Treasury.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **C. ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)**

#### **1. Cash and Cash Equivalents (Continued)**

The Canaveral Port Authority invests certain surplus funds in an external investment pool, the Local Government Surplus Funds Trust Fund (the “State Pool”). The State Pool is administered by the Florida State Board of Administration (“SBA”), who provides regulatory oversight. During the year ended September 30, 2008, the SBA reported that the State Pool was exposed to potential risks due to indirect exposure in the sub-prime mortgage financial market. Consequently, the SBA placed some restriction on how participants could access portions of their surplus funds and ultimately restructured the State Pool into two separate pools (“Florida PRIME” (formally LPIG) and “Fund B”).

The Florida PRIME has adopted operating procedures consistent with the requirements for a 2a7-like fund. The Canaveral Port Authority’s investment in the Florida PRIME is reported at amortized cost. The fair value of the Authority’s position in the pool is equal to the value of pooled shares.

The Fund B is reported at fair value, determined by the fair value per share of the pool’s underlying portfolio.

In January of 2008, the Authority made a decision to no longer invest new monies in the SBA. The remaining balances currently invested will be withdrawn as soon as legally allowed.

The Authority pools the investments of its governmental funds. Investment earnings of the pool are allocated to the participating funds at the end of each month based on the ratio of each participant funds’ investment to the total pooled investment.

Cash and cash equivalents include cash deposits, short-term investments with original maturities of three months or less from the date of acquisition, and investments held in the Florida PRIME.

#### **2. Accounts and Other Receivables**

The Authority considers accounts and other receivables to be fully collectible; accordingly, no allowance for doubtful accounts is required.

#### **3. Capital Assets**

Capital assets are defined by the Authority as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at cost, if purchased and at fair market value at date of gift, if donated. Major additions are capitalized while maintenance and repairs, which do not improve or extend the life of the respective assets, are charged to expense. Contributions received in aid of construction are credited to capital contributions and do not reduce the cost of the assets acquired with such contributions.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### C. ASSETS, LIABILITIES AND NET ASSETS (CONTINUED)

#### 3. Capital Assets (Continued)

Depreciation is recognized on the straight-line method over the estimated useful lives of the assets. The following estimated useful lives are used for depreciation purposes:

<u>Classification</u>	<u>Range of Lives</u>
Buildings	30 years
Improvements Other Than Buildings	5-30 years
Equipment	3-20 years

#### 4. Restricted Assets

Debt proceeds and funds set aside for payment of revenue bonds and construction projects are classified as restricted assets on the statement of net assets because their use is limited by applicable debt covenants.

#### 5. Compensated Absences

All permanent employees of the Authority are eligible for annual leave. Each employee working a normal week earns vacation leave at certain rates depending on the employee's length of service. All annual leave is accrued when earned in the statement of net assets. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay such amounts upon termination.

#### 6. Net Assets – Restrictions

The Authority's statement of net assets reports a restriction on net assets that are maintained for a specific purpose. The nature and purpose of this restriction is:

- Restricted for Debt Service – represents, in accordance with legal restrictions, amounts for payment of principal and interest maturing in later years.

### D. REVENUES AND EXPENSES

#### 1. Grants

Grant revenue that can be used for operating purposes is recognized when earned by the Authority. Grants restricted for capital acquisition and construction are recorded as capital contributions when earned. Grant receivable is recorded when the Authority has a right to reimbursement under the related grant.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### D. REVENUES AND EXPENSES (CONTINUED)

#### 2. Amortization

The Authority recognizes amortization as follows:

<u>Category</u>	<u>Period</u>	<u>Method</u>
Deferred expenses	3-30 years	straight-line
Spoil dike	30 years	straight-line
Beach restoration	5 years	straight-line
Software	10 years	straight-line
Trademarks	5 years	straight-line
Bond discounts & premiums	term of related issue	interest
Investment costs	life of investments	straight-line

#### 3. Capitalized Interest

The Authority's policy is to capitalize interest costs related to construction projects in accordance with generally accepted accounting principles. The net effect of interest expense and interest income generated from borrowings used for construction projects in progress are capitalized through the date the project is substantially complete and ready for its intended use.

## NOTE 2 – BUDGETARY INFORMATION

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

Budget control is maintained at the departmental level. Actions which change the annual budget must be authorized by the Board of Commissioners. Budget amounts have been adjusted for legally authorized revisions of the annual budgets approved during the year.

The Authority's schedule of revenues, expenses and income before capital contributions compared with the legally adopted budget is presented as supplementary information on pages 39 through 43.

The Authority has statutory authority to levy ad valorem taxes up to three (3) mills annually on all taxable property within the Authority's district boundaries for operation, maintenance and improvement of Authority facilities. **The Authority has not levied property taxes since 1986 and does not expect to do so in the foreseeable future.**

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 – DETAIL NOTES

### A. DEPOSITS AND INVESTMENTS

At September 30, 2009 and 2008, the carrying amount of the Authority's deposits with banks and savings and loans was \$3,665,554 and \$3,353,870, respectively, and the bank balance was \$5,407,114 and \$3,925,169. In addition, the Authority holds \$500 of petty cash at September 30, 2009 and 2008. Through December 31, 2009, the Authority's non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire balance in the account under the Transaction Account Guarantee Program (TAGP). Coverage under TAGP is in addition to and separate from the coverage available under the FDIC's general deposit insurance rules. Under the Temporary Liquidity Program (TLGP), the federal government temporarily increased the FDIC deposit insurance from \$100,000 to \$250,000 per depositor through December 31, 2013, at which time it will revert back to \$100,000. Monies invested in amounts greater than the insurance coverage are secured by the banks pledging securities with the State Treasurer in the multiple financial institutions collateral pool.

#### Credit risk

The Authority's investment policy addresses credit risk by restricting the types of investments in which it can invest, consistent with limitations defined in Florida Statutes, as described in Note 1.C.1.

#### Interest rate risk

The Authority's investment policy does not limit the maturities of investments to reduce the interest rate risk. However, in accordance with the Authority's investment policy, investments should be invested to match investment maturities with known cash needs and anticipated cash flow requirements.

#### Concentration of credit risk

The Authority's investment policy does not specifically address concentration of credit risk. However, the policy indicates that investments should be diversified to control the risk of loss resulting from over concentration of assets.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

## NOTE 3 – DETAIL NOTES (CONTINUED)

### A. DEPOSITS AND INVESTMENTS (CONTINUED)

At September 30, 2009, the Authority had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)			Rating	Agency
		Less than 1	1-5	6-10		
SBA (Florida PRIME)	\$ 58,054	\$ 58,054	\$ -	\$ -	AAAm	S&P
SBA Fund B	655,446	-	-	655,446	Not rated	-
US Treasuries	54,128,853	54,128,853	-	-	AAA	S&P
Certificates of Deposit	3,030,173	2,270,824	759,349	-	Not rated	-
	<u>\$ 57,872,526</u>	<u>\$ 56,457,731</u>	<u>\$ 759,349</u>	<u>\$ 655,446</u>		

### B. RESTRICTED ASSETS

Debt proceeds and funds set aside for payment of revenue bonds and construction projects are classified as restricted cash and cash equivalents and investments since their use is limited by applicable bond indentures.

	2009	2008
Series 1996-B, Series 2002-A and 2002-B, Series 2005, Series 2006-A and 2006-B, and Series 2008 Bond Debt Service and Reserve		
Daily Investment Pool	\$ 8,019,016	\$ 8,296,069
Construction Trust Account	26,044,497	32,012,263
Total	<u>\$ 34,063,513</u>	<u>\$ 40,308,332</u>

# CANAVERAL PORT AUTHORITY

## Notes to Financial Statements

September 30, 2009 and 2008

### NOTE 3 – DETAIL NOTES (CONTINUED)

#### C. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2009 and 2008 was as follows:

	2009			Balance September 30, 2009
	Balance October 1, 2008	Increases	Decreases	
Capital assets, not being depreciated/amortized:				
Land	\$ 4,602,954	\$ -	\$ -	\$ 4,602,954
Construction in progress	12,635,874	27,308,361	(17,516,871)	22,427,364
Total capital assets, not being depreciated/amortized	<u>17,238,828</u>	<u>27,308,361</u>	<u>(17,516,871)</u>	<u>27,030,318</u>
Capital assets, being depreciated/amortized:				
Buildings	23,218,311	683,716	-	23,902,027
Improvements other than buildings	274,752,704	15,942,325	(49,752)	290,645,277
Equipment	14,266,431	890,830	(171,483)	14,985,778
Equipment held under capital lease	299,953	-	-	299,953
Intangible assets	10,482,129 *	-	-	10,482,129
Total capital assets being depreciated/amortized	<u>323,019,528</u>	<u>17,516,871</u>	<u>(221,235)</u>	<u>340,315,164</u>
Less accumulated depreciation/amortization for:				
Buildings	(8,193,422)	(1,693,886)	-	(9,887,308)
Improvements other than buildings	(107,834,195)	(9,586,257)	37,986	(117,382,466)
Equipment	(6,440,277)	(1,423,733)	161,361	(7,702,649)
Equipment held under capital lease	(189,970)	(29,995)	-	(219,965)
Intangible assets	(4,865,688) *	(1,227,743)	-	(6,093,431)
Total accumulated depreciation/amortization	<u>(127,523,552)</u>	<u>(13,961,614)</u>	<u>199,347</u>	<u>(141,285,819)</u>
Total capital assets, being depreciated/amortized, net	<u>195,495,976</u>	<u>3,555,257</u>	<u>(21,888)</u>	<u>199,029,345</u>
Capital assets, net	<u>\$ 212,734,804</u>	<u>\$ 30,863,618</u>	<u>\$ (17,538,759)</u>	<u>\$ 226,059,663</u>

\* Capital asset balances have been reclassified to include intangible assets.

# CANAVERAL PORT AUTHORITY

## Notes to Financial Statements

September 30, 2009 and 2008

### NOTE 3 – DETAIL NOTES (CONTINUED)

#### C. CAPITAL ASSETS (CONTINUED)

	2008			Balance September 30, 2008
	Balance October 1, 2007	Increases	Decreases	
Capital assets, not being depreciated/amortized:				
Land	\$ 4,602,954	\$ -	\$ -	\$ 4,602,954
Construction in progress	39,270,685	11,901,462	(38,536,273)	12,635,874
Total capital assets, not being depreciated/amortized	<u>43,873,639</u>	<u>11,901,462</u>	<u>(38,536,273)</u>	<u>17,238,828</u>
Capital assets, being depreciated/amortized:				
Buildings	21,900,106	1,350,778	(32,573)	23,218,311
Improvements other than buildings	246,434,854	28,317,850	-	274,752,704
Equipment	13,868,151	1,099,299	(701,019)	14,266,431
Equipment held under capital lease	299,953	-	-	299,953
Intangible assets	4,057,994 *	6,424,135	-	10,482,129
Total capital assets being depreciated/amortized	<u>286,561,058</u>	<u>37,192,062</u>	<u>(733,592)</u>	<u>323,019,528</u>
Less accumulated depreciation/amortized for:				
Buildings	(6,615,072)	(1,610,923)	32,573	(8,193,422)
Improvements other than buildings	(98,369,569)	(9,464,626)	-	(107,834,195)
Equipment	(5,805,593)	(1,331,144)	696,460	(6,440,277)
Equipment held under capital lease	(159,975)	(29,995)	-	(189,970)
Intangible assets	(3,789,682) *	(1,076,006)	-	(4,865,688)
Total accumulated depreciation/amortization	<u>(114,739,891)</u>	<u>(13,512,694)</u>	<u>729,033</u>	<u>(127,523,552)</u>
Total capital assets, being depreciated/amortized, net	<u>171,821,167</u>	<u>23,679,368</u>	<u>(4,559)</u>	<u>195,495,976</u>
Capital assets, net	<u>\$ 215,694,806</u>	<u>\$ 35,580,830</u>	<u>\$ (38,540,832)</u>	<u>\$ 212,734,804</u>

\* Capital asset balances have been reclassified to include intangible assets.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 – DETAIL NOTES (CONTINUED)

### C. CAPITAL ASSETS (CONTINUED)

Intangible assets include deferred expenses, which consist of maintenance dredging; costs incurred in developing an inlet management plan; costs of constructing a spoil dike and an off-shore sand berm; and beach restoration projects. Intangible assets also consist of computer software and a trademark.

