

Canaveral Port Authority

Financial Statements
Years Ended September 30, 2018 and 2017

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Public Officials
September 30, 2018

Wayne Justice
Chairman

Micah Loyd
Vice Chairman

Thomas W. Weinberg
Secretary/Treasurer

Jerry W. Allender
Commissioner

Bob Harvey
Commissioner

Captain John Murray
Chief Executive Officer

Harold Bistline
Port Attorney

Michael Poole
Chief Financial Officer

Patricia Poston
Senior Director of Finance

Diana Mims-Reid
Controller

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Independent Auditor's Report

To the Members of the Board of Commissioners
Canaveral Port Authority
Cape Canaveral, Florida

We have audited the accompanying financial statements of the Canaveral Port Authority (the Authority), as of and for the years ended September 30, 2018 and 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A) and the schedule of changes in total OPEB liability be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The schedule of comparative revenues, expenses and changes in net position, schedule of comparative operating revenues by activity, schedule of construction in progress and capital costs compared with budget, the schedule of expenditures of federal awards and state financial assistance, as required by *Title 2 U.S. Code of Federal Regulations Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, and Chapter 10.550, *Rules of the Auditor General, State of Florida*, the schedule of seaport bond program projects, and the schedule of insurance in force are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The schedule of comparative revenues, expenses and changes in net position, schedule of comparative operating revenues by activity, the schedule of construction in progress and capital costs compared with budget, the schedule of seaport bond program projects, and the schedule of insurance in force have not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 13, 2019 on our consideration of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

RSM US LLP

Melbourne, Florida
February 13, 2019

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Canaveral Port Authority

Management's Discussion and Analysis (Unaudited)

As management of the Canaveral Port Authority (the "Authority"), we offer readers of the 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, 2018 and 2017. **All amounts, unless otherwise indicated, are expressed in thousands of dollars.**

Financial Highlights

- The assets of the Authority exceeded its liabilities at the close of the most recent fiscal year by \$358,114 (*net position*). Of this amount, \$57,068 is the unrestricted net position and is available to meet the Authority's ongoing obligations to creditors.
- The Authority's total net position increased by \$13,793. This increase consists of \$3,958 of income before capital contributions and capital contributions of \$9,835.
- At the end of the current fiscal year, the unrestricted net position was 63.2% of total expenses.

Overview of the Financial Statements

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

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

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

The Authority reports at fair value using quoted market price or other fair value techniques.

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

The statement of cash flows presents changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of 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 to the financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 9-33 of this report.

Canaveral Port Authority

Management's Discussion and Analysis (Unaudited)

In addition to the basic financial statements and accompanying notes, this report also presents other required supplementary information and other supplementary information. This supplementary information can be found on pages 35-47 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. Assets exceeded liabilities as of September 30, 2018 and 2017 by \$358,114 and \$344,321, respectively.

The following table reflects the condensed statement of net position:

Canaveral Port Authority's Net Position			
(In thousands)			
	2018	2017	2016
Current and other assets	\$ 89,474	\$ 73,754	\$ 39,666
Capital assets	582,693	590,263	599,227
Total assets	672,167	664,017	638,893
Deferred outflows of resources	847	1,023	1,195
Current liabilities	45,494	38,959	64,224
Noncurrent liabilities	269,288	281,642	239,135
Total liabilities	314,782	320,601	303,359
Deferred inflows of resources	118	118	76
Net position:			
Net investment in capital assets	295,811	285,685	305,846
Restricted	5,235	5,235	1,825
Unrestricted	57,068	53,401	28,982
Total net position	\$ 358,114	\$ 344,321	\$ 336,653

By far the largest portion of the Authority's net position as of September 30, 2018 and 2017 (82.6% and 83.0%, 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 are still outstanding. These assets are not available for future spending. Although the 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.

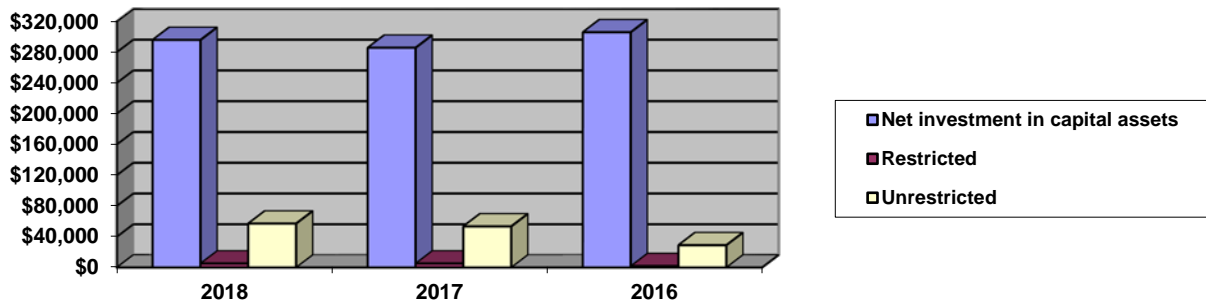
In addition, a portion of the Authority's net position as of September 30, 2018 and 2017 (1.4% and 1.5%, respectively), represents the reserve for maximum debt service restricted in accordance with existing bond covenants and was funded from operations. The remaining balance of unrestricted net position may be used to meet the Authority's ongoing obligations to creditors. At the end of the current fiscal year, the Authority's unrestricted net position increased by \$3,667. In the prior year, unrestricted net position increased by \$24,419.

Canaveral Port Authority

Management's Discussion and Analysis (Unaudited)

The Authority's total net position increased by \$13,793 during the current fiscal year. Of this amount, \$3,958 represents net income before capital contributions. The remaining \$9,835 represents the capital contributions (grant proceeds) from federal and state sources. There is no assurance that these capital contributions from other sources will continue in the future.

Net Position



The following table shows condensed revenue and expense data:

Canaveral Port Authority's Changes in Net Position (in thousands)

	2018	2017	2016
Operating revenues:			
Fees and charges for services	\$ 101,709	\$ 93,280	\$ 85,478
Non-operating revenues:			
Investment earnings	809	446	165
Other	1,490	4,286	986
Total non-operating revenues	2,299	4,732	1,151
Total revenues	104,008	98,012	86,629
Operating expenses:			
Operations, facilities and public safety	26,950	26,223	23,424
Executive, finance and administration	9,413	9,482	7,909
Engineering and environmental	2,739	5,633	1,936
Other	6,229	5,078	6,230
Depreciation and amortization	43,622	38,880	35,830
Total operating expenses	88,953	85,296	75,329
Non-operating expenses:			
Interest	9,527	8,901	6,976
Other	1,570	1,002	1,188
Total non-operating expenses	11,097	9,903	8,164
Total expenses	100,050	95,199	83,493
Income before contributions	3,958	2,813	3,136
Special item	-	-	-
Capital contributions	9,835	4,855	6,634
Change in net position	13,793	7,668	9,770
Net position – beginning	344,321	336,653	326,883
Net position – ending	\$ 358,114	\$ 344,321	\$ 336,653

Canaveral Port Authority

Management's Discussion and Analysis (Unaudited)

Key elements of the increase in net position for the fiscal year ended September 30, 2018, are as follows.

- Overall fees and charges for services increased 9.0%. Included in the overall fees and charges were revenues from cruise operations, cargo and recreation which increased 6.8%, 18.3% and 18.3%, respectively. The growing number of cruise passengers and additional ship visits resulted in the increase of cruise revenues of nearly \$5 million and 6.8% as compared to the prior year. Cargo tonnage increases of 426 thousand tons and \$1.6 million over the prior year were the other major component of current year fees and services increased revenues. Parking and land leases increased 14.8% and 21.7%, respectively. Recreation which includes Jetty Park and Exploration Tower increased nearly \$500 thousand as it was operational for a full year without hurricane interruption.
- Overall, non-operating revenues decreased by 51.4%. Non-operating revenues include investment earnings, insurance proceeds, grant revenue, and gains on sale of assets or legal settlements. Investment earnings increased by 81.7%, gain on sale/disposal of assets decreased by 97.9%. Grant revenue increased by 165.5%. This is attributable to the increase of operating costs covered by security related grants and timing.
- Capital contributions from federal and state grants for capitalized projects increased during the current fiscal year by \$5.0 million or 102.6%. This increase was mainly due to the collection of previously approved grant funds associated with work on the North Cargo Berth 8, North Cargo Piers 1 and 2, and the Mobile Harbor Crane. These grant funds contributed \$7.7 million to the change in net position in the current fiscal year.

