



**Port Canaveral**

445 Challenger Road P.O. Box 267 Cape Canaveral, Florida 32920 USA  
321.783.7831 888.767.8226 [www.portcanaveral.com](http://www.portcanaveral.com)

**CANAVERAL PORT AUTHORITY**

**FINANCIAL STATEMENTS**

**YEARS ENDED**

**SEPTEMBER 30, 2010 AND 2009**

THIS PAGE INTENTIONALLY LEFT BLANK.

# CANAVERAL PORT AUTHORITY

Years Ended September 30, 2010 and 2009

## Table of Contents

	<u>Page</u>
<b>Introductory Section</b>	
Title Page	i
Table of Contents	iii
Public Officials	v
<b>Financial Section</b>	
Independent Auditors' Report	vii
Management's Discussion and Analysis	ix
Basic Financial Statements	
• Statements of Net Assets	2
• Statements of Revenues, Expenses and Changes in Net Assets	4
• Statements of Cash Flows	5
• Notes to Financial Statements	7
Required Supplementary Information	
• Schedule of Funding Progress of Other Postemployment Benefits	37
Supplementary Information	
• Schedule of Revenues, Expenses and Income before Capital Contributions Compared with Budget	41
• Schedule of Comparative Revenues, Expenses and Changes in Net Assets, Years Ended September 30, 2010, 2009, 2008, 2007, and 2006	45
• Schedule of Comparative Operating Revenues by Activity, Years Ended September 30, 2010, 2009, 2008, 2007, and 2006	49
• Schedule of Construction in Progress and Capital Costs Compared with Budget (Prior to Transfer of Completed Projects to Capital Assets)	50
• Schedule of Insurance in Force	53
• Schedule of Expenditures of Federal Awards and State Financial Assistance	55
<b>Additional Elements Required by <i>Government Auditing Standards</i> and the Rules of the Auditor General</b>	
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 <i>Government Auditing Standards</i>	59
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General	61
Schedule of Findings and Questioned Costs – Federal Programs and State Projects	63
Independent Auditors' Management Letter	65

# CANAVERAL PORT AUTHORITY

Years Ended September 30, 2010 and 2009

## Table of Contents (Continued)

---

	<u>Page</u>
<b>Additional Schedule</b>	
Appendix A - Schedule of Seaport Bond Program Projects	69

# CANAVERAL PORT AUTHORITY

Public Officials

At September 30, 2010

---

Tom Goodson (\*)  
Chairman

Joe D. Matheny  
Vice Chairman

Malcolm "Mac" McLouth  
Secretary-Treasurer

Raymond P. Sharkey  
Commissioner

R. Bruce Deardoff  
Commissioner

J. Stanley Payne  
Chief Executive Officer

Harold Bistline  
Port Attorney

Jon O. Brazee, P.E. (\*\*)  
Chief Engineer/Deputy Executive Director

Joe Hellebrand  
Chief, Operations and Public Safety Chief of Police

Jeff Long  
Chief Financial Officer/Deputy Executive Director

(\*) Resigned effective November 2, 2010.

(\*\*) Resigned effective January 7, 2011.

THIS PAGE IS INTENTIONALLY LEFT BLANK.



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, 2010 and 2009, 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 audits 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, 2010 and 2009, and the respective changes in financial position and cash flows, thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

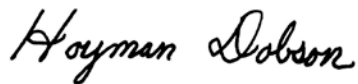
In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2011, on our consideration of the Canaveral Port Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant 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 xiv and the Schedule of Funding Progress of Other Postemployment Benefits on Page 37 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted

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 41-54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information related to the 2010, 2009, 2008, 2007, and 2006 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 introductory section i – vii and additional schedule on page 69 have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

The accompanying schedule of expenditures of federal awards and state financial assistance on page 55 is presented for purposes of additional analysis as required by OMB Circular A-133 and 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 4, 2011

## 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, 2010 and 2009. **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 \$211,365 (*net assets*). Of this amount, \$ 35,115 (*unrestricted net assets*) may be used to meet the Authority's ongoing obligations to creditors.
- The Authority's total net assets increased by \$8,142. This increase consists of \$6,061 of income before capital contributions, and \$2,081 of capital contributions.
- At the end of the current fiscal year, unrestricted net assets were 82 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 required supplementary information on page 37 of this report, and other supplementary information on pages 41-54 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, 2010 and 2009 by \$211,365 and \$203,223, respectively.

The following table reflects the condensed statement of net assets:

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

	2010	2009	2008	
Current and other assets	\$ 65,803	\$ 70,438	\$ 77,546	*
Capital assets	235,173	226,060	212,735	*
Total assets	<u>300,976</u>	<u>296,498</u>	<u>290,281</u>	
Current liabilities	11,963	11,288	9,803	***
Noncurrent liabilities	77,648	81,987	85,451	***
Total liabilities	<u>89,611</u>	<u>93,275</u>	<u>95,254</u>	
Net assets:				
Invested in capital assets, net of related debt	170,234	167,915	156,102	**
Restricted	6,016	6,016	6,016	
Unrestricted	35,115	29,292	32,909	**
Total net assets	<u>\$ 211,365</u>	<u>\$ 203,223</u>	<u>\$ 195,027</u>	

(\*) The 2008 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 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.

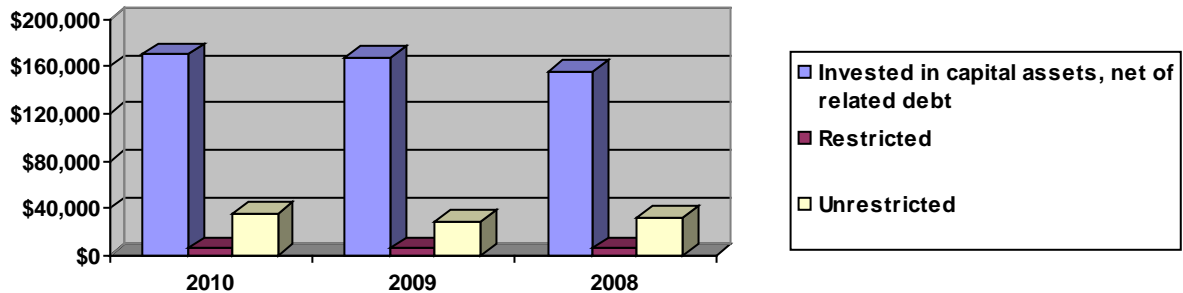
(\*\*\*) The 2009 current and noncurrent liabilities have been reclassified to conform to the current year presentation. A portion of net OPEB liabilities was reclassified from noncurrent to current.

By far the largest portion of the Canaveral Port Authority's net assets as of September 30, 2010 and 2009 (80.54 percent and 82.63 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, 2010 and 2009 (2.85 percent and 2.96 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 increased by \$5,823. In the prior year, unrestricted net assets were reduced by \$3,617.

The Authority's total net assets increased by \$8,142 during the current fiscal year. Of this amount, \$6,061 represents net income before capital contributions. The remaining \$2,081 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)

	2010	2009	2008
Operating revenues:			
Fees and charges for services	\$ 47,021	\$ 43,164 **	\$ 46,107
Non-operating revenues:			
Investment earnings	428	410	650 *
Other	1,367	272	422
Total non-operating revenues	1,795	682	1,072
Total revenues	48,816	43,846	47,179
Operating expenses:			
Operations, maintenance and security	15,761	16,113	17,371
Executive, finance and administration	4,999	5,108	5,402
Engineering and environmental	1,518	1,660	2,352
Other	2,718	3,133 **	3,384
Depreciation and amortization	14,784	13,962	13,513
Total operating expenses	39,780	39,976	42,022
Non-operating expenses			
Interest	2,224	2,344	2,460
Other	751	603	991
Total non-operating expenses	2,975	2,947	3,451
Total expenses	42,755	42,923	45,473 *
Income before contributions	6,061	924	1,706
Capital contributions	2,081	7,272	1,280
Change in net assets	8,142	8,196	2,986
Net assets – beginning	203,223	195,027	192,041
Net assets – ending	\$ 211,365	\$ 203,223	\$ 195,027

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

(\*\*) The 2009 fees and services, as well as other expenses have been reclassified to conform to the current year presentation.

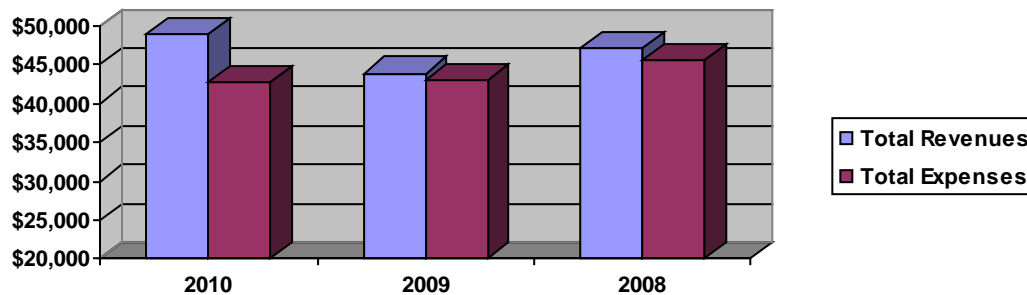
Key elements of the increase in net assets for the fiscal year ended September 30, 2010 are as follows.