### D. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses are comprised of the following as of September 30:

	<u>2009</u>	<u>2008</u>
Accounts and contracts payable	\$ 3,103,334	\$ 1,802,469
Retainages payable	783,407	353,138
Hurricane damage liability	122,800	423,795
Accrued payroll	324,907	302,175
Accrued employee benefits	130,703	150,786
	<u>\$ 4,465,151</u>	<u>\$ 3,032,363</u>

### E. OTHER LIABILITIES

In 1995, the Authority discovered a toxic contaminated area east of the Authority's former office. During fiscal year 1996, the Authority assessed the degree of contamination at the site, removed contaminated materials and prepared a contamination assessment report. A liability for \$1,100,000 was recorded on the balance sheet at September 30, 1996. The pollution remediation obligation is an estimate and subject to changes resulting from price increases or reductions, technology, or changes in applicable laws or regulations.

During fiscal year 1996, the Authority reached an agreement, in writing, with the previous lessee of the contaminated site to indemnify the Authority for 75% of the future out-of-pocket costs incurred to monitor and clean-up the site. At September 30, 1996, the Authority accrued a receivable of \$1,299,561 for amounts due under this agreement.

During fiscal year 2000, the original liability had decreased to zero, but the soil decontamination was not complete. The Authority retained the services of a professional site assessment and remediation firm to determine an estimated cost to complete the clean-up. At September 30, 2000, the Authority accrued an additional liability of \$2,250,000 to complete the soil decontamination. A corresponding additional receivable of \$1,687,500 was accrued as the estimated receivable from the former lessee based on the agreement reached in 1996.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 – DETAIL NOTES (CONTINUED)

### E. OTHER LIABILITIES (CONTINUED)

During fiscal year 2006, the Authority determined, collaboratively with the assistance of a professional site assessment and remediation firm, the liability was insufficient to close the site, due to testing results indicating the contamination is not contained solely to property owned by the Authority. Accordingly, the Authority accrued an additional liability of \$700,000 to complete the soil decontamination. A corresponding additional receivable of \$525,000 was accrued as the estimated receivable from the former lessee based on the agreement reached in 1996.

During fiscal year 2008, the Authority determined, collaboratively with the assistance of a professional site assessment and remediation firm, the liability was insufficient to close the site, due to testing results indicating the requirement of additional monitoring. Accordingly, the Authority accrued an additional liability of approximately \$310,000 to complete the soil decontamination. A corresponding additional receivable of approximately \$233,000 was accrued as the estimated receivable from the former lessee based on the agreement reached in 1996.

During fiscal year 2009, the Authority implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which required a change in the methodology used to calculate the Authority's liability related to cleanup of the contaminated area. The Authority is now required to utilize the expected cash flow technique, which measures the liability as the sum of probability-weighted amounts in a range of possible estimated amounts. As a result of implementing GASB Statement No. 49 and new estimates provided by the engineers, the Authority accrued an additional liability of approximately \$1,132,000 to complete the soil decontamination. A corresponding additional receivable of approximately \$849,000 was accrued as the estimated receivable from the former lessee based on the agreement reached in 1996.

The net additional costs to the Authority for the clean-up have been shown in the 2009 and 2008 Statements of Revenues, Expenses and Changes in Net Assets as engineering and environmental expenses in the amount of approximately \$283,000 and \$77,000, respectively.

At September 30, 2009 and 2008, the liability balances are \$2,011,601 and \$1,276,617, respectively. These liabilities are reported as other liabilities, current portion in the amount of \$209,000 and \$372,867 at September 30, 2009 and 2008, respectively, and as other liabilities, long-term of \$1,802,601 and \$903,750, respectively. In accordance with the implementation of GASB Statement No. 49, the September 30, 2009 liability of \$2,011,601 is based on the weighted average probability of expected outlays ( $(\$1,298,340 \times 0.37) + (\$2,184,893 \times 0.52) + (\$2,780,393 \times .08) + (\$5,754,643 \times .03)$ ). As of September 30, 2009, management believes the actual liability recorded in the Statement of Net Assets will more than cover the future costs expected to be incurred for the clean-up.

The receivable balances remaining at September 30, 2009 and 2008 are \$1,806,161 and \$1,265,497, respectively. These receivables are included in other receivables, current in the amount of \$454,210 and \$587,686 at September 30, 2009 and 2008, respectively, and in other receivables, long-term of \$1,351,951 and \$677,811, respectively.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 – DETAIL NOTES (CONTINUED)

### E. OTHER LIABILITIES (CONTINUED)

A reconciliation of changes in the aggregate liabilities for the claims related to the contamination follows:

<u>Claims Liability October 1, 2008</u>	<u>Fiscal Year 2009 Incurred Claims</u>	<u>Fiscal Year 2009 Payments on Claims</u>	<u>Claims Liability September 30, 2009</u>
\$ 1,276,617	\$ 1,131,598	\$ (396,614)*	\$ 2,011,601

<u>Claims Liability October 1, 2007</u>	<u>Fiscal Year 2008 Incurred Claims</u>	<u>Fiscal Year 2008 Payments on Claims</u>	<u>Claims Liability September 30, 2008</u>
\$ 1,377,285	\$ 310,045	\$ (410,713)*	\$ 1,276,617

\*Payments on claims are reimbursed by the former lessee at a rate of 75%. In 2009, the Authority received \$308,035 for prior years' claims. In 2008, the Authority received \$139,812 for prior years' claims.

### F. REVENUE BONDS PAYABLE

The revenue bonds are secured by and payable from the gross operating revenues of the Canaveral Port Authority. The proceeds of these issues were used for capital improvements and refunding certain outstanding issues of the Authority.

The resolutions applicable to the revenue bonds require the establishment of various bond principal and interest sinking funds and reserve accounts with various requirements for deposits. These requirements have been met for the fiscal years ended September 30, 2009 and 2008.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

## NOTE 3 – DETAIL NOTES (CONTINUED)

### F. REVENUE BONDS PAYABLE (CONTINUED)

A summary of long-term debt at September 30, 2009 and 2008 follows:

	2009	2008
Port Improvement Revenue Refunding Bonds, Series 1996B	\$ 710,000	\$ 710,000
Port Revenue Refunding Bonds, Series 2002A	10,765,000	14,135,000
Port Improvement Revenue Bonds, Series 2002B	8,650,000	8,650,000
Port Revenue Refunding Bonds, Series 2005	15,870,000	16,005,000
Port Revenue Refunding Bonds, Series 2006A	16,390,000	16,565,000
Port Improvement Revenue Bonds Series 2006B	1,330,000	1,330,000
Port Improvement Revenue Bonds Series 2008	31,095,000	32,000,000
Total revenue bonds	84,810,000	89,395,000
Less: unamortized discounts	(169,963)	(191,097)
Plus: unamortized premiums	375,537	428,601
Less: unamortized loss on refunding	(1,657,042)	(1,899,220)
	83,358,532	87,733,284
Less: current maturities	(4,610,000)	(4,585,000)
Revenue bonds payable, less current portion	\$ 78,748,532	\$ 83,148,284

### PORT IMPROVEMENT REVENUE REFUNDING BONDS, SERIES 1996B

On July 15, 1996, the Canaveral Port Authority issued Port Improvement Revenue Refunding Bonds Series 1996B in the principal amount of \$15,530,000. These bonds were sold to (i) finance the acquisition and construction of cruise ship terminals and certain waterside and landside improvements, (ii) to advance refund all of the currently outstanding Revenue Bonds, Series 1975B and Refunding Revenue Bonds Series 1976 in the aggregate principal amount of \$1,825,000 and \$760,000, respectively, (iii) to prepay short-term obligations incurred under a line of credit for the purpose of financing improvements to certain cargo berths and infrastructure improvements, (iv) to fund the reserve account and (v) to pay the bond issuance costs.

The Series 1996B bonds bear interest at a rate of 5.7% per annum, payable semi-annually on June 1 and December 1. Principal is due June 1, 2013.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 – DETAIL NOTES (CONTINUED)

### F. REVENUE BONDS PAYABLE (CONTINUED)

On May 18, 2005, \$14,820,000 of the outstanding Series 1996B bonds was refunded with proceeds from the Port Revenue Refunding Bonds Series 2005. The remaining \$710,000 of Series 1996B bonds mature on June 1, 2013, and are subject to redemption prior to their maturity date, on or after June 1, 2006, at the option of the Authority, in whole at anytime or in part on any interest payment date at the redemption prices (expressed as percentages of the principal amount to be redeemed) plus accrued interest to the redemption date, set forth below:

<u>Redemption Period</u>	<u>Redemption Price</u>
June 1, 2008 and thereafter	100%

### PORT REVENUE REFUNDING BONDS, SERIES 2002A

On October 8, 2002, the Canaveral Port Authority issued Port Improvement Revenue Refunding Bonds, Series 2002A in the principal amount of \$31,725,000 (i) to refund all of the Authority's Improvement Revenue Refunding Bonds, Series 1992 and (ii) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds.

The Series 2002A bonds bear interest at rates ranging from 2.5% to 3.4% per annum, payable semi-annually on June 1 and December 1. Principal is due annually beginning June 1, 2003, in amounts increasing from \$3,195,000 to \$3,710,000 at final maturity in 2012.

The Series 2002A bonds are not subject to optional redemption prior to their respective dates of maturity.

### PORT IMPROVEMENT REVENUE BONDS, SERIES 2002B

On October 8, 2002, the Canaveral Port Authority issued Port Improvement Revenue Bonds Series 2002B in the principal amount of \$8,650,000. These bonds were sold (i) to finance the acquisition and construction of cruise ship terminals and the West Turning Basin to accommodate future vessels and (ii) to pay the bond issuance costs.

The Series 2002B bonds bear interest at a rate of 3.6% to 5.0% per annum, payable semi-annually on June 1 and December 1. Principal is due annually beginning June 1, 2013, in amounts increasing from \$800,000 to \$1,140,000 at final maturity in 2021.