Key elements of the increase in net position for the fiscal year ended September 30, 2017, are as follows.

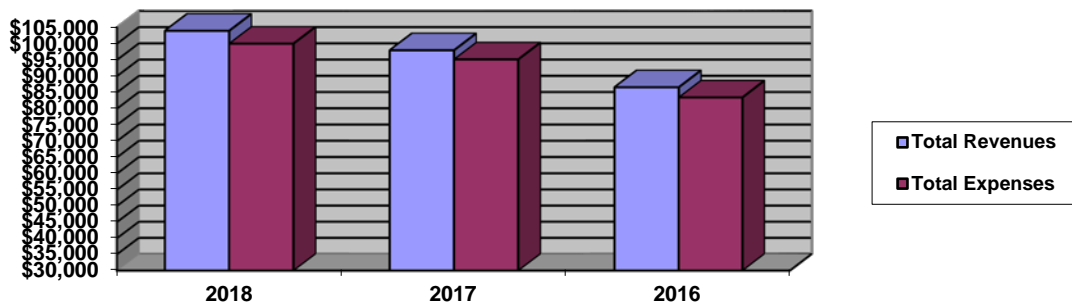
- Overall fees and charges for services increased 9.1%. Included in the overall fees and charges were revenues from cruise operations, cargo and recreation which increased 6.7%, 24.7% and 2.3%, respectively. The growing number of cruise passengers and additional ship visits resulted in the increase of cruise revenues of nearly \$5 million and 6.7% as compared to the prior year. Cargo tonnage increases of 494 thousand tons and \$1.7 million over the prior year were the other major component of current year fees and services increased revenues. The decrease in recreation was due to Hurricanes Matthew and Irma which closed Jetty Park for two and one half months during Fiscal Year 2017. Parking and land leases increased 11.8% and 23.7%, respectively. Other revenues, that include commercial vehicle revenue, increased 27.2%.
- Overall, non-operating revenues increased by 311.1%. Non-operating revenues include investment earnings, grant revenue, and gains on sale of assets or legal settlements. Investment earnings increased by 170.3%, gain on sale/disposal of assets increased by 337.3%. The sale of assets included a gain of \$3.6 million which is the primary factor in the increase of non-operating costs. Grant revenue increased by 84.2%. This is attributable to the increase of operating costs covered by security related grants and timing.

Canaveral Port Authority

Management's Discussion and Analysis (Unaudited)

- Capital contributions from federal and state grants for capitalized projects decreased during the current fiscal year by \$1.8 million or 26.8%. This decrease was mainly due to the collection of previously approved grant funds associated with work on the deepening and widening of the Canaveral Port Authority channel and the North Cargo Piers 1 and 2 rehabilitation. These grant funds contributed \$4.9 million to the change in net position in the current fiscal year.

Total Revenues and Expenses



Capital Asset and Debt Administration

Capital assets. The Canaveral Port Authority's capital assets as of September 30, 2018 and 2017, amount to \$582,693 and \$590,264, respectively, (net of accumulated depreciation). These balances include land, buildings, improvements, equipment, intangibles and construction in progress. The total decrease in the Authority's capital assets was 1.28% and 1.5% for fiscal years 2018 and 2017, respectively.

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

- Construction began or continued on several major projects for the Authority, including design and construction of a new Cruise Terminal 3 berth and passenger boarding bridge, construction of North Cargo Berth 8, Portwide Wayfinding and a new mobile harbor crane. These additions totaled \$24,945 and were offset by the total value of projects completed and moved from Construction in Progress to capital assets of \$24,789.

Several major projects included in Construction in Progress were completed in fiscal year 2018 including:

- West Turning Basin Cargo Area Deepening at a cost of \$7,856
- North Cargo Piers 1 & 2 at a cost of \$4,245
- Commercial Access and Billing at a cost of \$1,701
- Portwide Parking Lot Improvements at a cost of \$1,431
- 30 Year Port Master Plan at a cost of \$1,192

Additions for the year ended September 30, 2018, were offset by depreciation expense of \$43,140 and amortization expense of \$482.

Canaveral Port Authority

Management's Discussion and Analysis (Unaudited)

Major capital asset events for the fiscal year ended September 30, 2017, were as follows:

- Construction began or continued on several major projects for the Authority, including Cruise Terminal 10 Upgrades, Maritime Center Tenant Improvement, SR401 Improvements and West Turning Basin Cargo Area Deepening. These additions totaled \$25,198 and were offset by the total value of projects completed and moved from Construction in Progress to capital assets of \$54,462.

Several major projects included in Construction in Progress were completed in fiscal year 2017 including:

- Cruise Terminal 10 at a cost of \$33,897
- West Turning Basin Widening and Deepening at a cost of \$3,657
- Land, building and lease acquisitions at a cost of \$3,751
- Cruise Terminal 8 at a cost of \$2,075
- SR401 Improvements at a cost of \$2,988

Additions for the year ended September 30, 2017, were offset by depreciation expense of \$38,515 and amortization expense of \$365.

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

	2018	2017	2016
Land	\$ 5,471	\$ 4,603	\$ 4,603
Buildings	153,457	159,699	143,655
Improvements other than:			
Buildings	356,759	365,719	370,631
Equipment	29,608	35,748	33,619
Intangibles	2,312	1,602	1,082
Construction in progress	35,086	22,892	45,637
Total	<u>\$ 582,693</u>	<u>\$ 590,263</u>	<u>\$ 599,227</u>

Additional information on the Canaveral Port Authority's capital assets can be found in note 3.C. on pages 16-17 of this report.

Long-term debt. At September 30, 2018 and 2017, the Canaveral Port Authority had total bonded debt outstanding of \$277,749 and \$289,433, respectively, net of unamortized discounts and premiums. The Canaveral Port Authority's debt represents bonds secured solely by operating revenues (i.e., revenue bonds).

Canaveral Port Authority

Management's Discussion and Analysis (Unaudited)

Canaveral Port Authority's Outstanding Debt Revenue Bonds (in thousands)

	2018	2017	2016
Revenue Refunding Bonds, Series 2006A	\$ -	\$ -	\$ 9,760
Revenue Bonds, Series 2006B	-	-	1,330
Revenue Bonds, Series 2010	17,871	21,125	24,280
Revenue Bonds, Series 2012	3,031	4,024	5,049
Revenue Bonds, Series 2013	11,043	11,973	12,875
Revenue Bonds, Series 2013A	19,524	21,168	22,763
Revenue Bonds, Series 2014	96,325	97,825	99,325
Revenue Bonds, Series 2015	5,495	7,255	8,975
Revenue Bonds, Series 2016A	23,780	23,783	24,070
Revenue Bonds, Series 2016B	38,000	38,000	38,000
Revenue Bonds, Series 2016C	35,535	37,135	-
Revenue Bonds, Series 2016D	27,145	27,145	-
Total revenue bonds	<u>\$ 277,749</u>	<u>\$ 289,433</u>	<u>\$ 246,427</u>

The Canaveral Port Authority's total revenue bonds decreased by \$11,684 (-4.04%) during the current fiscal year and increased by \$43,006 (17.5%) during the prior year. The decrease during the current fiscal year was due to the regular scheduled principal payments. The major factor for the increase during the prior year was due to issuances of Revenue Bonds Series 2016C and 2016D in the amounts of \$37,450 and \$27,145, respectively offset by regular scheduled principal payments of \$12,539.

Additional information on the Canaveral Port Authority's long-term debt can be found in Note 3.F. on pages 19 – 24 of this report.

Economic Factors and Next Year's Budgets and Rates

- Charges for services are budgeted to increase 5.7% for the fiscal year ending September 30, 2019 due to anticipated increase in cargo and cruise related business. Operating expenses are budgeted to increase 3%, due to a full year depreciation as a result of transfers of completed assets from construction in progress and additions in staffing requirements to support operations.
- Income before capital contributions, for the fiscal year ending September 30, 2019 is budgeted at \$7,373. This represents an 86.3% increase over the current year.

Canaveral Port Authority**Management's Discussion and Analysis (Unaudited)**

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, 445 Challenger Road, Suite 301, Cape Canaveral, Florida, 32920.