- Fees and charges for services increased 8.94 percent due mainly to an increase in the number of cruise passengers over prior year. Increased passengers were primarily the result of a full year of the Freedom of the Seas sailing, along with the arrival of the Carnival Dream in early fiscal year 2010.
- Other non-operating revenues increased by \$1,113 over prior year due mainly to Port Security Grants that are associated with the formation of the new Port police department. Investment earnings increased slightly in 2010, up \$18 over the prior fiscal year.
- Capital contributions decreased during the current fiscal year by \$5,191, but continue to be a contributing revenue source for the Authority, contributing \$2,081 to the change in net assets.

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 6.38 percent. This is due primarily to the decrease in cargo activity during the fiscal year.
- Other non-operating 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.

### Total Revenues and Expenses



### Capital Asset and Debt Administration

**Capital assets.** The Canaveral Port Authority's capital assets as of September 30, 2010 and 2009 amount to \$235,173 and \$ 226,060, 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 was 4.03 percent and 6.26 percent for fiscal years 2010 and 2009, respectively.

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 increase to Construction in Progress was \$11.7 million.

- Several major projects included in Construction in Progress were completed in 2010 including:
  - George King Blvd improvements at a cost of \$5,498
  - Cruise Terminal #10 parking lot upgrades at a cost of \$3,446
  - Maritime Center Tenant improvements at a cost of \$763
  - Scallop Drive paving at a cost of \$501
- Additions for the year ended September 30, 2010 were offset by depreciation expense of \$13,557 and amortization expense of \$1,227.

Major capital asset events for the fiscal year ended September 30, 2009 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 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.

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

	2010	2009	2008
Land	\$ 4,603	\$ 4,603	\$ 4,603
Buildings	13,113	14,015	15,025
Improvements other than buildings	173,578	173,263	166,919
Equipment	6,583	7,283	7,826
Equipment under capital leases	50	80	110
Intangibles	3,162	4,389	5,616 *
Construction in progress	34,084	22,427	12,636
Total	<u>\$ 235,173</u>	<u>\$ 226,060</u>	<u>\$ 212,735</u>

(\*) The 2008 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, 2010 and 2009, the Canaveral Port Authority had total bonded debt outstanding of \$78,961 and \$83,359, 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)**

	2010	2009	2008
Revenue Refunding Bonds, Series 1996B	\$ 710	\$ 710	\$ 710
Revenue Refunding Bonds, Series 2002A	7,295	10,765	14,135
Revenue Bonds, Series 2002B	8,650	8,650	8,650
Revenue Refunding Bonds, Series 2005	15,730	15,870	16,005
Revenue Refunding Bonds, Series 2006A	16,210	16,390	16,565
Revenue Bonds, Series 2006B	1,330	1,330	1,330
Revenue Bonds, Series 2008	30,275	31,095	32,000
Less deferred amounts for discounts	(149)	(170)	(191)
Plus deferred amounts for premiums	325	376	428
Less deferred loss on refunding	(1,415)	(1,657)	(1,899)
Total revenue bonds	<u>\$ 78,961</u>	<u>\$ 83,359</u>	<u>\$ 87,733</u>

The Canaveral Port Authority's total revenue bonds decreased by \$4,398 (5.28 percent) during the current fiscal year and decreased during the prior year. The current year fiscal and prior year decreases were 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 19-23 of this report.

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

- Charges for services are budgeted to increase 15.81 percent for fiscal year ending September 30, 2011, while operating expenses are budgeted to increase 15.93 percent, due to a number of factors including a \$1,020 increase in budgeted depreciation expense and amortization costs, a \$2,332 increase in operating due mainly to the increased number of cruises, and a \$1,065 increase in public safety for the new police department.
- The Authority has budgeted \$8.1 million for security costs for the 2011 budget year.
- Income before capital contributions for the fiscal year ending September 30, 2011 is budgeted at \$7,585. This represents a 25.15 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.

**BASIC FINANCIAL STATEMENT**

# CANAVERAL PORT AUTHORITY

## Statements of Net Assets

September 30, 2010 and 2009

### ASSETS

	<u>2010</u>	<u>2009</u>
<b>Current assets</b>		
Cash and cash equivalents	\$ 29,511,615	\$ 24,544,390
Restricted cash and cash equivalents	16,769,230	28,047,090
Investments	2,953,450	2,930,677
Accounts receivable - trade	2,255,787	2,326,137
Prepaid expenses	1,691,168	1,676,577
Due from other governmental units	3,599,045	2,187,919
Other receivables, current	660,513	454,210
Total current assets	<u>57,440,808</u>	<u>62,167,000</u>
<b>Noncurrent assets</b>		
Restricted cash and cash equivalents	6,016,423	6,016,423
Unamortized bond issuance costs	775,663	902,363
Other receivables, long-term	1,570,264	1,351,951
Capital assets (net of accumulated depreciation or amortization):		
Land	4,602,954	4,602,954
Buildings	13,113,229	14,014,719
Improvements other than buildings	173,578,163	173,262,811
Equipment	6,582,748	7,283,129
Equipment held under capital lease	49,992	79,988
Intangible assets	3,161,623	4,388,698
Construction in progress	34,084,320	22,427,364
Total noncurrent assets	<u>243,535,379</u>	<u>234,330,400</u>
<b>Total assets</b>	<u>\$ 300,976,187</u>	<u>\$ 296,497,400</u>

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

**LIABILITIES**

	<u>2010</u>	<u>2009</u>
<b>Current liabilities</b>		
Accounts payable and accrued expenses	\$ 4,987,257	\$ 4,465,151
Unearned revenue	539,306	570,740
Payroll and sales taxes payable	65,067	91,723
Revenue bonds payable, current portion	3,470,000	3,346,666
Note payable, current portion	90,980	85,694
Compensated absences, current portion	12,958	4,414
Net OPEB liability (Note 3.L.), current portion	30,000	19,000
Other liabilities, current portion	285,000	209,000
Payable from restricted assets:		
Accrued interest payable	1,177,602	1,231,804
Revenue bonds payable, current portion	1,305,000	1,263,334
Total current liabilities	<u>11,963,170</u>	<u>11,287,526</u>
<b>Noncurrent liabilities</b>		
Revenue bonds payable, less current portion	74,185,608	78,748,532
Note payable, less current portion	654,348	745,328
Compensated absences, less current portion	553,347	614,438
Net OPEB liability (Note 3.L.), less current portion	161,000	76,000
Other liabilities, long-term portion	2,093,685	1,802,601
Total noncurrent liabilities	<u>77,647,988</u>	<u>81,986,899</u>
<b>Total liabilities</b>	<u>89,611,158</u>	<u>93,274,425</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	170,233,277	167,914,606
Restricted for debt service	6,016,423	6,016,423
Unrestricted	35,115,329	29,291,946
<b>Total net assets</b>	<u>211,365,029</u>	<u>203,222,975</u>
<b>Total liabilities and net assets</b>	<u>\$ 300,976,187</u>	<u>\$ 296,497,400</u>

# CANAVERAL PORT AUTHORITY

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

Years Ended September 30, 2010 and 2009

	2010	2009
<b>Operating revenues</b>		
Fees and charges for services	\$ 47,020,558	\$ 43,164,434
<b>Operating expenses</b>		
Operations	8,731,013	9,333,672
Public safety	7,030,095	6,779,382
Parks and recreation	969,248	1,226,187
Fire training facility	164,207	174,658
Executive	1,295,506	1,254,653
Finance and accounting	847,530	910,855
Administrative services	2,855,999	2,942,404
Engineering and environmental	1,518,036	1,659,732
Business development	713,148	805,548
Communications	624,356	582,543
Tenant development	246,852	344,705
Depreciation	13,557,270	12,733,871
Amortization	1,227,075	1,227,743
Total operating expenses	39,780,335	39,975,953
<b>Operating income</b>	7,240,223	3,188,481
<b>Non-operating revenues</b>		
Investment earnings	427,989	410,363
Grant revenue	1,327,866	271,809
Gain on equipment disposals	39,122	42
Total non-operating revenues	1,794,977	682,214
<b>Non-operating expenses</b>		
Interest expense	2,224,096	2,344,471
Amortization of bond costs and discounts	389,830	398,129
Loss on equipment disposals	-	21,888
Commissions and fees	3,000	1,000
Federal grant expense	261,657	127,580
Grant administration fee	96,052	54,000
Total non-operating expenses	2,974,635	2,947,068
Income before capital contributions	6,060,565	923,627
Capital contributions	2,081,489	7,272,236
<b>Change in net assets</b>	8,142,054	8,195,863
<b>Net assets, beginning of year</b>	203,222,975	195,027,112
<b>Net assets, end of year</b>	\$ 211,365,029	\$ 203,222,975