The Series 2002B bonds are subject to redemption prior to their respective dates of maturity, on or after June 1, 2012, at the option of the Authority, in whole or in part at any time, at the redemption price equal to 100% of the principal amount of the Series 2002B bonds to be redeemed, plus accrued interest to the redemption date.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## **NOTE 3 – DETAIL NOTES (CONTINUED)**

### **F. REVENUE BONDS PAYABLE (CONTINUED)**

#### **PORT REVENUE REFUNDING BONDS, SERIES 2005**

On May 18, 2005, the Canaveral Port Authority issued Port Improvement Revenue Refunding Bonds; Series 2005 in the principal amount of \$16,360,000 (i) to advance refund a portion of the Authority's Improvement Revenue Refunding Bonds, Series 1996B, (ii) to fund various capital improvements and (iii) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds.

The refunded bonds are considered defeased and the liability has been removed from the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$1,052,074. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is the same as the life of the new debt issued.

The Series 2005 bonds bear interest at rates ranging from 3.0% to 5.0% per annum, payable semi-annually on June 1 and December 1. Principal is due annually beginning June 1, 2006, in amounts increasing from \$125,000 to \$1,960,000 at final maturity in 2021.

The Series 2005 bonds maturing on or after June 1, 2016 are subject to redemption prior to their respective dates of maturity, on or after June 1, 2015, at the option of the Authority, in whole or in part, at a redemption price equal to 100% of the principal amount of the Series 2005 bonds to be redeemed, plus accrued interest to the redemption date.

#### **PORT REVENUE REFUNDING BONDS, SERIES 2006A**

On March 27, 2006, the Canaveral Port Authority issued Port Revenue Refunding Bonds; Series 2006A in the principal amount of \$16,915,000 (i) to currently refund all of the Authority's Port Improvement Revenue Refunding Bonds, Series 1996A and (ii) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds.

The Series 2006A bonds bear interest at rates ranging from 3.4% to 5.0% per annum, payable semi-annually on June 1 and December 1. Principal is due annually beginning June 1, 2006, in amounts increasing from \$165,000 to \$1,075,000 at final maturity in 2021.

The Series 2006A bonds maturing on or after June 1, 2017 are subject to redemption prior to their respective dates of maturity, on or after June 1, 2016, at the option of the Authority, in whole or in part, at a redemption price equal to 100% of the principal amount of the Series 2006A bonds to be redeemed, plus accrued interest to the redemption date.

#### **PORT IMPROVEMENT REVENUE BONDS, SERIES 2006B**

On March 27, 2006, the Canaveral Port Authority issued Port Improvement Revenue Bonds Series 2006B in the principal amount of \$1,330,000 to (i) fund various capital improvements and (ii) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

## NOTE 3 – DETAIL NOTES (CONTINUED)

### F. REVENUE BONDS PAYABLE (CONTINUED)

The Series 2006B bonds bear interest at a rate of 3.40% to 4.25% per annum, payable semi-annually on June 1 and December 1. Principal is due June 1, 2021.

The Series 2006B bonds maturing on or after June 1, 2017 are subject to redemption prior to their respective dates of maturity, on or after June 1, 2016, at the option of the Authority, in whole or in part, at a redemption price equal to 100% of the principal amount of the Series 2006B bonds to be redeemed, plus accrued interest to the redemption date.

### PORT IMPROVEMENT REVENUE BONDS, SERIES 2008

On July 1, 2008, the Canaveral Port Authority issued Port Improvement Revenue Bonds Series 2008 in the principal amount of \$32,000,000 to fund various capital improvements. Gross revenues are pledged for repayment of these bonds.

The Series 2008 bonds bear interest at a rate of 4.752% per annum, payable semi-annually on June 1 and December 1. Principal is due annually beginning December 1, 2008, in amounts increasing from \$860,000 to \$7,935,000 at final maturity in 2021.

At any time up to and including June 1, 2018, the Series 2008 bonds are subject to redemption in whole or in part on any principal due date, at the option of the Authority, for 103% of the principal amount being redeemed, plus accrued interest to the redemption date. At any time after June 1, 2018, the Series 2008 bonds shall be subject to redemption in whole only, at the option of the Authority, for 100% of the principal amount being redeemed, plus accrued interest to the redemption date.

Future maturities and sinking fund requirements, including unamortized discounts of \$169,963, unamortized premiums of \$375,537, and the unamortized loss on refunding of \$1,657,042 for all outstanding revenue bonds payable, as of September 30, 2009, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 4,610,000	\$ 3,695,413	\$ 8,305,413
2011	4,775,000	3,532,807	8,307,807
2012	4,950,000	3,359,223	8,309,223
2013	5,130,000	3,178,140	8,308,140
2014	5,345,000	2,961,571	8,306,571
2015 to 2019	30,345,000	11,192,882	41,537,882
2020 to 2023	<u>29,655,000</u>	<u>3,564,129</u>	<u>33,219,129</u>
Total	<u>\$ 84,810,000</u>	<u>\$ 31,484,165</u>	<u>\$ 116,294,165</u>

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 – DETAIL NOTES (CONTINUED)

### G. NOTE PAYABLE

During 2007, the Authority entered into a \$1,000,000 note payable agreement related to the purchase of certain capital assets. Monthly repayments of \$11,102 are required for 120 months, which include interest at a fixed rate of 6%. The note matures on July 1, 2017.

### H. CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the years ended September 30, 2009 and September 30, 2008, was as follows:

	Balance October 1, 2008	Additions	Reductions	Balance September 30, 2009	Due Within One Year
Revenue bonds payable	\$ 89,395,000	-	\$ (4,585,000)	\$ 84,810,000	\$ 4,610,000
Less deferred amounts:					
For issuance discounts	(191,097)	-	21,134	(169,963)	-
For issuance premiums	428,601	-	(53,064)	375,537	-
Loss on refunding	(1,899,220)	-	242,178	(1,657,042)	-
Note payable	911,739	-	(80,717)	831,022	85,694
Compensated absences	569,338	518,564	(469,050)	618,852	4,414
Net OPEB liability	-	95,000	-	95,000	-
Other liabilities, long-term	1,276,617	1,131,598	(396,614)	2,011,601	209,000
Long-term liabilities	<u>\$ 90,490,978</u>	<u>\$ 1,745,162</u>	<u>\$ (5,321,133)</u>	<u>\$ 86,915,007</u>	<u>\$ 4,909,108</u>

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

## NOTE 3 – DETAIL NOTES (CONTINUED)

### H. CHANGES IN LONG-TERM LIABILITIES (CONTINUED)

	Balance October 1, 2007	Additions	Reductions	Balance September 30, 2008	Due Within One Year
Revenue bonds payable	\$ 60,970,000	\$ 32,000,000	\$ (3,575,000)	\$ 89,395,000	\$ 4,585,000
Less deferred amounts:					
For issuance discounts	(212,402)	-	21,305	(191,097)	-
For issuance premiums	483,565	-	(54,964)	428,601	-
Loss on refunding	(2,141,395)	-	242,175	(1,899,220)	-
Note payable	987,766	-	(76,027)	911,739	80,716
Capital leases	35,649	-	(35,649)	-	-
Compensated absences	493,729	470,882	(395,273)	569,338	1,861
Other liabilities, long-term	1,377,285	310,045	(410,713)	1,276,617	372,867
Long-term liabilities	<u>\$ 61,994,197</u>	<u>\$ 32,780,927</u>	<u>\$ (4,284,146)</u>	<u>\$ 90,490,978</u>	<u>\$ 5,040,444</u>

### I. RESTRICTED NET ASSETS

The following schedule lists the amounts of net assets that are restricted as of September 30, 2009 and 2008, in accordance with the provisions of the respective bond indentures. These amounts represent restricted assets less certain current liabilities payable from restricted assets included in the various debt service, reserve, bond and interest sinking fund accounts.

	2009	2008
Restricted for Future Debt Service		
Series 1996-B	\$ 40,470	\$ 40,470
Series 2002-A	3,836,140	3,836,140
Series 2002-B	387,562	387,562
Series 2005	837,713	837,713
Series 2006A	861,338	861,338
Series 2006B	53,200	53,200
Total debt service restrictions	<u>\$ 6,016,423</u>	<u>\$ 6,016,423</u>

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 – DETAIL NOTES (CONTINUED)

### J. RETIREMENT PLAN

The Authority participates in the Florida Retirement System ("System"), a cost-sharing, multiple-employer public employee retirement system administered by the State of Florida Department of Administration, Division of Retirement to provide retirement and survivor benefits to participating public employees. Chapter 121, Florida Statutes, establishes the authority for participant eligibility, contribution requirements, vesting eligibility and benefit provisions. Amendments may only be made by the State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to State of Florida Division of Retirement, 2639-C North Monroe Street, Tallahassee, FL 32399-1560.

Generally, membership is compulsory for all full-time and part-time employees hired prior to January 1, 1996. The employer pays all contributions. The rates for employees as a percent of covered payroll vary depending on the employee's membership class. Contribution rates ranged from 9.85% to 16.53% during 2009, 2008 and 2007. The amount of covered payroll for the years ended September 30, 2009, 2008 and 2007 was \$769,583, \$912,759 and \$924,500, respectively. The Canaveral Port Authority's contributions to the System for the three years ended September 30, 2009, 2008 and 2007 were \$77,291, \$94,338, and \$95,890, respectively, and are equal to the required contributions for each year.

### K. DEFINED CONTRIBUTION PLAN

Effective January 1, 1996, pursuant to Chapter 95-338, Florida Statutes and Resolution 96-12, the Authority elected to cover all employees hired on or after January 1, 1996 under the newly established Canaveral Port Authority Defined Contribution Plan and Trust (The Plan), instead of the Florida Retirement System. Those employees of the Authority who were participants in the Florida Retirement System prior to January 1, 1996 shall remain as participants of the Florida Retirement System for as long as they are employees of the Authority. Required contributions to the Plan are based on 9.85% of salary for the years ended September 30, 2009 and 2008. Plan provisions and contribution requirements are established and may be amended by the Board of Commissioners. The Plan is administered by the Authority.

Employee contributions are not permitted. For the years ended September 30, 2009 and 2008, the total payroll for all employees of the Authority was \$7,684,204 and \$7,582,802, respectively. The amount of covered payroll for the years ended September 30, 2009 and 2008 was \$6,104,467 and \$6,279,269, respectively. The amount of pension expense was \$601,290 and \$618,508, respectively.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 - DETAIL NOTES (CONTINUED)

### L. OTHER POST-EMPLOYMENT BENEFITS

As of October 1, 2008, the Authority implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other than Pensions* (OPEB), for certain post-employment health care benefits provided by the Authority. The Authority elected to implement this statement prospectively.

**Plan description.** The Authority participates in the Brevard County, Florida ("County") healthcare plan. The Brevard County Board of County Commissioners ("Board") administers a single employer defined benefit healthcare plan (the "Plan") that provides health care benefits including medical coverage and prescription drug benefits to its employees and their eligible dependents. Pursuant to Section 112.0801 Florida Statutes, the Authority is required to provide eligible retirees (as defined in the County's pension plan) the opportunity to participate in this Plan at the same cost that is applicable to active employees.