BASIC FINANCIAL STATEMENTS

Canaveral Port Authority**Statements of Net Position**

<i>September 30,</i>	2018	2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 61,687,367	\$ 50,759,598
Restricted cash and cash equivalents	6,187,359	4,460,354
Investments	469,974	469,424
Accounts receivable – trade, net	7,548,754	6,297,666
Prepaid expenses	2,183,892	2,127,231
Due from other governmental units	5,285,510	3,468,027
Inventory	140,510	111,428
Other receivables, current	198,961	136,368
Total current assets	83,702,327	67,830,096
Noncurrent assets:		
Restricted cash and equivalents	5,234,736	5,234,736
Other receivables, long-term	536,661	688,799
Capital assets (net of accumulated depreciation and amortization):		
Land	5,470,630	4,602,954
Buildings	153,457,586	159,698,999
Improvements other than buildings	356,758,823	365,719,391
Equipment	29,607,710	35,747,973
Intangible assets	2,312,642	1,602,435
Construction in progress	35,085,883	22,891,856
Total noncurrent assets	588,464,671	596,187,143
Total assets	672,166,998	664,017,239
Deferred outflows of resources:		
Deferred loss on bond refunding	664,845	839,973

(Continued)

Statements of Net Position (Continued)

<i>September 30,</i>	2018	2017
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses	12,498,167	6,334,059
Unearned revenue	1,586,782	1,524,233
Payroll and sales taxes payable	201,405	146,817
Revenue bonds payable, current portion	11,962,016	11,147,709
Compensated absences, current portion	1,360	4,618
Line of credit	15,985,543	15,985,543
Other liabilities, current portion	167,280	156,743
Payable from restricted assets:		
Accrued interest payable	3,008,466	3,125,445
Revenue bonds payable, current portion	83,333	533,333
Total current liabilities	45,494,352	38,958,500
Noncurrent liabilities:		
Revenue bonds payable, less current portion	265,703,216	277,751,935
Compensated absences, less current portion	804,366	664,236
Net OPEB obligation	1,576,387	1,819,000
Other liabilities, long-term portion	1,139,602	1,342,453
Total noncurrent liabilities	269,223,571	281,577,624
Total liabilities	314,717,923	320,536,124
Net position:		
Net investment in capital assets	295,811,370	285,685,061
Restricted for debt service	5,234,736	5,234,736
Unrestricted	57,067,814	53,401,291
Total net position	\$ 358,113,920	\$ 344,321,088

See notes to financial statements.

Canaveral Port Authority

Statements of Revenues, Expenses and Changes in Net Position

<i>Years Ended September 30,</i>	2018	2017
Operating revenues:		
Fees and charges for services	\$ 101,708,705	\$ 93,279,519
Operating expenses:		
Operations	6,443,405	6,943,647
Facilities	11,350,753	10,603,744
Public safety	9,155,561	8,676,092
Parks and recreation	1,513,368	1,456,981
Exploration Tower	691,795	631,746
Fire training facility	202,133	190,165
Commission	305,482	327,307
Executive	1,541,860	1,522,094
Finance and accounting	1,825,090	1,654,795
Administrative services	6,045,941	5,853,782
Engineering and environmental	2,739,028	5,632,860
Business development	1,605,875	1,174,513
Tenant development	892,985	630,246
Government and strategic communications	1,018,105	1,118,103
Depreciation	43,139,638	38,515,405
Amortization	481,862	365,005
Total operating expenses	88,952,881	85,296,485
Operating income	12,755,824	7,983,034
Non-operating revenues:		
Investment earnings	809,438	445,598
Insurance proceeds	646,534	-
Grant revenue	765,757	288,411
Gain on legal settlement	-	369,850
Gain on sale/disposal of assets	77,412	3,629,087
Total non-operating revenues	2,299,141	4,732,946
Non-operating expenses:		
Interest expense	9,527,142	8,900,648
Loss on disposal of capital assets	931,634	78,981
Other non-operating expenses	638,082	923,113
Total non-operating expenses	11,096,858	9,902,742
Income before capital contributions and special item	3,958,107	2,813,238
Capital contributions	9,834,725	4,854,580
Change in net position	13,792,832	7,667,818
Net position, beginning of year	344,321,088	336,653,270
Net position, end of year	\$ 358,113,920	\$ 344,321,088

See notes to financial statements.

Canaveral Port Authority

Statements of Cash Flows

<i>Years Ended September 30,</i>	2018	2017
Cash flows from operating activities:		
Cash received from customers and users	\$ 102,004,086	\$ 93,562,758
Cash paid to suppliers for goods and services	(33,712,213)	(34,413,067)
Cash payments to employees for services	(12,442,848)	(11,111,594)
Net cash provided by operating activities	55,849,025	48,038,097
Cash flows from non-capital financing activities:		
Insurance proceeds	2,086,224	-
Grant revenue received	765,757	288,411
Net cash provided by non-capital financing activities	2,851,981	288,411
Cash flows from capital and related financing activities:		
Interest paid	(9,468,992)	(7,941,204)
Proceeds from revenue bonds	-	64,595,000
Costs of debt issuance	(7,186)	(1,053,242)
Principal payments on revenue bonds	(11,684,412)	(21,588,605)
Acquisition and construction of capital assets	(32,168,466)	(43,163,457)
Proceeds from the sale of capital assets	-	3,629,087
Repayments on line of credit	-	(15,037,706)
Contributed capital	6,472,836	4,270,534
Principal payments on note payable	-	(108,027)
Net cash used in capital and related financing activities	(46,856,220)	(16,397,620)
Cash flows from investing activities:		
Interest received	809,438	445,598
Sale of investments	-	2,220,640
Purchase of investments	550	(469,424)
Net cash provided by investing activities	809,988	2,196,814
Net increase in cash and cash equivalents	12,654,774	34,125,702
Cash and cash equivalents:		
Beginning of year	60,454,688	26,328,986
End of year	\$ 73,109,462	\$ 60,454,688

(Continued)

Canaveral Port Authority

Statements of Cash Flows (Continued)

<i>Years Ended September 30,</i>	2018	2017
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 12,755,824	\$ 7,983,034
Adjustment to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	43,139,638	38,515,405
Amortization expense	481,862	365,005
Gain on sale of assets	-	78,981
Grant administration	-	(45,000)
Gain on legal settlement	-	369,850
(Increase) decrease in assets:		
Accounts receivable	143,287	(456,641)
Insurance receivable	(1,394,375)	-
Inventory	(29,082)	(12,051)
Other receivables, current	89,545	95,941
Due from other governmental units	529,543	-
Prepaid expenses	(56,661)	896,201
Deferred outflows of resources	175,128	172,880
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	195,204	147,713
Unearned revenue	62,549	643,939
Compensated absences	136,872	55,125
Net OPEB obligation	(242,613)	115,000
Net pension liability	-	(27,798)
Deferred inflows of resources – pension	-	42,144
Other liabilities	(192,285)	(100,243)
Payroll and sales tax payable	54,589	15,229
Project insurance liability	-	(816,617)
Total adjustments	43,093,201	40,055,063
Net cash provided by operating activities	\$ 55,849,025	\$ 48,038,097

Supplemental schedule of noncash investing, capital and financing activities:

During 2018 and 2017, the Authority recorded an unrealized gain on investments (including cash equivalents) of \$714,608 and \$232,538, respectively.

During 2018 and 2017, the Authority's balance in due from other governmental units relating to capital contributions is \$5,089,850 and \$1,815,087, respectively.

On September 30, 2018 and 2017, the Authority had capital asset additions included in accounts payable of \$8,500,005 and \$2,531,101 respectively.

See notes to financial statements.

Canaveral Port Authority

Notes to Financial Statements

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Canaveral Port Authority

Notes to Financial Statements

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 and a political subdivision of the state of Florida (the State) which was established in 1953 by Chapter 28922, Laws of Florida, and Special Acts of 1953, as amended in 2014. The Authority is composed of one commissioner elected from each of the five districts created by the Act.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority is a special purpose government entity engaged in business type activities and uses a single enterprise fund for the presentation of its financial statements. Enterprise 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.

The 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.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with 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.

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 Position

1. Cash and Cash Equivalents

State statutes authorize the government to invest in the Local Government Surplus Funds Trust Fund (the State Pool) 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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Position (Continued)

1. Cash and Cash Equivalents (Continued)

The 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. The Authority's investment in the State Pool is reported at amortized cost. The fair value of the Authority's position in the pool is equal to the value of pooled shares.

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 State Pool.

2. Accounts and Other Receivables

Management considers most accounts and other receivables to be fully collectible; however the Authority has created an allowance for those, where based upon historical attempts at collection, it deems collection to be unlikely. The allowance for the years ended September 31, 2018 and 2017, were \$50,000 and \$25,000, respectively.