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

# CANAVERAL PORT AUTHORITY

## Statements of Cash Flows

Years Ended September 30, 2010 and 2009

	2010	2009
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 46,634,858	\$ 43,663,752
Cash paid to suppliers for goods and services	(13,966,401)	(13,686,458)
Cash payments to employees for services	(10,982,956)	(11,197,701)
Net cash provided by operating activities	<u>21,685,501</u>	<u>18,779,593</u>
<b>Cash flows from non-capital financing activities:</b>		
Grant revenue received	<u>1,274,267</u>	<u>304,375</u>
Net cash provided by non-capital financing activities	<u>1,274,267</u>	<u>304,375</u>
<b>Cash flows from capital and related financing activities:</b>		
Interest paid on revenue bonds	(2,278,298)	(2,269,178)
Principal payments on revenue bonds	(4,610,000)	(4,585,000)
Acquisition and construction of capital assets	(23,410,657)	(26,878,092)
Contributed capital	723,962	5,944,606
Principal payments on note payable	(85,694)	(80,717)
Proceeds from the sale of assets	39,122	42
Payment of commissions and fees	(3,000)	(1,000)
Net cash used in capital and related financing activities	<u>(29,624,565)</u>	<u>(27,869,339)</u>
<b>Cash flows from investing activities:</b>		
Interest received on investments	83,859	563,594
Purchase of investments	(3,053,679)	(2,250,000)
Sale of investments	<u>3,323,982</u>	<u>250,428</u>
Net cash provided by (used in) investing activities	<u>354,162</u>	<u>(1,435,978)</u>
<b>Net decrease in cash and cash equivalents</b>	<u>(6,310,635)</u>	<u>(10,221,349)</u>
<b>Cash and cash equivalents, beginning of year</b>	<u>58,607,903</u>	<u>68,829,252</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 52,297,268</u>	<u>\$ 58,607,903</u>

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

# CANAVERAL PORT AUTHORITY

Statements of Cash Flows (continued)

Years Ended September 30, 2010 and 2009

	2010	2009
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
<b>Operating income</b>	<b>\$ 7,240,223</b>	<b>\$ 3,188,481</b>
<b>Adjustment to reconcile operating income to net cash provided by operating activities</b>		
Depreciation expense	13,557,270	12,733,871
Amortization of other assets	1,227,075	1,227,743
Bad debt expense	140,388	557,433
Grant administration	(96,052)	(54,000)
Federal grant expense	(261,657)	(127,580)
(Increase) decrease in assets:		
Accounts receivable	(70,038)	(159,899)
Other receivables, current	(424,616)	(540,664)
Prepaid expenses	(14,591)	(16,357)
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	35,052	1,002,519
Unearned revenue	(31,434)	85,015
Compensated absences	(52,547)	49,514
Net OPEB liability	96,000	95,000
Other liabilities, current	367,084	734,984
Payroll and sales tax payable	(26,656)	3,533
Total adjustments	14,445,278	15,591,112
<b>Net cash provided by operating activities</b>	<b>\$ 21,685,501</b>	<b>\$ 18,779,593</b>

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

During 2010 and 2009, the Authority reallocated the amounts related to environmental remediation between current and long term.

Increase in other receivables, current	\$ (630,387)	\$ (174,560)
Decrease in other receivables, long term	630,387	174,560
Increase (decrease) in other liabilities, current	(76,000)	232,747
Increase (decrease) in other liabilities, long term	76,000	(232,747)
Net non-cash effect	\$ -	\$ -

During 2010 and 2009, the Authority recorded an unrealized gain (loss) on investments of \$211,507 and \$(280,862), respectively.

During 2010 and 2009, the Authority's balance in due from other governmental units relating to capital contributions increased by \$1,357,527 and \$1,327,630, respectively.

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

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

---

<b>Note</b>	<b>Contents</b>	<b>PAGE</b>
<b>1.</b>	<b><u>Summary of Significant Accounting Policies</u></b>	
	A. Reporting Entity	9
	B. Measurement, Focus, Basis of Accounting, and Financial Statement Presentation	9
	C. Assets, Liabilities and Net Assets	9
	D. Revenues and Expenses	11
<b>2.</b>	<b><u>Budgetary Information</u></b>	12
<b>3.</b>	<b><u>Detail Notes</u></b>	
	A. Deposits and Investments	13
	B. Restricted Assets	14
	C. Capital Assets	15
	D. Accounts Payable and Accrued Expenses	17
	E. Other Liabilities	17
	F. Revenue Bonds Payable	19
	G. Note Payable	24
	H. Changes in Long-term Liabilities	24
	I. Restricted Net Assets	25
	J. Retirement Plan	26
	K. Defined Contribution Plan	26
	L. Other Postemployment Benefits	27
	M. Natural Disaster	29
	N. Leasing and Operating Agreement Arrangements with Authority as Lessor	30
	O. Major Customers	30
	P. Risk Management	31
	Q. Significant Estimate	31
	R. Wastewater Service Capacity Agreement	31
	S. Concentration - Collective Bargaining Unit	32
<b>4.</b>	<b><u>Commitments and Contingencies</u></b>	
	A. Construction	32
	B. Marine Terminal Lease	32
	C. Litigation	32
<b>5.</b>	<b><u>Reclassification</u></b>	33
<b>6.</b>	<b><u>Subsequent Event</u></b>	33

THIS PAGE IS INTENTIONALLY LEFT BLANK.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

---

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### A. REPORTING ENTITY

The Canaveral Port Authority (the “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, 2010 and 2009

---

## **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 (the “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 LGIP) 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.

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, 2010 and 2009

---

## 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, 2010 and 2009

---

## 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 41 through 44.

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, 2010 and 2009

---

## NOTE 3 – DETAIL NOTES

### A. DEPOSITS AND INVESTMENTS

At September 30, 2010 and 2009, the carrying amount of the Authority's deposits with banks and savings and loans was \$5,510,601 and \$3,665,554, respectively, and the bank balance was \$7,053,224 and \$5,407,114. In addition, the Authority holds \$500 of petty cash at September 30, 2010 and 2009. As of September 30, 2010, \$250,000 of the Authority's bank balances is covered by federal depository insurance (FDIC). 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, 2010 and 2009

## NOTE 3 – DETAIL NOTES (CONTINUED)

### A. DEPOSITS AND INVESTMENTS (CONTINUED)

At September 30, 2010, 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)	\$ 148,601	\$ 148,601	\$ -	\$ -	AAAm	S&P
SBA Fund B	652,799	-	-	652,799	Not rated	-
US Treasuries	45,877,841	45,877,841	-	-	AAA	S&P
Certificates of Deposit	3,060,376	3,060,376	-	-	Not rated	-
	<u>\$ 49,739,617</u>	<u>\$ 49,086,818</u>	<u>\$ -</u>	<u>\$ 652,799</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.

	2010	2009
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	\$ 8,019,469	\$ 8,019,016
Construction Trust Account	14,766,184	26,044,497
Total	<u>\$ 22,785,653</u>	<u>\$ 34,063,513</u>

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

## NOTE 3 – DETAIL NOTES (CONTINUED)

### C. CAPITAL ASSETS

Capital asset activity for the years ended September 30, 2010 and 2009 was as follows:

	2010			Balance September 30, 2010
	Balance October 1, 2009	Increases	Decreases	
Capital assets, not being depreciated/amortized:				
Land	\$ 4,602,954	\$ -	\$ -	\$ 4,602,954
Construction in progress	22,427,364	23,897,711	(12,240,755)	34,084,320
Total capital assets, not being depreciated/amortized	<u>27,030,318</u>	<u>23,897,711</u>	<u>(12,240,755)</u>	<u>38,687,274</u>
Capital assets, being depreciated/amortized:				
Buildings	23,902,027	847,332	-	24,749,359
Improvements other than buildings	290,645,277	10,532,197	-	301,177,474
Equipment	14,985,778	861,226	(216,709)	15,630,295
Equipment held under capital lease	299,953	-	-	299,953
Intangible assets	10,482,129	-	-	10,482,129
Total capital assets being depreciated/amortized	<u>340,315,164</u>	<u>12,240,755</u>	<u>(216,709)</u>	<u>352,339,210</u>
Less accumulated depreciation/amortization for:				
Buildings	(9,887,308)	(1,748,822)	-	(11,636,130)
Improvements other than buildings	(117,382,466)	(10,216,845)	-	(127,599,311)
Equipment	(7,702,649)	(1,561,607)	216,709	(9,047,547)
Equipment held under capital lease	(219,965)	(29,996)	-	(249,961)
Intangible assets	(6,093,431)	(1,227,075)	-	(7,320,506)
Total accumulated depreciation/amortization	<u>(141,285,819)</u>	<u>(14,784,345)</u>	<u>216,709</u>	<u>(155,853,455)</u>
Total capital assets, being depreciated/amortized, net	<u>199,029,345</u>	<u>(2,543,590)</u>	<u>-</u>	<u>196,485,755</u>
Capital assets, net	<u>\$ 226,059,663</u>	<u>\$ 21,354,121</u>	<u>\$ (12,240,755)</u>	<u>\$ 235,173,029</u>

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

## NOTE 3 – DETAIL NOTES (CONTINUED)

### C. CAPITAL ASSETS (CONTINUED)

	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/amortized 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, 2010 and 2009

---

## 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>2010</u>	<u>2009</u>
Accounts and contracts payable	\$ 3,269,215	\$ 3,103,334
Retainages payable	1,270,461	783,407
Hurricane damage liability	-	122,800
Accrued payroll	361,263	324,907
Accrued employee benefits	86,318	130,703
	<u>\$ 4,987,257</u>	<u>\$ 4,465,151</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, 2010 and 2009

---

## 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.

During fiscal year 2010, 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 additional feedback obtained from a state monitoring agency. Accordingly, the Authority accrued an additional liability of approximately \$566,000 to complete the soil decontamination. A corresponding additional receivable of approximately \$425,000 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 2010 and 2009 statements of revenues, expenses and changes in net assets as engineering and environmental expenses in the amount of approximately \$142,000 and \$283,000, respectively.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

## NOTE 3 – DETAIL NOTES (CONTINUED)

### E. OTHER LIABILITIES (CONTINUED)

At September 30, 2010 and 2009, the liability balances are \$2,378,685 and \$2,011,601, respectively. These liabilities are reported as other liabilities, current portion in the amount of \$285,000 and \$209,000 at September 30, 2010 and 2009, respectively, and as other liabilities, long-term portion in the amount of \$2,093,685 and \$1,802,601, respectively. In accordance with GASB Statement No. 49, the September 30, 2010 liability of \$2,378,685 is based on the weighted average probability of expected outlays ( $(\$1,464,750 \times 0.15) + (\$1,051,508 \times 0.65) + (\$3,321,850 \times .17) + (\$8,692,600 \times .03)$ ). As of September 30, 2010, 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, 2010 and 2009 are \$2,230,777 and \$1,806,161, respectively. These receivables are included in other receivables, current in the amount of \$660,513 and \$454,210 at September 30, 2010 and 2009, respectively, and in other receivables, long-term in the amount of \$1,570,264 and \$1,351,951, respectively.