Employees who are active participants in the Plan at the time of retirement and are either age 62 with completion of six years of service or have 30 years of service are eligible to receive benefits. The Authority's portion of the Plan includes 11 retirees and spouses receiving benefits and has a total of 160 active participants and dependents. Of that total, 144 are not yet eligible to receive benefits.

Benefit provisions can only be amended by the Brevard County Board of County Commissioners. On at least an annual basis, and prior to the enrollment process, the Board approves the rates for the coming year for the retiree, employee and County contributions. Neither the County nor Authority has established a trust or agency fund for the Plan. Neither the County nor Authority issues stand alone financial statements for this Plan. All financial information related to the Plan is accounted for in the Authority's basic financial statements.

**Funding policy.** The Authority is funding the Plan on a pay-as-you-go basis. The maximum employer contribution target is 56% of the annual premium cost of the Plan. The annual premium costs are between \$5,037 and \$8,629 for retirees and spouses under age 65 and between \$3,112 and \$5,205 for retirees and spouses over age 65. Employees hired prior to January 1, 2006 are eligible to receive 100% of the earned percentage of benefits for their lifetime upon attainment of age 62 and completion of six years of service or upon completing 30 years of service, if earlier. Employees hired on or after January 1, 2006 are eligible to receive a graduated earned percentage of benefits upon retirement based on years of service.

For the year ended September 30, 2009, the portion of contribution attributed to the Authority is \$19,000, which includes both an estimate of the implied subsidy described above and the explicit subsidy paid on behalf of eligible retirees.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 - DETAIL NOTES (CONTINUED)

### L. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

**Annual OPEB cost and net OPEB obligation.** The Authority's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial accrued liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the Authority's annual OPEB cost for the year ended September 30, 2009, the amount actually contributed to the Plan, and changes in the Authority's net OPEB obligation to the Plan:

Annual required contribution	\$ 114,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	114,000
Contributions made	(19,000)
Interest on employer contributions	-
Increase in net OPEB obligation	95,000
Net OPEB obligation – beginning of year	-
Net OPEB obligation – end of year	\$ 95,000

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal year ending September 30, 2009 was as follows:

Year Ending	Annual Pension Cost (APC)	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/09	\$ 114,000	17%	\$ 95,000

**Funded status and funding progress.** Because the Authority has fewer than 200 members, the Authority is required to obtain an actuarial valuation at least every three years. The most recent actuarial valuation was performed as of January 1, 2010. Accordingly, the Authority will be required to obtain a subsequent actuarial valuation within three years of that date. As of the January 1, 2010 valuation, the actuarial accrued liability for benefits for the Authority was \$424,000, all of which was unfunded. The covered payroll (annual payroll of active employees covered by the Plan) was approximately \$6,062,000, and the ratio of unfunded actuarial accrued liability (UAAL) to the covered payroll was 7.0%.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 - DETAIL NOTES (CONTINUED)

### L. OTHER POST-EMPLOYMENT BENEFITS (CONTINUED)

Actuarial valuations for an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to continuous revision as actual results are compared to past expectations and new estimates about the future are formulated. Although the valuation results reflect a long-term perspective and, as such, are merely an estimate of what future costs may be, deviations in any of several factors, such as future interest rates, medical cost inflation, Medicare coverage, and changes in marital status, could result in actual costs being less or greater than estimated.

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. Because the actuarial valuation was performed as of January 1, 2010 and is only required every three years, only one year is presented in the schedule at this time. In future years, required trend data will be presented.

**Actuarial methods and assumptions.** Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2010 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.0% investment rate of return (including inflation of 2.5%) and an annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after ten years. The actuarial methods and assumptions used are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The UAAL is being amortized using a level-percentage of compensation over a maximum allowable period of 30 years.

### M. NATURAL DISASTER

During the year ended September 30, 2008, the Authority was impacted by a named Tropical Storm. As of September 30, 2008, the Authority estimated total costs of repairs associated with damage from the storm to be approximately \$517,000, which was recorded as casualty loss – natural disaster. As of the date of the storm's impact, management recorded a corresponding liability in the same amount, which represented the liability to repair such damages. The estimated repair costs are well below the property deductibles per location that are maintained in the Authority's insurance program. As of September 30, 2009, the Authority's remaining liability was \$122,800 and is recorded in accounts payable and accrued expenses in the statement of net assets.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## NOTE 3 - DETAIL NOTES (CONTINUED)

### M. NATURAL DISASTER (CONTINUED)

In addition, the Authority was approved by FEMA to receive grant funds to reimburse the Authority for a portion of the costs incurred as a result of the storm that are less than the insurance deductibles, as well as reimbursement of certain administrative costs, and matching funds from the State of Florida. As of September 30, 2009 and 2008, the Authority recorded a receivable due from other governmental units of \$271,159 and \$321,428, respectively, in the statement of net assets.

### N. LEASING AND OPERATING AGREEMENT ARRANGEMENTS WITH AUTHORITY AS LESSOR

The Authority leases land and enters into marine terminal facilities agreements with various businesses throughout the Port Authority area. All of the leases and agreements are accounted for as operating leases and agreements. Revenue from leases and agreements was \$4,961,324 for 2009 and \$5,234,516 for 2008. Future lease payments to be received are as follows:

2010	\$ 4,017,836
2011	3,992,477
2012	3,922,386
2013	3,888,313
2014	3,816,539
2015 to 2019	17,760,163
2020 to 2024	16,030,526
2025 to 2029	11,976,995
2030 to 2034	8,047,369
2035 to 2039	4,145,999
2040 to 2044	563,037
	<u>\$ 78,161,640</u>

### O. MAJOR CUSTOMERS

Gross revenues from three cruise line companies totaled \$6,691,660, \$6,618,033 and \$6,224,056 in 2009. At September 30, 2009, the outstanding trade accounts receivable balances of these three cruise line companies amounted to \$245,866, \$327,443 and \$273,594. Gross revenues from two cruise line companies totaled \$6,592,751 and \$6,499,812 in 2008. At September 30, 2008, the outstanding trade accounts receivable balances of these two cruise line companies amounted to \$409,276 and \$388,207.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## **NOTE 3 - DETAIL NOTES (CONTINUED)**

### **P. RISK MANAGEMENT**

The Authority purchases commercial insurance to cover risk of loss for general liability, property and casualty, comprehensive crime and flood and fire.

The Authority bases its need for commercial insurance on "An Analysis of Risk Exposures to Natural Hazards" prepared by the Authority's engineering consulting firm. This analysis showed the Authority has limited exposure in the area of piers and bulkheads and therefore the costs of carrying such insurance do not outweigh the benefits. The Authority is, in essence, insuring itself in these areas. In the past three years, there have been no claims settled exceeding the Authority's insurance coverage. As of September 30, 2009 and 2008, there were no outstanding claims.

### **Q. SIGNIFICANT ESTIMATE**

At September 30, 1996, the Authority accrued a liability for the estimated cost of soil decontamination and a receivable for the estimated amount to be received from the lessee to indemnify the Authority for the contamination (see Note 3.E.). During subsequent fiscal years, the Authority revised its estimate of its liability to complete the soil decontamination, and the corresponding receivable from the former lessee to indemnify the Authority for the contamination. At September 30, 2009 and 2008, the balance of the liability is \$2,011,601 and \$1,276,617, respectively and the receivable balance is \$1,806,161 and \$1,265,497, respectively.

### **R. WASTEWATER SERVICE CAPACITY AGREEMENT**

The Authority entered into a franchise agreement for wastewater service capacity with the City of Cocoa Beach ("City"). Under this agreement, beginning April 22, 2000, the City was granted an exclusive franchise to provide wastewater service capacity to the Authority area. This agreement required the Authority to construct wastewater and reclaimed water facilities outside of the Authority area and to contribute the constructed facilities to the City. Related costs of \$1,608,520 were expensed during 2000.

In addition, this agreement required the Authority to construct wastewater and reclaimed water facilities on Port property in the amount of \$1,343,443. These assets were included in the Authority's capital assets at September 30, 2001. The City, in accordance with the agreement, has placed into effect a surcharge upon users in the Port area to reimburse the Authority for their costs incurred to construct the Authority's wastewater and reclaimed water facilities. As the surcharge is collected, it is recorded as capital contributions on the Authority's financial statements. During 2009 and 2008, the surcharge collected from the City was \$234,737 and \$180,857, respectively.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## **NOTE 3 – DETAIL NOTES (CONTINUED)**

### **S. CONCENTRATION - COLLECTIVE BARGAINING UNIT**

Substantially all of the Authority's nonmanagement operations, maintenance and security employees are covered by a collective bargaining agreement. The Authority's initial agreement with the Authority 2A, transportation, technical, warehouse, industrial, and service employees became effective December 12, 2000 and ran through December 31, 2002. That agreement was renewed for additional terms through December 31, 2008. Upon the termination of that agreement, the Authority entered into a new collective bargaining agreement covering substantially all public safety, parking operations, enforcement, support, maintenance, supply and safety employees. The agreement became effective January 1, 2009 and runs through December 31, 2011.

## **NOTE 4 – COMMITMENTS AND CONTINGENCIES**

### **A. CONSTRUCTION**

Commitments for the repair, modification, improvements, materials and new construction of Port Authority-owned property at September 30, 2009 totaled approximately \$18,990,000.

### **B. MARINE TERMINAL LEASE**

During 2008, the Authority entered into a marine terminal lease agreement with a commercial cruise line company, whereby the cruise line company will offer new passenger cruise services initiating from the Canaveral Port Authority. The agreement requires a commitment from the cruise line company through December 31, 2022. The agreement requires the Authority to complete cruise terminal improvements, including dock extension, gangway modifications and an additional parking garage. The estimated cost of such improvements is approximately \$22,000,000. The improvements are to be completed by October 1, 2010. In return, the cruise line company guarantees repayment to the Authority over the life of the agreement, in an amount equal to the cost of the improvements, via a passenger facility charge to be charged by the cruise line company.

### **C. LITIGATION**

The Authority is named as a defendant in various other lawsuits. The outcome of the lawsuits is not determinable at this time. It is the opinion of management and of the Authority's legal counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the Authority.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2009 and 2008

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## **NOTE 5 – RECLASSIFICATION**

Certain amounts from the 2008 basic financial statements have been reclassified to conform to the current year presentation.

**REQUIRED SUPPLEMENTARY INFORMATION**

**CANAVERAL PORT AUTHORITY**

Schedule of Funding Progress of Other Postemployment Benefits  
Most Recent Actuarial Valuation

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability AAL (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL a % of Covered Payroll ((b-a)/c)
01/01/10	\$ -	\$ 424,000	\$ 424,000	0%	\$ 6,062,000	7.0%

Note: Because fiscal year 2009 was the year of implementation of GASB Statement No. 45 and the Authority elected to apply the statement prospectively, only one year is presented in the schedule at this time. In future years, required trend data will be presented as the required actuarial valuations are performed.