3. Inventory

Inventory is stated at cost, using the first-in, first-out (FIFO) inventory method.

4. 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 acquisition 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. Costs associated with deepening and widening the channel increases the potential service utility of the port and is recorded as a non-depreciable capital assets.

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:

Classification	Range of Lives (Years)
Buildings	30
Improvements other than buildings	5-40
Equipment	3-20

Canaveral Port Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

C. Assets, Liabilities and Net Position (Continued)

5. Deferred Outflows of Resources

Deferred outflows are associated with losses on bond refunding, which are amortized over the life of the refunding bonds, and an aggregate of items related to pensions.

6. Restricted Assets

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

7. 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 statements of net position. There is no liability for unpaid accumulated sick leave since the Authority does not have a policy to pay such amounts upon termination.

8. Deferred inflows of Resources

The deferred inflows are an aggregate of items related to pensions.

9. Net Position – Net Investment in Capital Assets

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvements of those assets and any deferred losses on bond refunding.

10. Net Position – Restrictions

The Authority's statements of net position reports a restriction on net position that is maintained for a specific purpose. The nature and purpose of this restriction represent, in accordance with legal restrictions, amounts for payment of principal and interest maturing in later years.

11. Net Position – Unrestricted

At September 30, 2018, and at the end of the prior year, the Authority had an unrestricted net position and continued to be funded for normal operations

Canaveral Port Authority

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

D. Revenues and Expenses

1. Operating Revenues and Expenses

Operating revenues are recorded when earned and expenses are recorded when incurred. Revenues and expenses relating to the Authority's property and operations included wharfage, dockage, line handling, water services, crane rentals, property leases, commercial vehicle, parks and recreation entrance and usage fees, fire training, parking fees and other port services. All other revenues and expenses are classified as non-operating.

2. Grants

Grants restricted for capital acquisition and construction are recorded as capital contributions. Grant revenue that can be used for operating purposes is classified as nonoperating revenue. They are considered earned when all applicable eligibility requirements have been met and it is earned by the Authority.

3. Amortization

The Authority recognizes amortization on these intangible assets as follows:

Category	Period (Years)	Method
Computer Software	10	Straight-line
Trademarks	5	Straight-line

Capitalized Interest

The Authority's policy is to capitalize interest costs related to construction projects in accordance with accounting principles generally accepted in the United States (GAAP). 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. During the years ended September 30, 2018 and 2017, \$279,993 and \$799,101 of interest expense was capitalized.

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 GAAP. 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.

Canaveral Port Authority

Notes to Financial Statements

Note 2. Budgetary Information (Continued)

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

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.

Note 3. Detail Notes

A. Deposits and Investments

At September 30, 2018 and 2017, the carrying amount of the Authority's recorded deposits with banks, investments and savings and loans was \$19,796,344 and \$11,405,934, respectively, and the bank balance was \$20,039,421 and \$12,776,576, respectively. In addition, the Authority held \$500 of petty cash at September 30, 2018 and 2017.

Florida Statutes, Chapter 280, Florida Security for Public Deposit Act (the Act) prescribes the deposit authority of the Authority's policy conforms to state statute. Deposits whose value exceeds the limits of federal depository insurance are entirely insured or collateralized pursuant to Florida Statutes, Chapter 280. Under the Act, every qualified public depository shall deposit with the Treasurer eligible collateral of the depository to be held subject to his or her order. The Treasurer, by rule, shall establish minimum required collateral pledging levels. The pledging level may range from 25% to 200% of the average monthly balance of public deposits with an approved financial institution. The Public Deposit Security Trust Funds have a procedure to allocate and recover losses in the event of default or insolvency. The Authority depositories at year end were designated as qualified public depositories. All bank balances were covered by the federal deposit insurance and the banks' participation in the Florida Security for Public Deposit Act.

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 218.415.

Credit risk is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. This risk is generally measured by the assignment of a rating by a nationally recognized statistical rating organization. The Authority's investment policy permits the following investments, which are limited to credit quality ratings from nationally recognized rating agencies as described below:

Commercial paper of any United States company or foreign company domiciled in the United States that is rated, at the time of purchase, "Prime-1" by Moody's and "A-1" by Standard & Poor's (prime commercial paper), or equivalent as provided by two nationally recognized rating agencies. If the commercial paper is backed by a letter of credit (LOC), the long-term debt of the LOC provider must be rated "A" or better by at least two nationally recognized rating agencies.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

A. Deposits and Investments (Continued)

Credit Risk (Continued)

Corporate bonds issued by corporations organized and operating within the United States or by depository institutions licensed by the United States that have a long-term debt rating, at the time of purchase, at a minimum “A” by Moody’s and a minimum long-term debt rating of “A” by Standard & Poor’s, or equivalent as provided by two nationally recognized rating agencies.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The Authority’s investment policy requires securities be held by a third-party custodian and be properly designated as an asset of the Authority and held in the Authority’s name. As of September 30, 2018 and 2017, the Authority’s investment portfolio was held with a third-party custodian, and designated as Authority assets, as required by the Authority’s investment policy.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. 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. The Authority’s investment policy does not limit the maturities of investments to reduce the interest rate risk.

Fair Value Measurements

The Authority’s investments are reported at fair value using quoted market price or other fair value techniques as required by the Government Accounting Standards Board (GASB) Statement 72, *Fair Value Measurements*. Fair value is defined by GASB Statement No. 72, as the price that would be received to sell an asset or to transfer a liability in an orderly transaction between market participants at the measurement date. Categorizes within the fair value hierarchy include: Level 1 inputs are quoted priced in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are unobservable inputs.

As of September 30, 2018 and 2017, the Authority reported investments at fair value. Fair value for all of the Authority investments was measured using Level 1 techniques, excluding the State Pool, which is valued using amortized cost and the certificates of deposits which are not subject to fair value hierarchy.

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

Note 3. Detail Notes (Continued)

A. Deposits and Investments (Continued)

At September 30, 2018, the Authority had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)			Rating	Agency
		Less than 1	1-5	6-10		
State Pool	\$ 1,185,017	\$ 1,185,017	\$ -	\$ -	AAAm	S&P
Certificates of Deposit	469,974	469,974	-	-	Not Rated	-
U.S. Government Securities	7,175,978	7,175,978	-	-	AA+	S&P
Agency Discount Notes	44,952,123	44,952,123	-	-	AA+	S&P
	<u>\$ 53,783,092</u>	<u>\$ 53,783,092</u>	<u>\$ -</u>	<u>\$ -</u>		

At September 30, 2017, the Authority had the following investments:

Investment Type	Fair Value	Investment Maturities (in years)			Rating	Agency
		Less than 1	1-5	6-10		
State Pool	\$ 1,162,721	\$ 1,162,721	\$ -	\$ -	AAAm	S&P
Certificates of Deposit	469,424	469,424	-	-	Note Rated	-
U.S. Government Securities	2,079,183	2,079,183	-	-	AA+	S&P
Agency Discount Notes	45,806,850	45,806,850	-	-	AA+	S&P
	<u>\$ 49,518,178</u>	<u>\$ 49,518,178</u>	<u>\$ -</u>	<u>\$ -</u>		

B. Restricted Assets and Reserved for Debt Service

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.