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

Claims Liability October 1, 2009	Fiscal Year 2010 Incurred Claims	Fiscal Year 2010 Payments on Claims	Claims Liability September 30, 2010
\$ 2,011,601	\$ 566,154	\$ (199,070)*	\$ 2,378,685
Claims Liability October 1, 2008	Fiscal Year 2009 Incurred Claims	Fiscal Year 2009 Payments on Claims	Claims Liability September 30, 2009
\$ 1,276,617	\$ 1,131,598	\$ (396,614)*	\$ 2,011,601

\*Payments on claims are reimbursed by the former lessee at a rate of 75%. In 2010, the Authority received \$0 for prior years' claims. In 2009, the Authority received \$308,035 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.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

## NOTE 3 – DETAIL NOTES (CONTINUED)

### F. REVENUE BONDS PAYABLE (CONTINUED)

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, 2010 and 2009.

A summary of long-term debt at September 30, 2010 and 2009 follows:

	2010	2009
Port Improvement Revenue Refunding Bonds, Series 1996B	\$ 710,000	\$ 710,000
Port Revenue Refunding Bonds, Series 2002A	7,295,000	10,765,000
Port Improvement Revenue Bonds, Series 2002B	8,650,000	8,650,000
Port Revenue Refunding Bonds, Series 2005	15,730,000	15,870,000
Port Revenue Refunding Bonds, Series 2006A	16,210,000	16,390,000
Port Improvement Revenue Bonds Series 2006B	1,330,000	1,330,000
Port Improvement Revenue Bonds Series 2008	30,275,000	31,095,000
Total revenue bonds	<u>80,200,000</u>	<u>84,810,000</u>
Less: unamortized discounts	(149,009)	(169,963)
Plus: unamortized premiums	324,483	375,537
Less: unamortized loss on refunding	<u>(1,414,866)</u>	<u>(1,657,042)</u>
	78,960,608	83,358,532
Less: current maturities	<u>(4,775,000)</u>	<u>(4,610,000)</u>
Revenue bonds payable, less current portion	<u>\$ 74,185,608</u>	<u>\$ 78,748,532</u>

### 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, 2010 and 2009

---

## 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, 2010 and 2009

---

## **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, 2010 and 2009

## 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 2023.

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 \$149,009, unamortized premiums of \$324,483, and the unamortized loss on refunding of \$1,414,866 for all outstanding revenue bonds payable, as of September 30, 2010, are as follows:

	Principal	Interest	Total
2011	\$ 4,775,000	\$ 3,532,808	\$ 8,307,808
2012	4,950,000	3,359,222	8,309,222
2013	5,130,000	3,178,140	8,308,140
2014	5,345,000	2,961,572	8,306,572
2015	5,570,000	2,734,954	8,304,954
2016 to 2020	31,690,000	9,849,470	41,539,470
2021 to 2023	22,740,000	2,180,590	24,920,590
Total	<u>\$ 80,200,000</u>	<u>\$ 27,796,756</u>	<u>\$ 107,996,756</u>

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

## 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, 2010 and September 30, 2009, was as follows:

	Balance October 1, 2009	Additions	Reductions	Balance September 30, 2010	Due Within One Year
Revenue bonds payable	\$ 84,810,000	\$ -	\$ (4,610,000)	\$ 80,200,000	\$ 4,775,000
Less deferred amounts:					
For issuance discounts	(169,963)	-	20,954	(149,009)	-
For issuance premiums	375,537	-	(51,054)	324,483	-
Loss on refunding	(1,657,042)	-	242,176	(1,414,866)	-
Note payable	831,022	-	(85,694)	745,328	90,980
Compensated absences	618,852	536,624	(589,171)	566,305	12,958
Net OPEB liability	95,000	96,000	-	191,000	30,000
Other liabilities, long-term	2,011,601	566,154	(199,070)	2,378,685	285,000
Long-term liabilities	<u>\$ 86,915,007</u>	<u>\$ 1,198,778</u>	<u>\$ (5,271,859)</u>	<u>\$ 82,841,926</u>	<u>\$ 5,193,938</u>

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

## NOTE 3 – DETAIL NOTES (CONTINUED)

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

	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	19,000
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>\$ 4,928,108</u>

### I. RESTRICTED NET ASSETS

The following schedule lists the amounts of net assets that are restricted as of September 30, 2010 and 2009, 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.

	2010	2009
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, 2010 and 2009

---

## 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 10.77% to 18.64% during 2010 and 9.85% to 16.53% during 2009 and 2008. The amount of covered payroll for the years ended September 30, 2010, 2009 and 2008 was \$812,263, \$769,583 and \$912,759, respectively. The Canaveral Port Authority's contributions to the System for the three years ended September 30, 2010, 2009 and 2008 were \$82,894, \$77,291 and \$94,338, 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 year ended September 30, 2009, and through June 30, 2010. Required contributions to the Plan beginning July 1, 2010 are based on 10.77% of salary. 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, 2010 and 2009, the total payroll for all employees of the Authority was \$7,664,985 and \$7,684,204, respectively. The amount of covered payroll for the years ended September 30, 2010 and 2009 was \$6,294,878 and \$6,104,467, respectively. The amount of pension expense was \$635,885 and \$601,290, respectively.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

---

## NOTE 3 - DETAIL NOTES (CONTINUED)

### L. OTHER POSTEMPLOYMENT BENEFITS

As of October 1, 2008, the Authority implemented Governmental Accounting Standards Board Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions* (OPEB), for certain postemployment 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, 2010, the contribution made by the Port was \$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, 2010 and 2009

---

## NOTE 3 - DETAIL NOTES (CONTINUED)

### L. OTHER POSTEMPLOYMENT 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, 2010, the amount actually contributed to the Plan, and changes in the Authority's net OPEB obligation to the Plan:

Annual required contribution	\$ 115,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	115,000
Contributions made	(19,000)
Interest on employer contributions	-
Increase in net OPEB obligation	96,000
Net OPEB obligation – beginning of year	95,000
Net OPEB obligation – end of year	\$ 191,000

The Authority's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the fiscal years ending September 30, 2010 and 2009 were as follows:

Year Ending	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/10	\$ 115,000	17%	\$ 191,000
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, 2010 and 2009

---

## NOTE 3 - DETAIL NOTES (CONTINUED)

### L. OTHER POSTEMPLOYMENT 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-dollar payment method over a 10 year open period.

### 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 were well below the property deductibles per location that are maintained in the Authority's insurance program. As of September 30, 2010 and 2009, the Authority's remaining liability is \$0 and \$122,000, respectively, and is recorded in accounts payable and accrued expenses in the statement of net assets.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

---

## 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, 2010 and 2009, the Authority recorded a receivable due from other governmental units of \$171,835 and \$271,159, 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 \$5,324,829 for 2010 and \$4,961,324 for 2009. Future lease payments to be received are as follows:

2011	\$ 5,186,858
2012	5,031,299
2013	4,924,332
2014	4,790,460
2015	4,600,174
2016 to 2020	20,475,602
2021 to 2025	18,336,662
2026 to 2030	12,694,843
2031 to 2035	9,114,837
2036 to 2040	3,784,747
2041 to 2045	234,717
	<u>\$ 89,174,531</u>

### O. MAJOR CUSTOMERS

Gross revenues from three cruise line companies totaled \$8,923,716, \$7,806,740 and \$7,134,647 in 2010. At September 30, 2010, the outstanding trade accounts receivable balances of these three cruise line companies amounted to \$347,953, \$592,165 and \$318,857. 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.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

---

## 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, 2010 and 2009, 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, 2010 and 2009, the balance of the liability is \$2,378,685 and \$2,011,601, respectively and the receivable balance is \$2,230,777 and \$1,806,161, 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 2010 and 2009, the surcharge collected from the City was \$223,827 and \$234,737, respectively.

# CANAVERAL PORT AUTHORITY

Notes to Financial Statements

September 30, 2010 and 2009

---

## **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, 2010 totaled approximately \$6,256,000.

### **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 were completed by December 31, 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, 2010 and 2009

---

## **NOTE 5 – RECLASSIFICATION**

Certain amounts from the 2009 basic financial statements have been reclassified to conform to the current year presentation.