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**SUPPLEMENTARY INFORMATION**

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# CANAVERAL PORT AUTHORITY

Schedule of Revenues, Expenses and Income before Capital Contributions Compared with Budget

Year Ended September 30, 2009

	Budget	Actual	Variance Over (Under)
<b>Operating revenues</b>			
Dockage	\$ 5,582,100	\$ 5,179,737	\$ (402,363)
Wharfage	18,723,600	19,122,021	398,421
Leases	5,510,000	4,961,324	(548,676)
Water	1,222,900	1,198,144	(24,756)
Parking	9,744,700	9,871,355	126,655
Line handling	1,281,400	1,141,142	(140,258)
Advertising	18,000	26,326	8,326
Permits	150,000	180,508	30,508
Telephone commissions	25,000	18,878	(6,122)
Badging fees	250,000	251,538	1,538
Miscellaneous	68,000	3,779	(64,221)
Camping	965,800	993,413	27,613
Recreational parking	401,300	517,479	116,179
Fire training	125,000	130,163	5,163
Other park revenues	40,000	51,705	11,705
Concessions	40,200	44,387	4,187
Foreign trade zone	14,000	29,968	15,968
Total operating revenues	44,162,000	43,721,867	(440,133)
<b>Non-operating revenues</b>			
Investment earnings	1,000,000	410,363	(589,637)
Grant revenue	100,000	271,809	171,809
Gain on equipment dispositions	-	42	42
Total non-operating revenues	1,100,000	682,214	(417,786)
Total revenues	\$ 45,262,000	\$ 44,404,081	\$ (857,919)
<b>Operating expenses</b>			
Operations			
Salaries			
Harbormasters	\$ 254,000	\$ 259,982	\$ (5,982)
Maintenance	785,000	745,839	39,161
CT support services	660,000	674,807	(14,807)
Parking	552,000	463,117	88,883
Landscaping	758,000	759,614	(1,614)
Operation administration	265,000	259,069	5,931
Benefits			
Harbormasters	131,527	127,980	3,547
Maintenance	428,705	414,959	13,746
CT support services	419,056	449,295	(30,239)
Parking	199,457	192,711	6,746
Landscaping	466,696	469,273	(2,577)
Operation administration	99,522	97,120	2,402

## CANAVERAL PORT AUTHORITY

### Schedule of Revenues, Expenses and Income before Capital Contributions Compared with Budget (continued)

Year Ended September 30, 2009

	Budget	Actual	Variance Over (Under)
Utilities	3,035,137	2,760,521	274,616
Cruise terminal maintenance	1,193,500	1,086,413	107,087
Fender maintenance	50,000	20,143	29,857
Other	80,850	52,809	28,041
Maintenance and supplies	432,250	276,962	155,288
Fuel	130,000	115,559	14,441
Service contracts	240,120	107,462	132,658
Travel	1,000	37	963
Total operations	<u>10,181,820</u>	<u>9,333,672</u>	<u>848,148</u>
Public safety			
Salaries	1,925,100	1,836,048	89,052
Benefits	682,995	688,639	(5,644)
Police protection	1,765,900	1,765,896	4
Guard services	850,000	717,153	132,847
Security - special events	25,000	7,386	17,614
Harbor patrol	70,000	51,155	18,845
Security badging	208,000	168,924	39,076
Fire protection	1,365,300	1,330,927	34,373
Other	102,700	71,967	30,733
Communications services	26,000	22,044	3,956
Training	8,000	939	7,061
Maintenance and supplies	174,400	113,624	60,776
Travel	6,000	4,680	1,320
Total public safety	<u>7,209,395</u>	<u>6,779,382</u>	<u>430,013</u>
Parks and recreation			
Salaries	325,000	368,374	(43,374)
Benefits	196,443	211,524	(15,081)
Maintenance and supplies	46,800	35,317	11,483
Service contracts	142,850	131,388	11,462
Utilities	441,100	421,019	20,081
Other park expense	79,650	58,565	21,085
Total parks and recreation	<u>1,231,843</u>	<u>1,226,187</u>	<u>5,656</u>
Fire training facility			
Service contracts	65,300	60,227	5,073
Utilities	31,200	25,884	5,316
Insurance	38,300	38,979	(679)
Maintenance and supplies	81,000	48,992	32,008
Other	2,000	576	1,424
Total fire training facility	<u>217,800</u>	<u>174,658</u>	<u>43,142</u>

## CANAVERAL PORT AUTHORITY

### Schedule of Revenues, Expenses and Income before Capital Contributions Compared with Budget (continued)

Year Ended September 30, 2009

	Budget	Actual	Variance Over (Under)
<b>Executive</b>			
Salaries - commissioners	53,200	52,879	321
Salaries - administrative	366,000	328,560	37,440
Benefits	205,735	193,907	11,828
Federal legislative consultant	57,150	50,600	6,550
State legislative consultant	45,850	45,833	17
Legal	350,000	354,095	(4,095)
Office	151,800	94,206	57,594
Planning and studies	150,000	83,047	66,953
Travel - federal legislative	5,000	1,856	3,144
Travel - commissioners general	40,000	9,241	30,759
Travel - administrative	16,000	5,739	10,261
Community relations consultant	30,000	30,000	-
Education/seminars	8,000	4,690	3,310
<b>Total executive</b>	<b>1,478,735</b>	<b>1,254,653</b>	<b>224,082</b>
<b>Finance and accounting</b>			
Salaries	431,000	435,155	(4,155)
Benefits	170,561	166,622	3,939
Office	76,500	61,036	15,464
Computer support & training	181,000	167,927	13,073
Education and seminars	2,500	1,330	1,170
Travel	5,000	3,833	1,167
Accounting and auditing	92,100	74,952	17,148
<b>Total finance and accounting</b>	<b>958,661</b>	<b>910,855</b>	<b>47,806</b>
<b>Administrative services</b>			
Salaries	587,000	555,755	31,245
Benefits	249,208	246,644	2,564
Insurance	1,800,000	1,889,704	(89,704)
Office	99,100	69,092	30,008
Personnel training & recruiting	75,500	57,140	18,360
Computer support & training	142,150	120,626	21,524
Education and seminars	3,700	2,559	1,141
Travel	1,700	884	816
<b>Total administrative services</b>	<b>2,958,358</b>	<b>2,942,404</b>	<b>15,954</b>
<b>Engineering and environmental</b>			
Salaries	499,000	502,378	(3,378)
Benefits	173,180	174,361	(1,181)
Engineering - general	350,000	273,226	76,774
Engineering - planning	10,000	6,000	4,000
Engineering - environment	514,200	683,720	(169,520)
Office	16,900	15,712	1,188

## CANAVERAL PORT AUTHORITY

### Schedule of Revenues, Expenses and Income before Capital Contributions Compared with Budget (continued)

Year Ended September 30, 2009

	<u>Budget</u>	<u>Actual</u>	<u>Variance Over (Under)</u>
Education and seminars	4,500	1,735	2,765
Travel	3,000	2,600	400
Total engineering and environmental	<u>1,570,780</u>	<u>1,659,732</u>	<u>(88,952)</u>
<b>Business development</b>			
Salaries	285,000	278,553	6,447
Benefits	100,375	99,785	590
Advertising	243,500	213,051	30,449
Trade development	216,800	162,892	53,908
FTZ development	14,700	14,640	60
Travel	53,600	36,627	16,973
Total business development	<u>913,975</u>	<u>805,548</u>	<u>108,427</u>
<b>Communications</b>			
Salaries	129,000	126,694	2,306
Benefits	50,767	49,501	1,266
Promotions	172,500	130,540	41,960
Publications-journal	145,500	138,059	7,441
Electronic media	80,000	59,375	20,625
Advertising	75,000	69,371	5,629
Office	11,600	8,958	2,642
Travel	500	45	455
Total communications	<u>664,867</u>	<u>582,543</u>	<u>82,324</u>
<b>Tenant development</b>			
Salaries	88,000	80,099	7,901
Benefits	38,086	36,504	1,582
Office	10,700	3,060	7,640
Land use planning	10,000	-	10,000
Lease preparation	295,000	225,040	69,960
Travel	9,750	2	9,748
Total tenant development	<u>451,536</u>	<u>344,705</u>	<u>106,831</u>
Depreciation	12,000,000	12,733,871	(733,871)
Amortization	1,259,200	1,227,743	31,457
Bad debt expense	-	557,433	(557,433)
Total operating expenses	<u>41,096,970</u>	<u>40,533,386</u>	<u>563,584</u>
<b>Non-operating expenses</b>			
Commissions and fees	5,000	1,000	4,000
Amortization of bond costs and discounts	401,500	398,129	3,371
Interest expense	2,344,500	2,344,471	29
Loss on equipment disposals	-	21,888	(21,888)

## CANAVERAL PORT AUTHORITY

Schedule of Revenues, Expenses and Income before Capital Contributions Compared with Budget  
(continued)

Year Ended September 30, 2009

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Federal grant expense	-	127,580	(127,580)
Grant administrative fee	<u>54,000</u>	<u>54,000</u>	<u>-</u>
Total non-operating expense	<u>2,805,000</u>	<u>2,947,068</u>	<u>(142,068)</u>
Total expenses	<u>43,901,970</u>	<u>43,480,454</u>	<u>421,516</u>
Income before capital contributions	<u>\$ 1,360,030</u>	<u>\$ 923,627</u>	<u>\$ (436,403)</u>

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## CANAVERAL PORT AUTHORITY

### Schedule of Comparative Revenues, Expenses and Changes in Net Assets

Years Ended September 30, 2009, 2008, 2007, 2006, and 2005

	2009	2008	2007	2006	2005
<b>Operating revenues</b>					
Dockage	\$ 5,179,737	\$ 5,146,752	\$ 6,049,562	\$ 7,239,781	\$ 6,559,540
Wharfage	19,122,021	22,015,178	23,762,323	24,595,271	22,201,818
Marine terminal leases	-	-	-	258,945	251,890
Other leases	4,961,324	5,234,516	4,113,670	3,564,605	3,283,772
Water	1,198,144	1,202,840	1,272,840	1,324,480	1,198,150
Parking	9,871,355	9,343,286	9,014,333	9,116,579	6,506,217
Line handling	1,141,142	1,190,739	1,365,856	1,435,631	1,357,883
Advertising	26,326	15,627	16,715	18,703	18,103
Permits	180,508	158,322	163,169	146,177	157,648
Telephone commissions	18,878	20,922	34,855	44,372	46,416
Badging fees	251,538	277,080	306,286	347,503	284,989
Miscellaneous	3,779	24,707	38,535	67,846	51,042
Camping	993,413	862,706	870,029	779,939	706,918
Recreational parking	517,479	365,596	379,923	337,850	286,900
Fire training	130,163	132,865	124,899	107,787	146,458
Other park revenues	51,705	39,256	37,545	51,389	49,363
Concessions	44,387	42,087	4,086	-	-
Foreign trade zone	29,968	34,453	17,155	14,100	14,016
Total operating revenues	43,721,867	46,106,932	47,571,781	49,450,958	43,121,123
<b>Non-operating revenues</b>					
Investment earnings	410,363	650,194 *	1,961,062	1,633,515	819,788
Grant revenue	271,809	384,047	61,698	78,577	684,546
Gain on dispositions	42	38,554	-	4,539	-
Total revenues	\$ 44,404,081	\$ 47,179,727	\$ 49,594,541	\$ 51,167,589	\$ 44,625,457
<b>Operating expenses</b>					
Operations					
Salaries					
Harbormasters	\$ 259,982	\$ 246,721	\$ 211,717	\$ 195,129	\$ 213,473
Maintenance	745,839	695,286	640,471	592,999	522,646
CT support services	674,807	692,787	669,146	563,156	535,411
Parking	463,117	599,967	613,787	589,253	534,894
Landscaping	759,614	814,074	845,513	818,839	768,344
Other	259,069	304,205	204,958	245,186	186,388
Benefits					
Harbormasters	127,980	107,961	99,282	94,319	101,120
Maintenance	414,959	376,044	340,057	289,333	244,229
CT support services	449,295	468,815	429,528	351,092	303,329
Parking	192,711	246,000	221,607	286,592	193,643
Landscaping	469,273	500,978	467,123	465,230	395,355
Other	97,120	119,424	83,361	88,251	57,762
Utilities	2,760,521	2,784,525	2,529,717	2,572,118	2,111,433 **
Travel	37	4,939	567	1,777	2,586
Cruise terminal maintenance	1,086,413	1,354,823 *	1,304,082 *	1,083,430	814,466 **
Fender maintenance	20,143	92,707	74,810	97,739	30,233
Maintenance and supplies	276,962	330,283	313,923	289,050	191,576
Fuel	115,559	216,597	131,219	112,091	81,978
Service contracts	107,462	141,812 *	70,388 *	90,528	75,053 **
Other	52,809	50,796	63,553	23,930	19,180 **
Total operations	9,333,672	10,148,744	9,314,809	8,850,042	7,383,099

\* These items have been reclassified to conform to the September 30, 2009 financial statement presentation.