	2018	2017
Debt Proceeds/Debt Reserve	\$ 6,187,359	\$ 4,460,354
Bond Reserve	5,234,736	5,234,736
Total	<u>\$ 11,422,095</u>	<u>\$ 9,695,090</u>

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

C. Capital Assets

Capital asset activity for the years ended September 30, 2018 and 2017, was as follows:

	2018			Balance September 30, 2018
	Balance September 30, 2017	Increases	Decreases	
Capital assets, not being depreciated/amortized:				
Land	\$ 4,602,954	\$ 867,676	\$ -	\$ 5,470,630
Construction in progress	22,891,856	36,982,800	(24,788,773)	35,085,883
Total capital assets, not being depreciated/amortized	27,494,810	37,850,476	(24,788,773)	40,556,513
Capital assets, being depreciated/amortized:				
Buildings	193,505,355	3,232,916	(2,437,929)	194,300,342
Improvements other than buildings	585,394,184	15,816,346	(2,640,855)	598,569,675
Equipment	78,467,465	3,679,766	(539,179)	81,608,052
Intangible assets	17,987,343	1,192,068	(2,318,704)	16,860,707
Total capital assets being depreciated/amortized	875,354,347	23,921,096	(7,936,667)	891,338,776
Less accumulated depreciation/amortization for:				
Buildings	(33,806,356)	(9,145,684)	2,109,284	(40,842,756)
Improvements other than buildings	(219,674,793)	(24,174,983)	2,038,924	(241,810,852)
Equipment	(42,719,492)	(9,818,971)	538,121	(52,000,342)
Intangible assets	(16,384,908)	(481,861)	2,318,704	(14,548,065)
Total accumulated depreciation/amortization	(312,585,549)	(43,621,499)	7,005,033	(349,202,015)
Total capital assets, being depreciated/ amortized, net	562,768,798	(19,700,403)	(931,634)	542,136,761
Capital assets, net	\$ 590,263,608	\$ 18,150,073	\$ (25,720,407)	\$ 582,693,274

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

C. Capital Assets (Continued)

	2017			
	Balance October 1, 2016	Increases	Decreases	Balance September 30, 2017
Capital assets, not being depreciated/amortized:				
Land	\$ 4,602,954	\$ -	\$ -	\$ 4,602,954
Construction in progress	45,637,199	31,716,607	(54,461,950)	22,891,856
Total capital assets, not being depreciated/amortized	50,240,153	31,716,607	(54,461,950)	27,494,810
Capital assets, being depreciated/amortized:				
Buildings	171,056,533	25,566,552	(3,117,730)	193,505,355
Improvements other than buildings	573,792,796	16,801,801	(5,200,413)	585,394,184
Equipment	67,750,032	11,208,104	(490,671)	78,467,465
Intangible assets	17,101,849	885,494	-	17,987,343
Total capital assets being depreciated/amortized	829,701,210	54,461,951	(8,808,814)	875,354,347
Less accumulated depreciation/amortization for:				
Buildings	(27,401,693)	(7,801,462)	1,396,799	(33,806,356)
Improvements other than buildings	(203,161,485)	(21,714,112)	5,200,804	(219,674,793)
Equipment	(34,130,960)	(8,999,831)	411,299	(42,719,492)
Intangible assets	(16,019,902)	(365,005)	-	(16,384,908)
Total accumulated depreciation/amortization	(280,714,040)	(38,880,410)	7,008,902	(312,585,549)
Total capital assets, being depreciated/amortized, net	548,987,170	15,581,541	(1,799,912)	562,768,798
Capital assets, net	\$ 599,227,323	\$ 47,298,147	\$ (56,261,862)	\$ 590,263,608

Intangible assets include computer software, a trademark and port master plan.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

D. Accounts Payable and Accrued Expenses

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

	2018	2017
Accounts and contracts payable	\$ 10,884,399	\$ 4,770,743
Retainages payable	1,016,477	1,086,366
Accrued payroll and employee benefits	597,291	476,950
	<u>\$ 12,498,167</u>	<u>\$ 6,334,059</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 the ensuing years, the Authority retained the services of a professional site assessment and remediation firm to determine an estimated cost to complete the clean-up and recognized any additional expenses, if any, with adjustments recorded annually to the respective liability and receivable accounts.

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.

In fiscal year 2012, during a collaborative meeting between the Authority, professional site assessment and remediation firm, all related subcontracting firms and with feedback from a state monitoring agency, it was determined that the remediation plan in place was producing successful remediation of the site. It was agreed to maintain the current estimates for a period of five years, barring any unforeseen events. It was further agreed to meet again in five years to review the status of the plan and remediation progress. The group reconvened in September 2016, and again confirmed the current estimates in place were sufficient and would remain the same with plans to meet again for review in five years. During fiscal years 2018, 2017, 2016, 2015, 2014 and 2013, there were no additional estimated costs for cleanup and therefore no additional accruals necessary.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

E. Other Liabilities (Continued)

At September 30, 2018 and 2017, the liability balances for the clean-up are \$882,828 and \$1,075,142, respectively. These liabilities are reported as other liabilities, current portion in the amount of \$167,280 and \$156,743 at September 30, 2018 and 2017, respectively, and as other liabilities, long-term portion in the amount of \$715,548 and \$918,399, respectively. In accordance with GASB Statement No. 49, the September 30, 2018 pollution remediation liability of \$882,828 is based on the weighted average probability of expected outlays.

As of September 30, 2018, management believes the actual liability recorded in the Statements of Net Position will cover the future costs expected to be incurred for the clean-up.

The receivable balances remaining at September 30, 2018 and 2017, are \$735,621 and \$825,167, respectively. These receivables are included in other receivables, current in the amount of \$198,961 and \$136,368 at September 30, 2018 and 2017, respectively, and in other receivables, long-term in the amount of \$536,660 and \$688,799, respectively.

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

Claims Liability October 1, 2017	Fiscal Year 2018 Incurred Claims	Fiscal Year 2018 Payment on Claims	Claims Liability September 30, 2018
\$ 1,075,142	\$ -	\$ (192,314)	\$ 882,828
Claims Liability October 1, 2016	Fiscal Year 2017 Incurred Claims	Fiscal Year 2017 Payment on Claims	Claims Liability September 30, 2017
\$ 1,175,385	\$ -	\$ (100,243)	\$ 1,075,142

F. Revenue Bonds Payable

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

The resolutions applicable to the revenue bonds require the establishment of various bond principal and interest sinking funds and reserve accounts with various requirements for deposits. These requirements have been met for the fiscal years ended September 30, 2018 and 2017.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

F. Revenue Bonds Payable (Continued)

A summary of long-term debt at September 30, 2018 and 2017, is as follows:

	2018	2017
Port Improvement Revenue Bonds, Series 2010	\$ 17,870,686	\$ 21,124,729
Port Revenue Refunding Bonds, Series 2012	3,031,000	4,024,000
Port Improvement Revenue Bonds, Series 2013	11,043,000	11,973,000
Port Improvement Revenue Bonds, Series 2013A	19,524,000	21,168,000
Port Improvement Revenue Bonds, Series 2014	96,325,000	97,825,000
Port Revenue Refunding Bonds, Series 2015	5,495,000	7,255,000
Port Revenue Refunding Bonds, Series 2016A	23,779,880	23,783,248
Port Revenue Refunding Bonds, Series 2016B	38,000,000	38,000,000
Port Improvement and Refunding Revenue Bonds, Series 2016C	35,535,000	37,135,000
Port Improvement Revenue Bonds, Series 2016D	27,145,000	27,145,000
Total revenue bonds	277,748,566	289,432,977
Less current maturities	(12,045,350)	(11,681,042)
Revenue bonds payable, less current portion	<u>\$ 265,703,216</u>	<u>\$ 277,751,935</u>

PORT IMPROVEMENT REVENUE BONDS, SERIES 2010

On December 21, 2010, the Authority issued Port Improvement Revenue Bonds, Series 2010 in the principal amount of \$42,000,000 to fund various capital improvements. Gross revenues are pledged for repayment of these bonds.

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 \$2,702,460 to \$3,798,771 at final maturity in 2023.

On or prior to June 1, 2017, the Series 2010 bonds are subject to redemption upon notice prior to maturity, at election of the Issuer, as a whole at any time, or in part on any interest date, at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the redemption date, plus the cost of prepayment as laid out in the bond document. At any time after June 1, 2017, the Series 2010 bonds shall be subject to redemption upon notice prior to maturity at the election of the Issuer, at any time, or in part on an interest date, at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the redemption date.

PORT REVENUE REFUNDING BONDS, SERIES 2012

On March 6, 2012, the Authority issued Port Revenue Refunding Bonds, Series 2012 in the principal amount of \$8,747,000: (i) to currently refund all of the Authority's Port Improvement Revenue Refunding Bonds, Series 2002B and (ii) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds.

The Series 2012 bonds bear interest at a fixed rate of 1.75% per annum, payable semi-annually on June 1 and December 1. Principal is due annually beginning June 1, 2012, in amounts increasing from \$27,000 to \$1,030,000 at final maturity in 2021.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

F. Revenue Bonds Payable (Continued)

The Series 2014 bonds bear interest at a fixed rate of 3.39% per annum, payable semi-annually on June 1 and December 1. Principal is due semi-annually beginning December 1, 2014, in amounts from \$750,000 to \$5,335,000 at final maturity in 2034.