## **NOTE 6 – SUBSEQUENT EVENT**

Subsequent to year end, the Authority entered into contracts for the purchase of equipment and the repair, modification, improvements, materials and new construction of Port Authority-owned property, which totaled approximately \$14,090,000.

Effective December 8, 2010, the Authority entered into a lease agreement as lessor for land. The land lease is for a term of thirty years. As part of the agreement, the lessee purchased a building, which is located on the land and was owned by the Port, for \$650,000, for the purpose of developing an office building.

On December 21, 2010, the Authority issued Port Improvement Revenue Bonds, Series 2010, in the principal amount of \$42,000,000. These bonds were issued for the principal purpose of financing certain capital improvements relating to Cruise Terminal No. 6 and North Cargo Piers No. 5 and 8. The Series 2010 bonds bear interest at a fixed rate of 3.144% per annum, payable semi-annually on June 1 and December 1. Principal is due annually beginning June 1, 2011 in amounts increasing from \$2,702,461 to \$3,798,771 at final maturity in 2023.

THIS PAGE IS INTENTIONALLY LEFT BLANK

**REQUIRED SUPPLEMENTARY INFORMATION**

THIS PAGE IS INTENTIONALLY LEFT BLANK.

## 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.

THIS PAGE IS INTENTIONALLY LEFT BLANK.

**SUPPLEMENTARY INFORMATION**

THIS PAGE IS INTENTIONALLY LEFT BLANK.

## CANAVERAL PORT AUTHORITY

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

Year Ended September 30, 2010

	Budget	Actual	Variance Positive (Negative)
<b>Operating revenues</b>			
Dockage	\$ 5,948,500	\$ 6,124,205	\$ 175,705
Wharfage	20,805,300	21,026,079	220,779
Leases	5,315,300	5,325,455	10,155
Water	1,332,100	1,348,997	16,897
Parking	9,841,200	9,580,489	(260,711)
Line handling	1,116,000	1,089,165	(26,835)
Permits	150,000	189,803	39,803
Telephone commissions	19,000	5,462	(13,538)
Badging fees	250,000	229,914	(20,086)
Miscellaneous	300,000	453,718	153,718
Camping	939,700	879,040	(60,660)
Recreational parking	478,000	572,532	94,532
Fire training	125,000	107,505	(17,495)
Other park revenues	46,200	50,057	3,857
Concessions	43,500	38,137	(5,363)
Total operating revenues	<u>46,709,800</u>	<u>47,020,558</u>	<u>310,758</u>
<b>Non-operating revenues</b>			
Investment earnings	350,000	427,989	77,989
Grant revenue	1,523,000	1,327,866	(195,134)
Gain on equipment dispositions	-	39,122	39,122
Total non-operating revenues	<u>1,873,000</u>	<u>1,794,977</u>	<u>(78,023)</u>
Total revenues	<u>\$ 48,582,800</u>	<u>\$ 48,815,535</u>	<u>\$ 232,735</u>
<b>Operating expenses</b>			
Operations			
Salaries	\$ 3,368,700	\$ 3,089,981	\$ 278,719
Benefits	1,940,900	1,553,176	387,724
Utilities	2,917,200	2,434,925	482,275
Cruise terminal maintenance	1,300,900	990,048	310,852
Fender maintenance	50,000	9,840	40,160
Other	85,550	65,122	20,428
Maintenance and supplies	368,750	330,819	37,931
Fuel	145,000	147,313	(2,313)
Service contracts	270,100	109,137	160,963
Travel	3,400	652	2,748
Total operations	<u>10,450,500</u>	<u>8,731,013</u>	<u>1,719,487</u>
Public safety			
Salaries	2,084,300	1,921,844	162,456
Benefits	950,200	755,061	195,139
Police protection	1,765,900	1,765,896	4
Guard services	798,500	668,023	130,477

## CANAVERAL PORT AUTHORITY

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

Year Ended September 30, 2010

	Budget	Actual	Variance Positive (Negative)
Security - special events	20,000	4,453	15,547
Harbor patrol	70,000	64,896	5,104
Security badging	208,000	146,478	61,522
Fire protection	1,419,400	1,366,145	53,255
Other	121,000	109,112	11,888
Communications services	20,000	17,457	2,543
Training	21,000	13,200	7,800
Maintenance and supplies	181,000	187,227	(6,227)
Travel	12,000	10,303	1,697
Total public safety	7,671,300	7,030,095	641,205
Parks and recreation			
Salaries	289,000	299,072	(10,072)
Benefits	149,200	147,341	1,859
Maintenance and supplies	83,800	23,510	60,290
Service contracts	145,650	132,699	12,951
Utilities	476,200	323,952	152,248
Other park expense	76,350	42,674	33,676
Total parks and recreation	1,220,200	969,248	250,952
Fire training facility			
Service contracts	62,300	50,986	11,314
Utilities	31,900	23,074	8,826
Insurance	40,000	37,818	2,182
Maintenance and supplies	85,500	51,859	33,641
Other	1,700	470	1,230
Total fire training facility	221,400	164,207	57,193
Executive			
Salaries - commissioners	50,200	49,458	742
Salaries - administrative	407,500	348,889	58,611
Benefits	239,300	245,310	(6,010)
Federal legislative consultant	35,000	30,000	5,000
State legislative consultant	50,000	50,000	-
Legal	285,000	276,091	8,909
Office	151,900	108,800	43,100
Planning and studies	150,000	108,730	41,270
Travel - federal legislative	2,000	-	2,000
Travel - commissioners general	41,100	35,533	5,567
Travel - administrative	16,000	9,299	6,701
Community relations consultant	30,000	30,000	-
Education/seminars	8,000	3,396	4,604
Total executive	1,466,000	1,295,506	170,494

## CANAVERAL PORT AUTHORITY

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

Year Ended September 30, 2010

	Budget	Actual	Variance Positive (Negative)
<b>Finance and accounting</b>			
Salaries	400,100	393,383	6,717
Benefits	164,900	142,598	22,302
Office	80,500	66,896	13,604
Computer support & training	181,000	164,640	16,360
Education and seminars	2,500	1,465	1,035
Travel	5,000	3,890	1,110
Accounting and auditing	97,100	74,658	22,442
Total finance and accounting	<u>931,100</u>	<u>847,530</u>	<u>83,570</u>
<b>Administrative services</b>			
Salaries	508,600	489,957	18,643
Benefits	249,800	211,062	38,738
Insurance	1,910,000	1,864,594	45,406
Office	121,500	69,401	52,099
Personnel training & recruiting	89,800	63,243	26,557
Computer support & training	160,800	157,665	3,135
Education and seminars	4,000	-	4,000
Travel	5,000	77	4,923
Total administrative services	<u>3,049,500</u>	<u>2,855,999</u>	<u>193,501</u>
<b>Engineering and environmental</b>			
Salaries	511,000	519,106	(8,106)
Benefits	186,900	169,937	16,963
Engineering - general	350,000	262,472	87,528
Engineering - planning	67,000	55,500	11,500
Engineering - environment	481,550	497,411	(15,861)
Office	20,350	11,549	8,801
Education and seminars	2,550	725	1,825
Travel	3,050	1,336	1,714
Total engineering and environmental	<u>1,622,400</u>	<u>1,518,036</u>	<u>104,364</u>
<b>Business development</b>			
Salaries	312,500	282,962	29,538
Benefits	123,100	95,005	28,095
Advertising	276,500	200,318	76,182
Trade development	241,300	110,813	130,487
FTZ development	9,200	1,325	7,875
Travel	55,600	22,725	32,875
Total business development	<u>1,018,200</u>	<u>713,148</u>	<u>305,052</u>
<b>Communications</b>			
Salaries	120,900	120,424	476
Benefits	47,900	43,080	4,820
Promotions	191,000	167,558	23,442

## CANAVERAL PORT AUTHORITY

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

Year Ended September 30, 2010

	Budget	Actual	Variance Positive (Negative)
Publications-journal	148,500	130,420	18,080
Electronic media	96,000	86,991	9,009
Advertising	75,000	62,402	12,598
Office	7,300	7,073	227
Travel	9,500	6,408	3,092
Total communications	<u>696,100</u>	<u>624,356</u>	<u>71,744</u>
Tenant development			
Salaries	91,000	87,763	3,237
Benefits	44,100	34,344	9,756
Office	10,500	5,807	4,693
Land use planning	15,000	-	15,000
Lease preparation	180,000	118,938	61,062
Travel	8,500	-	8,500
Total tenant development	<u>349,100</u>	<u>246,852</u>	<u>102,248</u>
Depreciation	13,000,000	13,557,270	(557,270)
Amortization	<u>2,043,400</u>	<u>1,227,075</u>	<u>816,325</u>
Total operating expenses	<u>43,739,200</u>	<u>39,780,335</u>	<u>3,958,865</u>
<b>Non-operating expenses</b>			
Commissions and fees	5,000	3,000	2,000
Amortization of bond costs and discounts	389,850	389,830	20
Interest expense	2,224,150	2,224,096	54
Federal grant expense	265,000	261,657	3,343
Grant administration fee	97,000	96,052	948
Total non-operating expense	<u>2,981,000</u>	<u>2,974,635</u>	<u>6,365</u>
Total expenses	<u>46,720,200</u>	<u>42,754,970</u>	<u>3,965,230</u>
Income before capital contributions	<u>\$ 1,862,600</u>	<u>\$ 6,060,565</u>	<u>\$ 4,197,965</u>