\*\* These items have been reclassified to conform to the September 30, 2006 financial statement presentation.

## CANAVERAL PORT AUTHORITY

### Schedule of Comparative Revenues, Expenses and Changes in Net Assets (continued)

Years Ended September 30, 2009, 2008, 2007, 2006, and 2005

	2009	2008	2007	2006	2005
<b>Public Safety</b>					
Salaries	1,836,048	1,497,227	1,487,529	1,431,564	1,048,986
Benefits	688,639	665,606	623,780	664,660	373,597
Police protection	1,765,896	1,717,964	1,532,374	1,293,231	1,312,403
Guard services	717,153	994,292	1,020,870	1,096,859	1,387,930
Security - special events	7,386	11,400	2,165	4,390	18,583 **
Harbor patrol	51,155	587,734	226,592	185,902	180,252
Security badging	168,924	226,697	220,291	233,778	219,323
Fire protection	1,330,927	1,253,261	1,216,010	996,632	899,440 **
Travel	4,680	8,954	6,448	14,934	12,512
Communications services	22,044	102,242	61,022	34,245	17,952 **
Training	939	-	-	-	-
Maintenance and supplies	113,624	91,003	85,864	-	-
Other	71,967	65,521	70,565	110,704	71,257 **
Total public safety	6,779,382	7,221,901	6,553,510	6,066,899	5,542,235
<b>Parks and recreation</b>					
Salaries	368,374	396,904	340,242	-	-
Benefits	211,524	222,651	158,880	-	-
Service contracts	131,388	127,165	132,552	804,680	785,780
Utilities	421,019	331,015	205,705	189,599	129,659
Maintenance & supplies	35,317	57,707	43,510	-	-
Other park expense	58,565	41,609	44,864	21,491	14,241
Total parks and recreation	1,226,187	1,177,051	925,753	1,015,770	929,680
<b>Fire training facility</b>					
Service contracts	60,227	54,959	31,883	72,632	114,080
Utilities	25,884	29,686	20,662	17,632	25,790
Insurance	38,979	36,970	37,245	36,343	31,633
Maintenance and supplies	48,992	66,850	105,638	26,981	40,787
Travel	-	-	-	-	414
Other	576	700	157	633	1,935
Total fire training facility	174,658	189,165	195,585	154,221	214,639
<b>Executive</b>					
Salaries-Commissioners	52,879	50,275	52,883	51,139	49,134
Salaries-Administrative	328,560	302,952	369,480	407,382	480,380 **
Benefits	193,907	190,468	177,952	227,896	199,040 **
Federal legislative consultant	50,600	87,912	65,314	61,328	-
State legislative consultant	45,833	54,167	45,833	41,500	-
Legal	354,095	232,069	313,781	227,409	250,922
Office	94,206	120,421	171,413	207,279	174,889 **
Planning and studies	83,047	158,477	192,674	205,929	40,703
Travel - fed legislative	1,856	1,842	3,720	999	5,174
Travel - commissioners general	9,241	32,625	17,911	24,055	9,745
Travel - administrative	5,739	8,920	10,623	3,106	14,197 **
Community relations consultant	30,000	20,000	-	-	-
Education/Seminars	4,690	1,400	3,706	2,853	4,896 **
Total executive	1,254,653	1,261,528	1,425,290	1,460,875	1,229,080

\*\* These items have been reclassified to conform to the September 30, 2006 financial statement presentation.

## CANAVERAL PORT AUTHORITY

### Schedule of Comparative Revenues, Expenses and Changes in Net Assets (continued)

Years Ended September 30, 2009, 2008, 2007, 2006, and 2005

	2009	2008	2007	2006	2005
<b>Finance and accounting</b>					
Salaries	435,155	463,808 *	620,490	530,123	590,836 **
Benefits	166,622	174,278 *	216,985	226,400	201,200 **
Insurance	-	-	2,882,661	1,170,570	945,310
Office	61,036	107,877 *	332,564	242,032	31,897
Computer support & training	167,927	-	-	-	-
Education and seminars	1,330	2,486 *	2,272	-	1,317
Travel	3,833	9,604 *	3,665	6,586	6,081
Accounting and auditing	74,952	88,390 *	101,637	97,957	110,485
Total finance and accounting	910,855	846,443	4,160,274	2,273,668	1,887,126
<b>Administrative services</b>					
Salaries	555,755	557,353 *	-	-	-
Benefits	246,644	230,740 *	-	-	-
Insurance	1,889,704	2,180,913 *	-	-	-
Office	69,092	18,847 *	-	-	-
Personnel training & recruiting	57,140	94,320 *	-	-	-
Computer support & training	120,626	209,305 *	-	-	-
Education and seminars	884	974 *	-	-	-
Travel	2,559	1,341 *	-	-	-
Total administrative services	2,942,404	3,293,793	-	-	-
<b>Engineering and environmental</b>					
Salaries	502,378	486,794	467,112	359,593	333,045
Benefits	174,361	172,558	166,858	124,182	99,925
Engineering - general	273,226	1,219,150	213,007	254,925	454,461
Engineering - plans	6,000	20,225	60,431	37,924	13,032
Engineering - environment	683,720	427,919	429,795	361,894	223,163
Legislative consultant	-	-	-	-	64,400
Office	15,712	16,275	17,880	10,003	8,679
Education and seminars	1,735	3,712	2,615	2,500	965
Travel	2,600	5,833	4,458	3,714	2,532
Total engineering and environmental	1,659,732	2,352,466	1,362,156	1,154,735	1,200,202
<b>Business development</b>					
Salaries	278,553	338,948	281,630	323,598	308,301 **
Benefits	99,785	116,743	94,441	100,461	88,113 **
Advertising	213,051	235,667	234,151	232,765	189,528 **
Trade development	162,892	189,779	174,662	197,709	164,311 **
Strategic planning study	-	-	-	-	149,977
FTZ development	14,640	4,839	1,621	-	-
Travel	36,627	48,828	37,434	47,952	40,694 **
Total business development	805,548	934,804	823,939	902,485	940,924

\* These items have been reclassified to conform to the September 30, 2009 financial statement presentation.

\*\* These items have been reclassified to conform to the September 30, 2006 financial statement presentation.

## CANAVERAL PORT AUTHORITY

### Schedule of Comparative Revenues, Expenses and Changes in Net Assets (continued)

Years Ended September 30, 2009, 2008, 2007, 2006, and 2005

	2009	2008	2007	2006	2005	
<b>Communications</b>						
Salaries	126,694	117,777	125,432	106,847	129,613	**
Benefits	49,501	47,053	49,832	45,707	41,572	**
Electronic media	138,059	135,390	131,580	76,161	46,200	
Publications - journals	59,375	66,613	49,389	127,971	133,163	
Advertising	69,371	87,948	75,464	147,151	148,883	
Promotions	130,540	128,631	130,917	118,732	129,108	**
Office	8,958	9,198	7,438	10,587	32,048	
Travel and expenses	45	32	2,175	2,615	5,353	**
Total communications	582,543	592,642	572,227	635,771	665,940	
<b>Tenant development</b>						
Salaries	80,099	140,344	178,730	193,152	187,555	**
Benefits	36,504	62,484	69,203	69,010	61,863	**
Advertising	-	-	-	23,525	20,132	**
Office	3,060	4,900	11,083	9,727	9,769	**
Land use planning	-	90,742	64,993	242,011	40,705	**
Lease preparation	225,040	185,501	131,336	143,904	135,053	**
FTZ development	-	-	-	10,143	2,104	**
Travel	2	5,939	5,324	4,336	1,217	**
Total tenant development	344,705	489,910	460,669	695,808	458,398	
Depreciation	12,733,871	12,436,688	9,772,259	9,279,605	9,234,602	
Amortization	1,227,743	1,076,006	137,843	146,743	158,213	
Bad debt expense	557,433	1,213	-	-	-	
Total operating expenses	40,533,386	42,022,354	35,704,314	32,636,622	29,844,138	
<b>Non-operating expenses</b>						
Commissions and fees	1,000	1,500	500	2,963	3,484	
Amortization of bond costs and discounts	398,129	430,855	397,162	377,039	299,708	
Interest expense	2,344,471	2,460,073	2,510,038	2,678,291	2,846,549	
Loss on equipment disposal	21,888	4,559	65,192	104,602	4,608	
Federal grant expense	127,580	-	-	-	-	
Grant administration fee	54,000	37,000	84,000	11,025	55,848	
Legal settlements	-	-	-	151,884	117,500	
Environmental remediation	-	-	-	175,000	-	
Casualty loss - natural disaster	-	517,137	843	-	182,621	
Total non-operating expense	2,947,068	3,451,124	3,057,735	3,500,804	3,510,318	
Total expenses	\$ 43,480,454	\$ 45,473,478	\$ 38,762,049	\$ 36,137,426	\$ 33,354,456	
Total operating revenues	\$ 43,721,867	\$ 46,106,932	\$ 47,571,781	\$ 49,450,958	\$ 43,121,123	
Total operating expenses	40,533,386	42,022,354	35,704,314	32,636,622	29,844,138	
Net operating income	\$ 3,188,481	\$ 4,084,578	\$ 11,867,467	\$ 16,814,336	\$ 13,276,985	

\*\* These items have been reclassified to conform to the September 30, 2006 financial statement presentation.