On or prior to June 1, 2018, the Series 2014 bonds are subject to redemption upon notice prior to maturity, at election of the Issuer, as a whole at any time, or in part on any interest date, at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the redemption date, plus the cost of prepayment as laid out in the bond document. At any time after June 1, 2018, the Series 2014 bonds shall be subject to redemption upon notice prior to maturity at the election of the Issuer, as a whole at any time, or in part on an interest date, at the redemption price of 100% of the principal amount being redeemed, plus accrued interest to the redemption date.

PORT REVENUE REFUNDING BONDS, SERIES 2015

On March 3, 2015, the Authority issued Port Revenue Refunding Bonds, Series 2015 in the principal amount of \$11,080,000: (i) to currently refund all of the Authority's Port Revenue Refunding Bonds, Series 2005, and (ii) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds.

The Series 2015 bonds bear interest at a fixed rate of 2.08% per annum, payable semi-annually on June 1 and December 1. Principal is due annually beginning June 1, 2015, in amounts increasing from \$420,000 to \$1,870,000 at final maturity in 2021.

The Series 2015 bonds are subject to redemption prior to their respective dates of maturity, at any time, at the option of the Authority, in whole or in part, at redemption price equal to 100% of the principal amount of the Series 2015 bonds to be redeemed, plus accrued interest to the redemption date.

PORT REVENUE REFUNDING BONDS, SERIES 2016A

On May 26, 2016, the Authority issued Port Revenue Refunding Bonds, Series 2016A in the principal amount of \$24,070,000: (i) to finance various cruise terminal improvements and other capital improvements and other capital investments previously financed using short-term funds, and (ii) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds.

The Series 2016A bonds bear interest at a fixed rate of 2.35% per annum, payable semiannually on June 1 and December 1. Principal is due annually beginning June 1, 2022, in amounts increasing from \$2,100,000 to \$2,695,000 at final maturity in 2031.

PORT REVENUE REFUNDING BONDS, SERIES 2016B

On August 25, 2016, the Authority issued Port Revenue Refunding Bonds, Series 2016B in the principal amount of \$38,000,000: (1) to finance various cruise terminal improvements and other capital investments a portion of which may have been previously financed using short-term funds; (ii) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

F. Revenue Bonds Payable (Continued)

The Series 2016B bond bear interest at a fixed rate of 2.19% per annum, payable semiannually on June 1 and December 1. Principal is due annually beginning June 1, 2022, in the amounts increasing from \$1,775,000 to \$5,040,000 at final maturity in 2031.

The Series 2016B bonds are subject to redemption prior to their respective dates of maturity, at any time, at the option of the Authority, in whole or in part, at redemption price equal to 100% of the principal amount of the Series 2016B bonds to be redeemed, plus accrued interest to the redemption date.

PORT IMPROVEMENT AND REVENUE REFUNDING BONDS, SERIES 2016C

On November 15, 2016, the Authority issued Port Improvement and Revenue Refunding Bonds, Series 2016C in the principal amount of \$37,450,000: (i) to refund the Authority's \$16,915,000 Port Revenue Refunding Bonds, Series 2006A in which the outstanding amount was \$9,760,000 and was redeemed on December 20, 2016, (ii) to currently refund all of the Authority's Port Revenue Bonds Series 2006B in the amount of \$1,330,000, (iii) to finance various cruise terminal improvements and a centralized maintenance and processing warehouse, (iv) to pay bond issuance costs. Gross revenues are pledged for repayment of these bonds. As a result of the refunding, the Authority realized a net present value savings of \$491,960 or 4.4% of the refunded bonds.

The Series 2016C bond bear interest at rates ranging from 3.00% to 5.00% per annum, payable semiannually on June 1 and December 1. Principal is due annually beginning June 1, 2017, in the amounts increasing from \$315,000 to \$2,650,000 at final maturity in 2046.

The Series 2016C bonds are subject to redemption prior to their respective dates of maturity, at any time, at the option of the Authority, in whole or in part, at redemption price equal to 100% of the principal amount of the Series 2016C bonds to be redeemed, plus accrued interest to the redemption date.

PORT IMPROVEMENT REVENUE BONDS, SERIES 2016D

On November 15, 2016, the Authority issued Port Improvement Revenue Bonds, Series 2016D in the principal amount of \$27,145,000: (i) to finance an auto processing facility and vehicle staging area with roadway improvements, (ii) to pay bond issuance costs.

The Series 2016D bond bear interest at rates ranging from 4.494% to 4.654% per annum, payable semiannually on June 1 and December 1. Principal is due annually beginning June 1, 2032, in the amounts increasing from \$1,300,000 to \$2,440,000 at final maturity in 2046.

The Series 2016D bonds are subject to redemption prior to their respective dates of maturity, at any time, at the option of the Authority, in whole or in part, at redemption price equal to 100% of the principal amount of the Series 2016D bonds to be redeemed, plus accrued interest to the redemption date.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

F. Revenue Bonds Payable (Continued)

FUTURE MATURITIES

Future maturities requirements for all outstanding revenue bonds payable, as of September 30, 2018, are as follows:

	Principal	Interest	Total
2019	\$ 12,045,350	\$ 8,999,972	\$ 21,045,322
2020	12,399,875	8,645,814	21,045,689
2021	12,766,714	8,280,269	21,046,983
2022	12,851,858	7,906,658	20,758,516
2023	13,532,769	7,510,914	21,043,683
2024 to 2028	74,597,000	31,152,672	105,749,672
2029 to 2033	76,855,000	19,591,272	96,446,272
2034 to 2038	27,420,000	10,073,318	37,493,318
2039 to 2043	20,635,000	5,869,462	26,504,462
2044 to 2047	14,645,000	1,281,101	15,926,101
Total	<u>\$ 277,748,566</u>	<u>\$ 109,311,452</u>	<u>\$ 387,060,018</u>

The total future principal and interest on all the bonds is \$387,060,018 and the current principal and interest is \$21,045,322. The current pledged revenue is \$101,708,705. The current principal and interest due is 20.7% of current pledged revenue. The bonds may be redeemed at the option of the Authority.

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 matured on July 1, 2017 and final payment was made to fulfill this note.

H. Line of Credit

PNC Bank

The Authority has an agreement with PNC bank for a line of credit not to exceed \$25,000,000. The taxable interest rate is the 30-day LIBOR plus .75% per annum. The tax exempt rate is 70% of 30-day LIBOR plus .48% per annum. The maturity date is December 15, 2018.

The balance at September 30, 2018 and 2017, is \$0.

SUNTRUST

The Authority has an agreement with SunTrust bank for a line of credit not to exceed \$16,000,000. This line of credit was used to purchase the Titusville Logistics Center. The interest rate on the debt is the thirty-day LIBOR plus .75% per annum. The maturity date is September 25, 2019.

The interest rate as of September 30, 2018 and 2017, was 2.86% and 1.99%, respectively. The line of credit balance at September 30, 2018 and 2017, was \$15,985,543.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

I. Changes in Long-Term Liabilities

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

	Balance October 1, 2017	Additions	Reductions	Balance September 30, 2018	Due Within One Year
Revenue bonds payable	\$ 289,432,978	\$ -	\$ (11,684,412)	\$ 277,748,566	\$ 12,045,350
Compensated absences	668,854	140,129	(3,257)	805,726	1,360
Net OPEB liability	1,819,000	-	(242,613)	1,576,387	-
Other liabilities, long-term	1,499,196	10,537	(202,851)	1,306,882	167,280
Long-term liabilities	<u>\$ 293,420,028</u>	<u>\$ 150,666</u>	<u>\$ (12,133,133)</u>	<u>\$ 281,437,561</u>	<u>\$ 12,213,990</u>

	Balance October 1, 2016	Additions	Reductions	Balance September 30, 2017	Due Within One Year
Revenue bonds payable	\$ 246,426,583	\$ 64,595,000	\$ (21,588,605)	\$ 289,432,978	\$ 11,681,042
Note payable	108,027	-	(108,027)	-	-
Compensated absences	613,729	57,636	(2,511)	668,854	4,618
Net OPEB liability	1,704,000	115,000	-	1,819,000	-
Other liabilities, long-term	1,627,237	-	(128,041)	1,499,196	156,743
Project insurance liability	816,617	-	(816,617)	-	-
Long-term liabilities	<u>\$ 251,296,193</u>	<u>\$ 64,767,636</u>	<u>\$ (22,643,801)</u>	<u>\$ 293,420,028</u>	<u>\$ 11,842,403</u>

J. Restricted Net Position

The following schedule lists the amounts of net position that are restricted as of September 30, 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.