# CANAVERAL PORT AUTHORITY

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

Years Ended September 30, 2010, 2009, 2008, 2007, and 2006

	2010	2009	2008	2007	2006
<b>Operating revenues</b>					
Dockage	\$ 6,124,205	\$ 5,179,737	\$ 5,146,752	\$ 6,049,562	\$ 7,239,781
Wharfage	21,026,079	18,564,588 **	22,013,965 **	23,762,323	24,595,271
Marine terminal leases	-	-	-	-	258,945
Other leases	5,325,455	4,961,324	5,234,516	4,113,670	3,564,605
Water	1,348,997	1,198,144	1,202,840	1,272,840	1,324,480
Parking	9,580,489	9,871,355	9,343,286	9,014,333	9,116,579
Line handling	1,089,165	1,141,142	1,190,739	1,365,856	1,435,631
Permits	189,803	180,508	158,322	163,169	146,177
Telephone commissions	5,462	18,878	20,922	34,855	44,372
Badging fees	229,914	251,538	277,080	306,286	347,503
Miscellaneous	453,718	60,073 **	74,787 **	72,405 **	100,649 **
Camping	879,040	993,413	862,706	870,029	779,939
Recreational parking	572,532	517,479	365,596	379,923	337,850
Fire training	107,505	130,163	132,865	124,899	107,787
Other park revenues	50,057	51,705	39,256	37,545	51,389
Concessions	38,137	44,387	42,087	4,086	-
Total operating revenues	<u>47,020,558</u>	<u>43,164,434</u>	<u>46,105,719</u>	<u>47,571,781</u>	<u>49,450,958</u>
<b>Non-operating revenues</b>					
Investment earnings	427,989	410,363	650,194 *	1,961,062	1,633,515
Grant revenue	1,327,866	271,809	384,047	61,698	78,577
Gain on dispositions	39,122	42	38,554	-	4,539
Total revenues	<u>\$ 48,815,535</u>	<u>\$ 43,846,648</u>	<u>\$ 47,178,514</u>	<u>\$ 49,594,541</u>	<u>\$ 51,167,589</u>
<b>Operating expenses</b>					
<b>Operations</b>					
Salaries	\$ 3,089,981	\$ 3,162,428	\$ 3,353,040	\$ 3,185,592	\$ 3,004,562
Benefits	1,553,176	1,751,338	1,819,222	1,640,958	1,574,817
Utilities	2,434,925	2,760,521	2,784,525	2,529,717	2,572,118
Travel	652	37	4,939	567	1,777
Cruise terminal maintenance	990,048	1,086,413	1,354,823 *	1,304,082 *	1,083,430
Fender maintenance	9,840	20,143	92,707	74,810	97,739
Maintenance and supplies	330,819	276,962	330,283	313,923	289,050
Fuel	147,313	115,559	216,597	131,219	112,091
Service contracts	109,137	107,462	141,812 *	70,388 *	90,528
Other	65,122	52,809	50,796	63,553	23,930
Total operations	<u>8,731,013</u>	<u>9,333,672</u>	<u>10,148,744</u>	<u>9,314,809</u>	<u>8,850,042</u>
<b>Public Safety</b>					
Salaries	1,921,844	1,836,048	1,497,227	1,487,529	1,431,564
Benefits	755,061	688,639	665,606	623,780	664,660
Police protection	1,765,896	1,765,896	1,717,964	1,532,374	1,293,231
Guard services	668,023	717,153	994,292	1,020,870	1,096,859
Security - special events	4,453	7,386	11,400	2,165	4,390
Harbor patrol	64,896	51,155	587,734	226,592	185,902
Security badging	146,478	168,924	226,697	220,291	233,778
Fire protection	1,366,145	1,330,927	1,253,261	1,216,010	996,632
Travel	10,303	4,680	8,954	6,448	14,934
Communications services	17,457	22,044	102,242	61,022	34,245
Training	13,200	939	-	-	-
Maintenance and supplies	187,227	113,624	91,003	85,864	-
Other	109,112	71,967	65,521	70,565	110,704
Total public safety	<u>7,030,095</u>	<u>6,779,382</u>	<u>7,221,901</u>	<u>6,553,510</u>	<u>6,066,899</u>

\* 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, 2010 financial statement presentation.

## CANAVERAL PORT AUTHORITY

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

Years Ended September 30, 2010, 2009, 2008, 2007, and 2006

	2010	2009	2008	2007	2006
<b>Parks and recreation</b>					
Salaries	299,072	368,374	396,904	340,242	-
Benefits	147,341	211,524	222,651	158,880	-
Service contracts	132,699	131,388	127,165	132,552	804,680
Utilities	323,952	421,019	331,015	205,705	189,599
Maintenance & supplies	23,510	35,317	57,707	43,510	-
Other park expense	42,674	58,565	41,609	44,864	21,491
Total parks and recreation	969,248	1,226,187	1,177,051	925,753	1,015,770
<b>Fire training facility</b>					
Service contracts	50,986	60,227	54,959	31,883	72,632
Utilities	23,074	25,884	29,686	20,662	17,632
Insurance	37,818	38,979	36,970	37,245	36,343
Maintenance and supplies	51,859	48,992	66,850	105,638	26,981
Other	470	576	700	157	633
Total fire training facility	164,207	174,658	189,165	195,585	154,221
<b>Executive</b>					
Salaries-Commissioners	49,458	52,879	50,275	52,883	51,139
Salaries-Administrative	348,889	328,560	302,952	369,480	407,382
Benefits	245,310	193,907	190,468	177,952	227,896
Federal legislative consultant	30,000	50,600	87,912	65,314	61,328
State legislative consultant	50,000	45,833	54,167	45,833	41,500
Legal	276,091	354,095	232,069	313,781	227,409
Office	108,800	94,206	120,421	171,413	207,279
Planning and studies	108,730	83,047	158,477	192,674	205,929
Travel - fed legislative	-	1,856	1,842	3,720	999
Travel - commissioners general	35,533	9,241	32,625	17,911	24,055
Travel - administrative	9,299	5,739	8,920	10,623	3,106
Community relations consultant	30,000	30,000	20,000	-	-
Education/Seminars	3,396	4,690	1,400	3,706	2,853
Total executive	1,295,506	1,254,653	1,261,528	1,425,290	1,460,875
<b>Finance and accounting</b>					
Salaries	393,383	435,155	463,808 *	620,490	530,123
Benefits	142,598	166,622	174,278 *	216,985	226,400
Insurance	-	-	-	2,882,661	1,170,570
Office	66,896	61,036	107,877 *	332,564	242,032
Computer support & training	164,640	167,927	-	-	-
Education and seminars	1,465	1,330	2,486 *	2,272	-
Travel	3,890	3,833	9,604 *	3,665	6,586
Accounting and auditing	74,658	74,952	88,390 *	101,637	97,957
Total finance and accounting	847,530	910,855	846,443	4,160,274	2,273,668
<b>Administrative services</b>					
Salaries	489,957	555,755	557,353 *	-	-
Benefits	211,062	246,644	230,740 *	-	-
Insurance	1,864,594	1,889,704	2,180,913 *	-	-

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

## CANAVERAL PORT AUTHORITY

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

Years Ended September 30, 2010, 2009, 2008, 2007, and 2006

	2010	2009	2008	2007	2006
Office	69,401	69,092	18,847 *	-	-
Personnel training & recruiting	63,243	57,140	94,320 *	-	-
Computer support & training	157,665	120,626	209,305 *	-	-
Education and seminars	77	884	974 *	-	-
Travel	-	2,559	1,341 *	-	-
Total administrative services	2,855,999	2,942,404	3,293,793	-	-
<b>Engineering and environmental</b>					
Salaries	519,106	502,378	486,794	467,112	359,593
Benefits	169,937	174,361	172,558	166,858	124,182
Engineering - general	262,472	273,226	1,219,150	213,007	254,925
Engineering - planning	55,500	6,000	20,225	60,431	37,924
Engineering - environment	497,411	683,720	427,919	429,795	361,894
Office	11,549	15,712	16,275	17,880	10,003
Education and seminars	725	1,735	3,712	2,615	2,500
Travel	1,336	2,600	5,833	4,458	3,714
Total engineering and environmental	1,518,036	1,659,732	2,352,466	1,362,156	1,154,735
<b>Business development</b>					
Salaries	282,962	278,553	338,948	281,630	323,598
Benefits	95,005	99,785	116,743	94,441	100,461
Advertising	200,318	213,051	235,667	234,151	232,765
Trade development	110,813	162,892	189,779	174,662	197,709
FTZ development	1,325	14,640	4,839	1,621	-
Travel	22,725	36,627	48,828	37,434	47,952
Total business development	713,148	805,548	934,804	823,939	902,485
<b>Communications</b>					
Salaries	120,424	126,694	117,777	125,432	106,847
Benefits	43,080	49,501	47,053	49,832	45,707
Publications - journals	130,420	138,059	135,390	131,580	76,161
Electronic media	86,991	59,375	66,613	49,389	127,971
Advertising	62,402	69,371	87,948	75,464	147,151
Promotions	167,558	130,540	128,631	130,917	118,732
Office	7,073	8,958	9,198	7,438	10,587
Travel	6,408	45	32	2,175	2,615
Total communications	624,356	582,543	592,642	572,227	635,771
<b>Tenant development</b>					
Salaries	87,763	80,099	140,344	178,730	193,152
Benefits	34,344	36,504	62,484	69,203	69,010
Advertising	-	-	-	-	23,525
Office	5,807	3,060	4,900	11,083	9,727
Land use planning	-	-	90,742	64,993	242,011
Lease preparation	118,938	225,040	185,501	131,336	143,904
FTZ development	-	-	-	-	10,143