## CANAVERAL PORT AUTHORITY

### Schedule of Comparative Revenues, Expenses and Changes in Net Assets (continued)

Years Ended September 30, 2009, 2008, 2007, 2006, and 2005

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Total non-operating revenues	\$ 682,214	\$ 1,072,795	\$ 2,022,760	\$ 1,716,631	\$ 1,504,334
Total non-operating expenses	<u>2,947,068</u>	<u>3,451,124</u>	<u>3,057,735</u>	<u>3,500,804</u>	<u>3,510,318</u>
Net non-operating loss	<u>\$ (2,264,854)</u>	<u>\$ (2,378,329)</u>	<u>\$ (1,034,975)</u>	<u>\$ (1,784,173)</u>	<u>\$ (2,005,984)</u>
Total revenues	\$ 44,404,081	\$ 47,179,727	\$ 49,594,541	\$ 51,167,589	\$ 44,625,457
Total expenses	<u>43,480,454</u>	<u>45,473,478</u>	<u>38,762,049</u>	<u>36,137,426</u>	<u>33,354,456</u>
Net income before capital contributions	923,627	1,706,249	10,832,492	15,030,163	11,271,001
Capital contributions	<u>7,272,236</u>	<u>1,279,271</u>	<u>1,609,053</u>	<u>2,691,176</u>	<u>1,742,433</u>
<b>Changes in net assets</b>	<u>\$ 8,195,863</u>	<u>\$ 2,985,520</u>	<u>\$ 12,441,545</u>	<u>\$ 17,721,339</u>	<u>\$ 13,013,434</u>

# CANAVERAL PORT AUTHORITY

## Schedule of Comparative Operating Revenues by Activity Years Ended September 30, 2009, 2008, 2007, 2006, and 2005

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Cruise ships	\$ 32,595,108	\$ 34,970,797	\$ 36,348,454	\$ 36,865,544	\$ 31,348,757
Cargo ships	3,936,169	3,948,920	5,151,315	7,039,393	6,574,988
Other ships	-	-	-	110,122	198,169
Total ship related operating revenue	<u>36,531,277</u>	<u>38,919,717</u>	<u>41,499,769</u>	<u>44,015,059</u>	<u>38,121,914</u>
Land leases	4,961,324	5,234,516	4,113,670	3,564,605	3,283,772
Park operations	1,606,984	1,309,645	1,291,583	1,169,178	1,043,181
Foreign trade zone	29,968	34,453	17,155	14,100	14,016
Miscellaneous	<u>592,314</u>	<u>608,601</u>	<u>649,604</u>	<u>688,016</u>	<u>658,240</u>
Total non-ship related operating revenue	<u>7,190,590</u>	<u>7,187,215</u>	<u>6,072,012</u>	<u>5,435,899</u>	<u>4,999,209</u>
Total operating revenue	<u>\$ 43,721,867</u>	<u>\$ 46,106,932</u>	<u>\$ 47,571,781</u>	<u>\$ 49,450,958</u>	<u>\$ 43,121,123</u>

## CANAVERAL PORT AUTHORITY

### Schedule of Construction in Progress and Capital Costs Compared with Budget (Prior to Transfer of Completed Projects to Capital Assets)

Year Ended September 30, 2009

	Actual			Budget
	Prior Years	Current Year	Cumulative Total	Cumulative Total
Cruise terminal 5 canopies, toll booth U/G	\$ -	\$ -	\$ -	\$ 500,000
Road improvements	-	-	-	100,000
Cruise terminal parking lot upgrades	210,871	2,474,414	2,685,285	3,999,871
Recreation/tourist development	6,010	-	6,010	100,010
Security fencing/lighting	-	49,342	49,342	260,000
Cruise terminal 10 mooring dolphins	85,834	616,857	702,691	949,834
Communications equipment	-	-	-	5,000
Maintenance dredging	44,456	136,551	181,007	289,456
Cove/marina stormwater	4,072,195	174,759	4,246,954	4,881,195
Other computer equipment	-	72,109	72,109	75,000
Cruise terminal 6/7 waterside	914,899	-	914,899	949,899
CCTV portwide upgrades	15,296	278,805	294,101	390,296
Badging area upgrade/access control	-	19,630	19,630	233,000
Jetty Park upgrades	-	16,919	16,919	100,000
Buildings and improvements	277,255	396,807	674,062	1,555,255
Land improvements	-	-	-	2,634,000
Fire equipment	-	28,078	28,078	42,000
Utilities and improvements	-	-	-	100,000
Office equipment	-	7,787	7,787	50,000
New/replacement vehicles	-	167,688	167,688	175,000
Maritime museum	15,354	6,535	21,889	100,354
Cruise terminal furniture/equipment	-	36,539	36,539	50,000
North cargo piers 3,4 bulkhead wall replace	-	-	-	50,000
Northside drainage system	545,611	850	546,461	668,611
George King Blvd. improvements	620,401	1,683,244	2,303,645	5,370,401
George King Blvd. aquifer storage	756,222	27,384	783,606	1,679,222
West turning basin deepen/widen/cut off	2,354,265	97,528	2,451,793	4,563,265
West turning basin bulkhead cut off	165,632	8,244,034	8,409,666	8,409,732
North cargo pier 8	38,960	-	38,960	88,960
South cargo pier 4 east extension/widening	271,504	2,630	274,134	325,504
Portwide signage	422,561	9,794	432,355	453,561
Scallop drive paving	65,195	19,196	84,391	844,195
Equipment	-	42,592	42,592	100,000
Joint port intelligent and operations center	111,490	58,305	169,795	1,100,490
Landscape and recreation improvements	-	-	-	100,000
Cruise terminal 5 upgrades	29,456	267,454	296,910	1,275,456

## CANAVERAL PORT AUTHORITY

### Schedule of Construction in Progress and Capital Costs Compared with Budget (Prior to Transfer of Completed Projects to Capital Assets) (continued)

Year Ended September 30, 2009

	Actual			Budget
	Prior Years	Current Year	Cumulative Total	Cumulative Total
Cruise terminal 8 parking garage	140,211	5,748,712	5,888,923	5,930,211
Cruise terminal 10 berth extension	68,498	895,918	964,416	1,049,498
Cruise terminal 10 garage artwork upgrade	36,000	50,808	86,808	250,000
Cruise terminal 10 upgrades	31,888	95,600	127,488	499,888
Cruise terminal 10 x-ray area upgrades	578,262	19,947	598,209	1,199,262
Interoperable communications	-	6,532	6,532	1,000,000
Maritime center improvements	-	209,168	209,168	1,000,000
Southside petroleum berth	5,658	4,185	9,843	10,658
Cruise terminal 8 improvements	452,715	1,074,331	1,527,046	1,674,715
Cruise terminal 8 waterside improvements	299,176	4,117,910	4,417,086	8,885,176
Webcasting system	-	12,176	12,176	36,000
Police department	-	137,243	137,243	150,000
	<u>\$ 12,635,875</u>	<u>\$ 27,308,361</u>	<u>\$ 39,944,236</u>	<u>\$ 64,254,975</u>

# CANAVERAL PORT AUTHORITY

Schedule of Insurance in Force

For the Year Ended September 30, 2009

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## Property coverage

Total insured values	\$	105,083,968
Limit on buildings, contents, EDP, signs		50,000,000
Earthquake		20,000,000
Flood		20,000,000

## Primary flood insurance policies

Baggage buildings	\$	1,667,200
Maritime center		500,000
Cruise terminal #2		500,000
Cruise terminal #3		500,000
Cruise terminal #4		500,000
Cruise terminal #5		500,000
Cruise terminal #8		500,000
Cruise terminal #10		500,000
Customs offices		500,000
Old administration building		500,000
Security office		446,000
Maintenance building West		366,000
Maintenance building East		201,000
Storage building		325,600
Boom storage building		158,000
Immigration office trailer		119,000
Electrical switch gears		104,000
Office trailers		104,500
Charter house offices		44,000

## Comprehensive general liability

Comprehensive per occurrence/ bodily injury and property damage	\$	1,000,000
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## Automobile liability and physical damage

Bodily injury and property damage	\$	1,000,000
Medical payments		50,000
Personal injury protection		Statutory
Hired auto liability		1,000,000
Employers non-owned auto liability		1,000,000
Hired auto physical damage limit per vehicle		35,000
Garage keepers legal liability		500,000

## Workers compensation

Employers liability		
Bodily injury by accident/each accident	\$	1,000,000
Bodily injury by disease/each employee		1,000,000
Bodily injury by disease/aggregate		1,000,000

# CANAVERAL PORT AUTHORITY

Schedule of Insurance in Force (continued)

For the Year Ended September 30, 2009

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<b>Umbrella liability</b>	
Per occurrence	\$ 50,000,000
<b>Public officials liability – claims made</b>	
Each wrongful act/aggregate	\$ 10,000,000
<b>Comprehensive crime insurance</b>	
Employee dishonesty	\$ 500,000
Depositors forgery	500,000
Computer fraud	500,000
Money & securities – inside	500,000
– outside	500,000
<b>Florida storage tank</b>	
Per occurrence	\$ 1,000,000
Aggregate	2,000,000
<b>Fiduciary liability</b>	
Aggregate	\$ 1,000,000
<b>Police professional liability</b>	\$ 5,000,000
<b>Line of duty death/dismemberment</b>	\$ Statutory

# CANAVERAL PORT AUTHORITY

## Schedule of Expenditures of State Financial Assistance

For the Fiscal Year Ended September 30, 2009

<u>State Project, Pass-through Entity</u>	<u>CSFA Number</u>	<u>Contract/Grant Number</u>	<u>Expenditures</u>
<b>Florida Department of Transportation</b>			
Direct Programs			
Seaport Grants			
George King Blvd. Widening	55.005	AP848/422829-1-94-01	\$ 815,740
Widen West Turning Basin Entrance	55.005	A0967/418410-1-94-01	69,848
Cargo Pier Improvements	55.005	AOX63/422545-1-94-01	4,990,208
Cargo Pier Improvements (Charles Rowland Drive)	55.005	APE36/423841-1-94-01	1,127,615
Total Department of Transportation			<u>7,003,411</u>
<b>Florida Department of Environmental Protection</b>			
Direct Programs			
Canaveral Inlet Management Plan	37.003	06BE1	65,278
Aquifer Storage and Recovery	37.003	LP6009	59,528
Total Department of Environmental Protection			<u>124,806</u>
Total expenditures of state financial assistance			<u>\$ 7,128,217</u>

Note: This schedule is prepared on the accrual basis of accounting.

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**ADDITIONAL ELEMENTS REQUIRED BY  
GOVERNMENT AUDITING STANDARDS,  
AND THE RULES OF THE AUDITOR GENERAL**

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Hoyman Dobson

## **Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards***

To the Board of Commissioners  
Canaveral Port Authority

We have audited the accompanying financial statements of the Canaveral Port Authority as of and for the year ended September 30, 2009, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 15, 2010. 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.

### **Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Canaveral Port Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Canaveral Port Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Canaveral Port Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### *Certified Public Accountants*

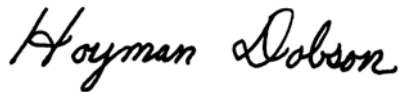
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### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Canaveral Port Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, state and federal awarding agencies, specific legislative or regulatory bodies, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Hoyman Dobson".