	2018	2017
Bond Reserve		
Series 2016C	\$ 3,034,923	\$ 3,034,923
Series 2016D	2,199,813	2,199,813
Total debt service restrictions	<u>\$ 5,234,736</u>	<u>\$ 5,234,736</u>

K. Defined Contribution Plan

Effective January 1, 1996, the Authority adopted Resolution 96-12, pursuant to 95-338 Laws of Florida, whereby the Authority revoked its participation in the System and established the Canaveral Port Authority Defined Contribution Plan and Trust (the Plan) for employees hired after January 1, 1996.

The Plan is administered by the Authority as a Qualified Retirement Plan as defined by Section 401 (a) of the Internal Revenue Service Code. Plan provisions and contribution requirements are established and may be amended by the Board. The Authority contributes 10.77% of the employees' eligible compensation to the Plan; employee contributions to the Plan are not permitted. The amount of covered payroll by the Plan for the years ended September 30, 2018 and 2017, was \$11,714,002 and \$10,815,647, respectively. The amount of retirement expense related to the Plan for the years ended September 30, 2018 and 2017, was \$1,261,598 and \$1,164,846, respectively.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

L. Other Post-Employment Benefits

(a) Description of OPEB Plans

The Authority adopted the provisions of GASB No. 75 Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions as of October 1, 2017. The effect of implementation was not considered to be significant to the financial statements of the Authority. Accordingly, the effect was recognized in the current year as opposed to restating opening net position. As a result, OPEB disclosures will not be comparative in the current year.

Plan description. The Authority administers a single-employer defined benefit healthcare plan (the Healthcare 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 Authority's ordinances) the opportunity to participate in this Healthcare Plan at the same cost that is applicable to active employees.

Employees who are active participants in the Healthcare Plan at the time of retirement and are either age 62 with completion of 6 years of service or have 30 years of service are eligible to receive benefits. Below is a summary of the Healthcare Plan's membership as of June 30, 2018:

Plan Membership	September 30, 2018
Active	203
Inactive, receiving benefits	14
Total membership	217

Benefit provisions can only be amended by the Board. The Board approves the Authority's annual budget and, therefore, indirectly approves the annual costs associated with the Healthcare Plan. The Authority has not established a trust or agency fund for the Healthcare Plan. The Authority does not issue standalone financial statements for the Healthcare Plan. All financial information related to the Healthcare Plan is accounted for in the Authority's basic financial statements.

The amount of benefits paid by the Authority for the Healthcare Plan during the fiscal year ended September 30, 2018 was \$35,371.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

L. Other Post-Employment Benefits

(a) Description of OPEB Plans

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Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

L. Other Post-Employment Benefits (Continued)

(b) Measurement of Total OPEB Liability

The Authority's total OPEB liability for the Healthcare Plan was determined using the following measurement dates and actuarial assumptions as of September 30, 2018:

	<u>September 30, 2018</u>
Measurement date	09/30/2018
Actuarial valuation date	10/01/2016
Health care cost trend rate	7.5% for 2018 graded down by 0.5% per year to 5.0 % in 2023
Discount rate	3.35%
Mortality tables used	RP-2000 Combined Mortality Table with full generational improvements in mortality using Scale BB

Multiple healthcare cost trend rate assumptions were used for different benefit components and participant groups (pre-65 and post-65 age groups). The current rates used to calculate the total OPEB liability as of September 30, 2018, are as follows:

<u>Year</u>	
2017 to 2018	7.5%
2018 to 2019	7.0%
2019 to 2020	6.5%
2020 to 2021	6.0%
2021 to 2022	5.5%
2022 to 2023+	5.0%

As of the measurement date, September 30, 2018, the Authority did not have any assets accumulated in a trust that was dedicated to providing benefits to Healthcare Plan members.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

L. Other Post-Employment Benefits (Continued)

(c) Changes in Total OPEB Liability

Changes in the Healthcare Plan total OPEB liability for the fiscal year ended September 30, 2018, based on the measurement date, are as follows (in thousands):

Balance, September 30, 2017	\$ 1,819,000
Effect of prospectively implementing GASB 75	(507,336)
Balance, October 1, 2017	<u>1,311,664</u>
Changes for the year:	
Service cost	248,419
Expected interest growth	51,675
Benefit payments	<u>(35,371)</u>
Net change	<u>264,723</u>
Balance, September 30, 2018	<u><u>\$ 1,576,387</u></u>

(d) OPEB Expense

OPEB expense recognized by the Authority for the fiscal year ended September 30, 2018 was \$264,723.

(e) OPEB Deferred Outflows and Inflows of Resources

The Deferred Inflows and Outflows associated with the Authority's Net OPEB liability are not considered significant by management. Accordingly, they have not been recorded in the Authority's financial statements.

(f) Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate and Discount Rate

i) Health Care Cost Trend Sensitivity

The following presents the total OPEB liability for the Healthcare Plan, calculated using health care cost trend rates as of September 30, 2018, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as of the Healthcare Plan's measurement date (in thousands):

	Total OPEB Liability		
	1% Decrease	Current Rate	1% Increase
As of September 30, 2018	\$ 1,381,996	\$ 1,576,387	\$ 1,812,965

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

L. Other Post-Employment Benefits (Continued)

ii) Discount Rate Sensitivity

The discount rate was based on the return on the S&P Municipal Bond 20-year High Index as of the measurement date.

	Rate	Total OPEB Liability		
		1% Decrease	Current Rate	1% Increase
As of September 30, 2018	3.35%	\$ 1,748,517	\$ 1,576,387	\$ 1,429,033

M. 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 \$8,414,872 for 2018 and \$6,914,194 for 2017. Future lease payments to be received are as follows:

2019	\$ 7,301,232
2020	6,554,630
2021	5,994,620
2022	5,333,926
2023	4,548,567
2024 to 2028	18,800,778
2029 to 2033	26,481,529
2034 to 2038	12,018,105
2039 to 2043	5,967,842
2044 to 2048	3,509,515
2049 to 2053	348,480
2054 to 2058	348,480
2059 to 2063	348,480
2064 to 2068	139,392
Total	<u>\$ 97,695,576</u>

N. Major Customers

Gross revenues from three cruise line companies totaled \$19,036,345, \$17,712,922 and \$13,334,480 in 2018. At September 30, 2018, the outstanding trade accounts receivable balances of these three cruise line companies amounted to \$2,450,312, \$1,237,284 and \$509,847.

Gross revenues from three cruise line companies totaled \$18,985,721, \$15,681,454 and \$15,271,504 in 2017. At September 30, 2017, the outstanding trade accounts receivable balances of these three cruise line companies amounted to \$1,454,369, \$645,153 and \$915,864.

Canaveral Port Authority

Notes to Financial Statements

Note 3. Detail Notes (Continued)

O. 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, 2018 and 2017, there were no outstanding claims.

P. Concentration – Collective Bargaining Unit

Substantially all the Authority's non-management public safety, parking operations, enforcement, support, maintenance, supply and safety employees are covered by a collective bargaining agreement which is in effect through September 30, 2021.

Q. Capital Contributions

For the years ended September 30, 2018 and 2017, the Authority recognized capital contributions of \$9,834,725 and \$4,854,580, respectively, composed primarily of federal and state grants used for various capital projects.

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, 2018 totaled \$181,828,507.

B. Marine Terminal Leases

During 2008, the Authority entered into a marine terminal lease agreement with a commercial cruise line company, whereby the cruise line company would offer new passenger cruise services initiating from the Authority. The agreement required a commitment from the cruise line company through December 31, 2022. The agreement required the Authority to complete cruise terminal improvements, including dock extension, gangway modifications and an additional parking garage. The costs of such improvements were approximately \$22 million. The improvements were completed by December 2010. In return, the cruise line company guaranteed repayment to the Authority over the life of the agreement, in an amount equal to the cost of the improvements, via a fee per passenger paid to the Authority by the cruise line company. This repayment is considered as revenues from the cruise line. The Authority bills the cruise line based on passenger count until the entire cost of the improvements plus interest is recovered. During fiscal year 2017, the total amount collected for these passenger fees completed the obligation of the cruise line for this agreement. The Authority collected \$2,123,732 in fees under this agreement for fiscal year 2017.