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

## CANAVERAL PORT AUTHORITY

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

Years Ended September 30, 2010, 2009, 2008, 2007, and 2006

	2010	2009	2008	2007	2006
Travel	-	2	5,939	5,324	4,336
Total tenant development	246,852	344,705	489,910	460,669	695,808
Depreciation	13,557,270	12,733,871	12,436,688	9,772,259	9,279,605
Amortization	1,227,075	1,227,743	1,076,006	137,843	146,743
Total operating expenses	39,780,335	39,975,953	42,021,141	35,704,314	32,636,622
<b>Non-operating expenses</b>					
Commissions and fees	3,000	1,000	1,500	500	2,963
Amortization of bond costs and discounts	389,830	398,129	430,855	397,162	377,039
Interest expense	2,224,096	2,344,471	2,460,073	2,510,038	2,678,291
Loss on equipment disposal	-	21,888	4,559	65,192	104,602
Federal grant expense	261,657	127,580	-	-	-
Grant administration fee	96,052	54,000	37,000	84,000	11,025
Legal settlements	-	-	-	-	151,884
Environmental remediation	-	-	-	-	175,000
Casualty loss - natural disaster	-	-	517,137	843	-
Total non-operating expense	2,974,635	2,947,068	3,451,124	3,057,735	3,500,804
Total expenses	<u>\$ 42,754,970</u>	<u>\$ 42,923,021</u>	<u>\$ 45,472,265</u>	<u>\$ 38,762,049</u>	<u>\$ 36,137,426</u>
Total operating revenues	\$ 47,020,558	\$ 43,164,434	\$ 46,105,719	\$ 47,571,781	\$ 49,450,958
Total operating expenses	39,780,335	39,975,953	42,021,141	35,704,314	32,636,622
Net operating income	<u>\$ 7,240,223</u>	<u>\$ 3,188,481</u>	<u>\$ 4,084,578</u>	<u>\$ 11,867,467</u>	<u>\$ 16,814,336</u>
Total non-operating revenues	\$ 1,794,977	\$ 682,214	\$ 1,072,795	\$ 2,022,760	\$ 1,716,631
Total non-operating expenses	2,974,635	2,947,068	3,451,124	3,057,735	3,500,804
Net non-operating loss	<u>\$ (1,179,658)</u>	<u>\$ (2,264,854)</u>	<u>\$ (2,378,329)</u>	<u>\$ (1,034,975)</u>	<u>\$ (1,784,173)</u>
Total revenues	\$ 48,815,535	\$ 43,846,648	\$ 47,178,514	\$ 49,594,541	\$ 51,167,589
Total expenses	42,754,970	42,923,021	45,472,265	38,762,049	36,137,426
Net income before capital contributions	6,060,565	923,627	1,706,249	10,832,492	15,030,163
Capital contributions	2,081,489	7,272,236	1,279,271	1,609,053	2,691,176
<b>Changes in net assets</b>	<u>\$ 8,142,054</u>	<u>\$ 8,195,863</u>	<u>\$ 2,985,520</u>	<u>\$ 12,441,545</u>	<u>\$ 17,721,339</u>

# CANAVERAL PORT AUTHORITY

Schedule of Comparative Operating Revenues by Activity  
Years Ended September 30, 2010, 2009, 2008, 2007, and 2006

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cruise ships	\$ 34,488,305	\$ 32,037,675	\$ 34,969,584	\$ 36,348,454	\$ 36,865,544
Cargo ships	4,686,092	3,936,169	3,948,920	5,151,315	7,039,393
Other ships	-	-	-	-	110,122
Total ship related operating revenue	<u>39,174,397</u>	<u>35,973,844</u>	<u>38,918,504</u>	<u>41,499,769</u>	<u>44,015,059</u>
Land leases	5,325,455	4,961,324	5,234,516	4,113,670	3,564,605
Park operations	1,539,766	1,606,984	1,309,645	1,291,583	1,169,178
Miscellaneous	980,940	622,282	643,054	666,759	702,116
Total non-ship related operating revenue	<u>7,846,161</u>	<u>7,190,590</u>	<u>7,187,215</u>	<u>6,072,012</u>	<u>5,435,899</u>
Total operating revenue	<u>\$ 47,020,558</u>	<u>\$ 43,164,434</u>	<u>\$ 46,105,719</u>	<u>\$ 47,571,781</u>	<u>\$ 49,450,958</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, 2010

	Actual			Budget
	Prior Years	Current Year	Cumulative Total	Cumulative Total
Toll booth U/G	\$ -	\$ 168,483	\$ 168,483	\$ 500,000
Road improvements	-	-	-	200,000
Cruise terminal parking lot upgrades	2,685,285	761,083	3,446,368	6,000,285
Recreation/tourist development	6,010	-	6,010	100,010
Security fencing/lighting	-	137,772	137,772	250,000
Communications equipment	-	-	-	5,000
Cruise terminal 5, 8, 10 generators	-	7,950	7,950	500,000
Maintenance dredging	181,007	61,378	242,385	789,007
Other computer equipment	-	91,641	91,641	95,000
Cruise terminal 6/7 waterside	914,899	14,880	929,779	949,899
CCTV portwide upgrades	-	13,988	13,988	251,000
Badging area upgrade/access control	-	177,810	177,810	279,000
Jetty Park upgrades	5,196	155,732	160,928	675,196
Buildings and improvements	-	65,700	65,700	1,325,450
North side land improvements	-	54,303	54,303	5,634,000
Fire equipment	-	25,100	25,100	37,000
Utilities and improvements	-	-	-	150,000
Office equipment	-	2,613	2,613	50,000
New/replacement vehicles	-	35,815	35,815	74,000
Maritime museum	21,889	344,684	366,573	417,620
Cruise terminal furniture/ equipment	-	15,675	15,675	50,000
North cargo piers - bulkhead wall replace	-	-	-	5,000,000
Northside drainage system	546,461	6,922	553,383	2,000,461
George King Blvd. improvements	2,303,645	3,194,726	5,498,371	6,999,645
George King Blvd. aquifer storage	783,605	12,509	796,114	2,028,605
Stormwater improvements	-	-	-	100,000
West turning basin deepen/ widen/cut off	2,451,793	109,484	2,561,277	2,608,793
North cargo pier 8	38,960	-	38,960	588,960
South cargo pier 4 east extension/widening	274,134	-	274,134	323,134
Portwide signage	-	291,486	291,486	522,000
Scallop Drive paving	84,391	416,313	500,704	844,391
Equipment	-	41,059	41,059	61,000
Inter-agency maritime operations center	169,795	1,095,622	1,265,417	2,499,795
Landscape and recreation improvements	-	-	-	100,000
Cruise terminal 5 upgrades	-	153,553	153,553	881,000
Cruise terminal 5 renovations	-	9,881	9,881	441,000
Cruise terminal 8 parking garage	5,888,923	2,912,834	8,801,757	9,999,923
Cruise terminal 10 renovations	-	185,038	185,038	540,000
Cruise terminal 10 garage artwork upgrade	86,808	136,915	223,723	249,808

## 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, 2010

	Actual			Budget
	Prior Years	Current Year	Cumulative Total	Cumulative Total
Interoperable communications	6,532	108,844	115,376	1,703,532
Maritime center tenant improvements	11,880	750,944	762,824	801,880
Maritime center HVAC/solar energy	-	57,482	57,482	150,000
Southside petroleum berth	9,843	-	9,843	505,843
Cruise terminal 8 improvements	1,527,046	8,685,696	10,212,742	12,115,046
Cruise terminal 8 renovations	-	-	-	415,000
Cruise terminal 8 waterside improvements	4,417,086	2,990,199	7,407,285	8,885,086
Webcasting system	12,176	27,289	39,465	39,499
Police department	-	120,220	120,220	248,000
ARRA PSGP police department	-	265,205	265,205	554,000
ARRA PSGP fire boat	-	1,617	1,617	750,000
PSGP AMSC fiber optic sonnet	-	-	-	3,755,000
Cove area renovations	-	10,120	10,120	80,000
West turning basin dredging	-	179,146	179,146	3,692,000
Banana River site development	-	-	-	550,000
	<u>\$ 22,427,364</u>	<u>\$ 23,897,711</u>	<u>\$ 46,325,075</u>	<u>\$ 88,365,868</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK.