**Hoyman Dobson**  
Melbourne, Florida  
February 15, 2010



Hoyman Dobson

**Independent Auditors' Report on Compliance with Requirements Applicable to Each Major State Project and on Internal Control Over Compliance in Accordance with Chapter 10.550, Rules of the Auditor General**

To the Board of Commissioners  
Canaveral Port Authority

**Compliance**

We have audited the compliance of the Canaveral Port Authority with the types of compliance requirements described in the Executive Office of the Governor's *State Projects Compliance Supplement*, that are applicable to its major state project for the year ended September 30, 2009. The Canaveral Port Authority's major state project is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major state project is the responsibility of the Canaveral Port Authority's management. Our responsibility is to express an opinion on the Canaveral Port Authority's compliance based on our audit.

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

In our opinion, the Canaveral Port Authority complied, in all material respects, with the requirements referred to above that are applicable to its major state project for the year ended September 30, 2009.

**Certified Public Accountants**

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### **Internal Control Over Compliance**

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a project on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a state project such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a state project that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a state project will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Board of Commissioners, management, state awarding agencies, specific legislative or regulatory bodies, and the State of Florida Office of the Auditor General and is not intended to be and should not be used by anyone other than these specified parties.



**Hoyman Dobson**  
Melbourne, Florida  
February 15, 2010

# CANAVERAL PORT AUTHORITY

## Schedule of Findings and Questioned Costs – State Projects

For the Year Ended September 30, 2009

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### SECTION A – SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the financial statements of the Canaveral Port Authority.
2. No issues relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of the Canaveral Port Authority were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major state award program are reported.
5. The auditors' report expresses an unqualified opinion on the major state award programs.
6. We had no audit findings that would be required to be reported in accordance with Chapter 10.550, Rules of the Auditor General.
7. The project tested as a major state project was:

<u>CSFA Number</u>	<u>Name of State Project</u>
55.005	Seaport Grants

8. The threshold for distinguishing between Type A and B projects was \$300,000 for state grants.

### SECTION B – FINDINGS – FINANCIAL STATEMENTS

No matters were reported.

### SECTION C – FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS

No matters were reported.

# CANAVERAL PORT AUTHORITY

Schedule of Findings and Questioned Costs – State Projects (Continued)

For the Year Ended September 30, 2009

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## SECTION D – OTHER ISSUES

Status of audit findings for the year ended September 30, 2009 is as follows:

<u>Findings – Financial Statements</u>	<u>Status</u>
IC 2008-01 Review of Employee Timesheets	Cleared

No Summary Schedule of Prior Audit Findings is required because there were no prior audit findings related to Federal or State financial assistance projects.

No Corrective Action Plan is required because there were no findings required to be reported under the Florida Single Audit Act.



Hoyman Dobson

## Independent Auditors' Management Letter

Board of Commissioners  
Canaveral Port Authority

We have audited the financial statements of the Canaveral Port Authority as of and for the fiscal year ended September 30, 2009, and have issued our report thereon dated February 15, 2010.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. We have issued our Independent Auditors' Report on Compliance and Internal Control over Financial Reporting, Independent Auditors' Report on Compliance and Internal Control over Compliance Applicable to Each Major State Project, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 15, 2010, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with the provisions of Chapter 10.550, Rules of the Auditor General, which govern the conduct of local governmental entity audits performed in the State of Florida. This letter includes the following information, which is not included in the aforementioned auditors' reports or schedule:

- ❖ Section 10.554(l)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address significant findings and recommendations made in the preceding annual financial audit report. The recommendations made in the preceding annual financial report have been corrected except as noted below [ML 2009-02].
- ❖ Section 10.554(l)(i)2., Rules of the Auditor General, requires our audit to include a review of the provisions of Section 218.415., Florida Statutes, regarding the investment of public funds. In connection with our audit, we determined that the Canaveral Port Authority complied with Section 218.415, Florida Statutes.
- ❖ Section 10.554(1)(i)3., Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management, accounting procedures, and internal controls. In connection with our audit, we noted the following recommendations:

### *Certified Public Accountants*

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#### ML 2009-01 ETHICS OFFICER AND FRAUD HOTLINE

Observations: The size of the Authority and the current economic environment along with ethical issues that have recently occurred in governmental entities throughout Florida are all good reasons to consider strengthening the Authority's ethics policies and procedures.

Recommendations: We recommend the Authority consider hiring an ethics officer, supplemented by putting a fraud hotline in place.

An ethics officer should be responsible for:

- Ethics training for all employees and the Board
- Ensuring compliance with all Florida financial and gift disclosure laws
- Integrating ethics into procurement, hiring, retention and promotion policies
- Following up on hotline and other tips to determine the validity of the claims

A fraud hotline would give individuals both inside and outside of the Authority the ability to anonymously report ethical issues they may be aware of without the fear or concern of repercussions for reporting issues.

Management Response: Management agrees with the observation/recommendations to supplement present programs in place, below, to safe guard the Port of ethical and fraudulent activities:

- Pre-employment background checks.
- New hire training on the Authority's policy on harassment and fraudulent activities.
- Annually, harassment and fraud training for all employees.

#### ML 2009-02 INFORMATION TECHNOLOGY-LOGICAL ACCESS AND CONTROLS

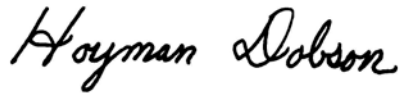
Observations: The Canaveral Port Authority implemented new accounting software during fiscal year 2007. As part of the fiscal year 2007 audit, we performed an in-depth assessment of the information technology internal controls at the Authority in order to determine the effect on our audit, in accordance with Statement on Auditing Standards #94. Our assessment did not uncover any issues that would affect our audit approach; however, we did have recommendations for the Port on how the controls could be further strengthened. During the fiscal year 2009 audit, we reviewed the prior year findings. We noted both findings were partially cleared as of our report date. We presented to Authority management a separate report as of September 30, 2009 with these findings and the matters in the report were discussed with management. The subject matter covered under this assessment and our findings are confidential in nature, and thus specific details of our findings are not disclosed to avoid the possibility of compromising Authority information and security. This exemption from Florida Statutes 119.07(1) and other laws and rules requiring public access or disclosure is addressed under Florida Statute Section 281.301, Security systems; records and meetings exempt from public access or disclosure, and Florida Statute Section 282.318(2)(a).

Management Response: The items identified in the above referenced report have been addressed by the Canaveral Port Authority. As of the date of this response, the processes have been documented and we are at approximately 90% of complete implementation.

- ❖ Section 10.554(l)(i)4., Rules of the Auditor General, requires that we address violations of laws, regulations, contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the determination of financial statement amounts that is less than material but more than inconsequential. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(1)(i)5., Rules of the Auditor General, provides that the auditor may, based on professional judgment, report the following matters that are inconsequential to the determination of financial statement amounts, considering both quantitative and qualitative factors: (1) violations of laws, rules, regulations, and contractual provisions or abuse that have occurred, or were likely to have occurred; (2) control deficiencies that are not significant deficiencies, including, but not limited to; (a) improper or inadequate accounting procedures (e. g., the omission of required disclosures from the financial statements); (b) failures to properly record financial transactions; and (c) other inaccuracies, shortages, defalcations, and instances of fraud discovered by, or that come to the attention of, the auditor. In connection with our audit, we did not have any such findings.
- ❖ Section 10.554(l)(i)6., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this management letter, unless disclosed in the notes to the financial statements. The legal authority of the Canaveral Port Authority is disclosed in the footnotes. The Canaveral Port Authority has no component units.
- ❖ Section 10.554(l)(i)7.a., Rules of the Auditor General, requires a statement be included as to whether or not the local government entity has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the special condition(s) met. In connection with our audit we determined that the Canaveral Port Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.
- ❖ Section 10.554(l)(i)7.b., Rules of the Auditor General, requires that we determine whether the annual financial report for the Canaveral Port Authority for the fiscal year ended September 30, 2009, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2009. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Sections 10.554(i)7.c. and 10.556(7), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the entity's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same.

Board of Commissioners  
Canaveral Port Authority  
Page Four

Pursuant to Chapter 119, Florida Statutes, this management letter is a public record and its distribution is not limited. Auditing standards generally accepted in the United States of America require us to indicate that this letter is intended solely for the information and use of management, and the Florida Auditor General and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Hoyman Dobson". The signature is written in a cursive, flowing style.

**Hoyman Dobson**  
Melbourne, Florida  
February 15, 2010

# CANAVERAL PORT AUTHORITY

## Appendix A - Schedule of Seaport Bond Program Projects

For the Year Ended September 30, 2009

Project Description	Project Number/ Bond Fund	Total Authorized Project Costs	Current Year Expenditures	Cumulative Expenditures	Expenditures to Total Authorized Project Costs
Cruise Terminal 8	97-2RP / 320.20(3)	\$ 11,000,000	\$ -	\$ 11,000,000	100%
Canaveral Cove	96-2P / 320.20(3)	1,044,000	-	1,044,000	100%
Channel Widening & Deepening	97-3RP / 320.20(3)	800,000	-	800,000	100%
Roro Ramp and Container Yard	97-7 / 320.20(3)	3,316,229	-	3,316,229	100%
Parking Cruise Terminal 2&3	97-5 / 320.20(3)	235,885	-	235,885	100%
Wastewater	97-1P / 320.20(3)	980,329	-	980,329	100%
Fire Training Facility	97-10 / 320.20(3)	994,640	-	994,640	100%
Fire Station	97-8 / 320.20(3)	595,000	-	595,000	100%
Cruise Terminal 6&7	98-1 / 320.20(3)	258,633	-	258,633	100%
South Cargo Pier 4 Extension	99-1 / 320.20(3)	2,534,702	-	2,534,702	100%
Additions and Modifications to Cruise Terminals No. 5 & 10	2000-1 / 320.20(3)	1,918,599	-	1,918,599	100%
Landside and Waterside Modifications to CT5 (Megaship)	01-P-2E / 320.20(3)	1,213,658	-	1,213,658	100%
Various Bulkheads	2000-3 / 320.20(3)	675,000	-	675,000	100%
<b>Total of 320.20(3) Fund</b>		<b>25,566,675</b>	<b>-</b>	<b>25,566,675</b>	<b>100%</b>
George King Interchange (75/25)	00-4P / 320.20(4)	11,979,302	-	11,979,302	100%
South Intermodal Gate (50/50)	97-9 / 320.20(4)	146,000	-	146,000	100%
Widener Widening (75/25)	00-5 / 320.20(4)	334,284	-	334,284	100%
WTB SR 401 Overpass (75/25)	00-7P / 320.20(4)	3,693,000	-	3,693,000	100%
WTB SR 401 Intermodal Gate (50/50)	00-7P / 320.20(4)	5,180,000	-	5,180,000	100%
Security Access Control (90/10)	PS1-03 / 320.20(4)	327,236	-	327,236	100%
<b>Total 320.20(4) Fund</b>		<b>21,659,822</b>	<b>-</b>	<b>21,659,822</b>	<b>100%</b>
<b>Grand Total</b>		<b>\$ 47,226,497</b>	<b>\$ -</b>	<b>\$ 47,226,497</b>	<b>100%</b>

**Note:** The Schedule of Seaport Bond Program Project is on the cash basis of accounting.