# CANAVERAL PORT AUTHORITY

Schedule of Insurance in Force

For the Year Ended September 30, 2010

---

## Property coverage

Total insured values	\$	105,409,968
Limit on buildings, contents, EDP, signs		99,361,210

## 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
---	----	-----------

## 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, 2010

---

<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 Federal Awards and State Financial Assistance

For the Fiscal Year Ended September 30, 2010

Entity	CFDA/CSFA Number	Contract/Grant Number	Expenditures
<b>Federal Programs:</b>			
<u>Department of Homeland Security</u>			
Direct Programs			
Port Security Grant Program			
FY2008 Port Security Grant	97.056	2008-GB-T8-K088	\$ 269,507
FY2007 Port Security Grant	97.056	2007-GB-T7-0197	858,814
Subtotal			1,128,321
Port Security Grant Program - ARRA			
FY2009 Port Security Grant - ARRA	97.116	2009-PU-R1-0201	158,010
Total Department of Homeland Security			1,286,331
<u>U.S. Department of Justice</u>			
Direct Programs			
Bulletproof Vest Partnership	16.607	2009BUBX09048236	3,453
Total expenditures of federal awards			\$ 1,289,784
<b>State Projects:</b>			
<u>Florida Department of Transportation</u>			
Direct Programs			
Seaport Grants			
George King Blvd. Widening	55.005	AP848/422829-1-94-01	\$ 1,243,669
Widen West Turning Basin Entrance	55.005	A0967/418410-1-94-01	81,291
Cargo Pier Improvements	55.005	AOX63/422545-1-94-01	81,373
Cargo Pier Improvements (Charles Rowland Drive)	55.005	APE36/423841-1-94-01	424,178
North Cargo Pier Development	55.005	APU24/422533-1-94-01	27,151
Total Department of Transportation			1,857,662
<u>Florida Department of Environmental Protection</u>			
Direct Programs			
Canaveral Inlet Management Plan	37.003	06BE1	45,932
Total expenditures of state financial assistance			\$ 1,903,594

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.

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

THIS PAGE IS INTENTIONALLY LEFT BLANK.



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 basic financial statements of the Canaveral Port Authority as of and for the year ended September 30, 2010, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 4, 2011. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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.

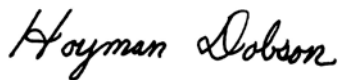
### **Compliance and Other Matters**

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*.

We noted certain other matters that were reported to management of the Canaveral Port Authority in a separate letter dated February 4, 2011.

The Canaveral Port Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and in the Independent Auditor's Management Letter. We did not audit the Canaveral Port Authority's responses and, accordingly, we express no opinion on them.

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.



**Hoyman Dobson**  
Melbourne, Florida  
February 4, 2011



Hoyman Dobson

**Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal Program and State Project and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General**

To the Board of Commissioners  
Canaveral Port Authority

**Compliance**

We have audited the Canaveral Port Authority's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* and the Executive Office of the Governor's *State Projects Compliance Supplement*, that could have a direct and material effect on the Canaveral Port Authority's major federal program and state project for the year ended September 30, 2010. The Canaveral Port Authority's major federal programs and state projects are 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 federal program and 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; OMB Circular A-133; and Chapter 10.550, Rules of the Auditor General. Those standards, OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the 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 could have a direct and material effect on its major federal program and state project for the year ended September 30, 2010.

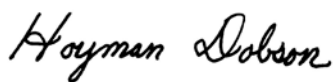
### **Internal Control Over Compliance**

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 federal programs and 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 federal program or state project in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Canaveral Port Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness* in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



**Hoyman Dobson**  
Melbourne, Florida  
February 4, 2011

# CANAVERAL PORT AUTHORITY

## Schedule of Findings and Questioned Costs – Federal Programs and State Projects

For the Year Ended September 30, 2010

---

### SECTION A – SUMMARY OF AUDITORS' RESULTS

1. The auditors' report expresses an unqualified opinion on the Canaveral Port Authority's basic financial statements.
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 in internal control over the major federal program or state project are reported.
5. The auditors' report on compliance with requirement applicable to the major federal program and state project for the Canaveral Port Authority expresses an unqualified opinion.
6. Our audit disclosed no findings required to be reported related to the major federal program under section 510(a) of OMB Circular A-133, nor did our audit disclose any findings related to state projects required to be disclosed under Chapter 10.550, Rules of the Auditor General.
7. The program/project tested as a major program/project included the following:

<u>Federal Program or Cluster</u>	<u>Federal CFDA No.</u>	<u>Year</u>
Port Security Grant Program	97.056	FY2007 and FY2008

<u>Name of State Project</u>	<u>State CSFA No.</u>	<u>Year</u>
Seaport Grants	55.005	FY2005 to FY2010

8. The threshold for distinguishing Type A and B programs/projects was \$300,000 for both major federal programs and state projects.
9. The Canaveral Port Authority was determined not to be a low-risk audit pursuant to OMB Circular A-133.

### SECTION B – FINDINGS – FINANCIAL STATEMENTS

No matters were reported.

# **CANAVERAL PORT AUTHORITY**

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

For the Year Ended September 30, 2010

---

## **SECTION C – FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL PROGRAMS**

No matters were reported.

## **SECTION D – FINDINGS AND QUESTIONED COSTS – MAJOR STATE PROJECTS**

No matters were reported.

## **SECTION E – OTHER ISSUES**

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 either OMB Circular A-133 or 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, 2010, and have issued our report thereon dated February 4, 2011.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and Chapter 10.550, Rules of the Auditor General. We have issued our Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters, Independent Auditors' Report on Compliance with Requirements Applicable to each Major Federal Program and State Project and on Internal Control over Compliance, and Schedule of Findings and Questioned Costs. Disclosures in those reports and schedule, which are dated February 4, 2011, should be considered in conjunction with this management letter.

Additionally, our audit was conducted in accordance with Chapter 10.550, Rules of the Auditor General, which governs the conduct of local 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 findings and recommendations made in the preceding annual financial audit report. Corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit except as noted below, under the heading Prior Year Audit Findings and Recommendations:

Internal Control Findings:

ML 2009-01 Ethics Officer and Fraud Hotline

Repeated/Revised as ML 2010-01

- ❖ 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. In connection with our audit, we noted the following recommendations:

#### ML 2010-01 FRAUD HOTLINE

Observation: 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.

Recommendation: In the prior year, we recommended the Authority consider hiring an ethics officer, supplemented by putting a fraud hotline in place. The Authority has hired an in-house attorney and has contracted with a legal expert to provide certain services and education related to ethics. Management believes this combined approach has satisfied the need for an ethics officer, at least for the near term.

The Authority is in the process of investigating implementation of a fraud hotline, which 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. We recommend the Authority continue its investigation and implement a fraud hotline.

Management Response: Management agrees with the recommendation to continue our implementation of a fraud hotline. Additionally, at a January 26, 2011 special meeting of the Canaveral Port Authority Board of Commissioners, a discussion was held regarding the Florida Code of Ethics and how it pertains to public officers. At this meeting a Canaveral Port Authority Ethics Officer was officially named, and a legal expert made a presentation to the Commission regarding ethics. This meeting was held just prior to the first Commission Meeting of the year, as four new Commissioners were recently elected.

#### ML 2010-02 IFAS MODULE FOR CAPITAL ASSET MANAGEMENT

Observation: During 2007, the Authority implemented a new accounting and operations software package, IFAS. At that time, IFAS offered a module for capital asset management. The Authority has not yet implemented this module.

Management currently utilizes a manual spreadsheet to manage capital assets, which includes tracking additions and deletions, identifying asset ID's, locations and responsible departments, and calculating depreciation expense. In accordance with federal and state grant agreements, the Authority is required to identify and accurately track those assets acquired with federal or state grant funds. The manual spreadsheet does not currently provide for an automated way to identify whether assets were acquired with federal or state grant funds. Such identification and tracking will be critical in fiscal year 2011 and beyond, when the Authority anticipates an increase in federally funded public safety equipment.

The spreadsheet utilized to manage capital assets is manual in nature and therefore increases the risk of human error. Such errors could cause noncompliance with Authority policies, as well as financial statement misstatements. Utilization of a manual spreadsheet is also assumed to be less efficient and more time consuming than utilizing an IFAS module. Further, the manual spreadsheet does not interface with IFAS. Accordingly, all adjustments made in the spreadsheet must be manually posted to IFAS.

At the time the Authority implemented IFAS in 2007, the module for capital asset management was not as sophisticated as other IFAS modules (was not web-based). Improvements have been made since that time. However, the Authority has not been in a position to dedicate sufficient staff resources to implement the capital asset management module.

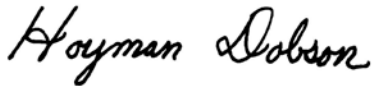
Recommendation: We recommend management implement the capital asset management module within IFAS.

Management Response: We agree with the auditors' comments regarding the implementation of the capital asset management module within IFAS. While we do currently have a manual system in place which allows identification of federal and state funded projects to be identified, the implementation of the automated system within IFAS will ensure a quicker and more efficient method for the anticipated purchases in FY2011. Subsequent to year end, scheduling and planning have been initiated for completion of the implementation.

- ❖ Section 10.554(l)(i)4., Rules of the Auditor General, requires that we address violations of provisions of contracts or grant agreements, or abuse that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but 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 have an inconsequential effect on financial statements, considering both quantitative and qualitative factors: (1) violations of provisions of contracts or grant agreements, fraud, illegal acts, or abuse and (2) deficiencies in internal control that are not significant deficiencies. 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, 2010, 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, 2010. In connection with our audit, we determined that these two reports were in agreement.
- ❖ Pursuant to 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.

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.



**Hoyman Dobson**  
Melbourne, Florida  
February 4, 2011

# CANAVERAL PORT AUTHORITY

## Appendix A - Schedule of Seaport Bond Program Projects

For the Year Ended September 30, 2010

FLORIDA PORTS FINANCING COMMISSION		Total		Expenditures	
Project Description	Project Number/ Bond Fund	Authorized Project Costs	Current Year Expenditures	Cumulative 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.