Canaveral Port Authority

Notes to Financial Statements

Note 4. Commitments and Contingencies (Continued)

During 2014, the Authority entered into a marine terminal lease agreement with a commercial cruise line company. The agreement required a commitment from the cruise line company through March 30, 2024. The agreement required the Authority to construct a new cruise terminal, including building, landside, waterside, gangway and parking garage. The cost of the new construction including related relocation of existing infrastructure was approximately \$111 million. The new construction was completed, and the facility received its first cruise passenger ship in December 2014. The cruise line company guaranteed repayment of the cost of the cruise terminal building, an agreed \$49.9 million, plus the debt service interest. This repayment is considered as revenues from the cruise line. The cruise line's guarantee to the Authority is based on a certain number of ships calling at the Authority's terminals annually. The repayment is to be spread over the life of the agreement which is 10 years. The repayment agreement went into effect April 2015. During fiscal years 2018 and 2017, the Authority collected \$6,682,554 and \$7,105,830, respectively, in fees under this agreement.

During 2018, the Authority entered into a marine terminal lease agreement with a commercial cruise line company. The agreement required a commitment from the cruise line company through August 31, 2043. The agreement required the Authority to construct a new cruise terminal, including building, landside and waterside improvements, gangway and parking garage. The estimated cost of the new construction is approximately \$150 million. The new construction is estimated to be completed for the facility to receive its first cruise passenger ship in May 2020. The cruise line company has guaranteed a repayment of \$50 million (plus the debt service interest) of the cost for the cruise terminal building. This repayment is considered as revenues from the cruise line and will commence when the cruise terminal is operational and will be spread over the life of the agreement. The cruise line is also providing a minimum annual revenue guarantee to the Authority.

Revenue from these cruise contracts is reported in the statements of revenues, expenses and changes in net position under operating revenues.

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.

D. Employment Agreement

On January 20, 2016, the Authority entered into a three year, with successive one year options for extension by the Board, agreement with a new chief executive officer (CEO) commencing February 15, 2016. The agreement between the Board CEO provides for termination benefits. If the Board terminates its agreement with the CEO without cause, the Board shall continue to pay his then current base salary and supplemental deferred income benefits for a period of twenty weeks from the date of termination as an agreed upon severance payment and pay for employee and family coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 for a period of six months. In the event the CEO terminates his employment agreement, or the Board terminates its agreement with the CEO for cause, the Board shall have no further obligation to the CEO other than for base salary and benefits accrued and/or earned to the date of termination.

Canaveral Port Authority

Notes to Financial Statements

Note 4. Commitments and Contingencies (Continued)

E. Grants Programs

The Authority participates in Federal and state assisted grant programs that are subject to review and audit by the grantor agencies. Entitlement to these resources is general conditional upon compliance with the terms and conditions of the grant agreements and applicable federal and state regulations. Any disallowance resulting from a regulatory audit may become a liability to the Authority. Assessments from such audits, if any, are recorded when the amounts of such assessments become reasonably determinable.

Note 5. Security Contract

In September 2014, the Authority executed an agreement with the Brevard County Sheriff's Department (BCSO) to provide seaport security and law enforcement services on behalf of the Authority. The three year agreement commenced on October 1, 2014, and requires the BCSO to provide services in compliance with the Standing Port Security Plan and encompasses duties and functions under the jurisdiction of and customarily rendered by the BCSO pursuant to Florida Statutes. The agreement included provisions that both parties will agree on the contract amount every 12 months. The BCSO is responsible for security at each cruise terminal, parking lots and garages, debarkation and embarkation processing, assistance to the U.S. Customs and Border Protection agency and concealed weapons enforcement. Also included in the agreement are marine services including waterside security sweeps, vessel escort and zone enforcement as well as special event staffing.

For fiscal year 2017, the Authority agreed to a contract amount of \$5,688,000 and will be paid in 12 equal monthly installments beginning on October 1, 2016.

On August 29, 2017, an addendum was executed which stated a 3-year agreement commencing October 1, 2017 and ending September 30, 2020, this provides the Authority and BCSO to renegotiate the compensation to be paid each year for the term of the contract. For fiscal year 2018, the Authority agreed to a contract amount of \$5,914,932 and will be paid in twelve equal monthly installments beginning on October 1, 2017.

Note 6. Future Accounting Pronouncements

The GASB has issued statements that will become effective in future years. The statements address:

- GASB Statement No. 87, *Leases* was issued in June 2017 and will be effective for the Authority in fiscal year 2021. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities that previously were classified as inflows of resources or outflows of resources based upon payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement also includes an exception for short-term leases, and exceptions for contracts that transfer ownership, leases of assets that are investments, and certain regulated leases. Management has not yet determined the impact of GASB Statement No. 87 on the Authority's financial statements.

Canaveral Port Authority

Notes to Financial Statements

Note 7 Subsequent Events

As a result of a new twenty-five-year contract agreement with Carnival Cruise Line, the Authority will be constructing a new cruise terminal. The financing and award of the contract are described below.

On December 15, 2018, the Authority executed an amendment to the line of credit agreement with PNC bank. The agreement is a 3-year term with a not to exceed \$50,000,000. The taxable interest rate is the 30-day LIBOR plus .78% per annum. The tax exempt rate is 79% of 30-day LIBOR plus .67% per annum. The maturity date is December 15, 2021.

On December 21, 2018, the Authority issued \$44,995,000 Series 2018A and \$30,000,000 Series 2018B Port Improvement Revenue Bonds. The Series 2018A and Series 2018B bonds bear interest at a rate of 5% with final maturities in years 2045 and 2048, respectively.

On December 21, 2018, the Authority issued \$37,000,000 Series 2018C Port Improvement Revenue Bonds at a rate of 3.41% with a final maturity in year 2038.

On January 8, 2019, the Authority awarded the construction contracts for the new cruise terminal building and parking garage for a total of \$108,519,552.

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Total OPEB Liability
Last Ten Fiscal Years*
(in thousands)

The Authority's liability:	
Service cost	\$ 248,419
Interest	51,675
Benefit payments	(35,371)
Net change in total OPEB liability	264,723
Total OPEB liability – beginning (GASB 75)	1,311,664
Total OPEB liability – ending	\$ 1,576,387
Covered employee payroll	10,025,200
Total OPEB liability as a percentage of covered employee payroll	15.72%

*Data reported for fiscal year ended 2018 is based on the Authority's Healthcare Plan's measurement dates of September 30, 2018. Changes in the total OPEB liability for the fiscal years prior to 2018 were not available and accordingly, not included in the schedule.

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Canaveral Port Authority

Schedule of Comparative Revenues, Expenses and Changes in Net Position - Unaudited

<i>Years Ended September 30,</i>	2018	2017	2016	2015	2014
Operating revenues					
Dockage	\$ 8,992,071	\$ 7,837,207	\$ 7,106,444	\$ 6,571,994	\$ 6,613,071
Wharfage	57,003,115	54,157,885	50,601,459	44,584,996	40,006,862
Water	1,230,951	1,459,841	1,365,761	1,268,708	1,280,968
Parking	19,211,928	16,739,081	14,967,052	14,666,522	13,684,515
Line handling	1,407,933	1,160,118	1,048,527	1,037,664	1,124,910
Terminal/crane	29,950	15,750	-	-	-
Leases	8,414,872	6,914,194	5,588,459	5,069,270	4,951,406
Permits	70,294	64,709	63,236	85,526	85,031
Badging fees	23,727	36,859	48,777	102,573	61,923
Commercial vehicle	1,460,186	1,104,587	633,874	654,018	813,757
Miscellaneous	556,663	987,466	824,894	554,619	519,910
Camping	1,742,063	1,383,394	1,530,277	1,444,462	1,298,392
Recreational parking	749,406	698,411	762,217	744,002	688,713
Fire training	126,703	112,847	110,403	175,657	159,150
Other park revenues	251,291	180,565	322,005	264,090	226,463
Exploration Tower	426,439	417,248	494,102	433,417	363,188
Concessions	11,113	9,357	10,726	47,685	50,326
Total operating revenues	101,708,705	93,279,519	85,478,213	77,705,203	71,928,585
Non-operating revenues					
Investment earnings	809,438	445,598	164,880	193,291	66,985
Insurance proceeds	646,534	-	-	-	-
Grant revenue	765,757	288,411	156,592	73,179	180,716
Gain on sale/ disposal of assets	77,412	3,629,087	829,866	107,814	126,384
Gain on legal settlement	-	369,850	-	-	-
Total revenues	\$ 104,007,846	\$ 98,012,465	\$ 86,629,551	\$ 78,079,487	\$ 72,302,670
Operating expenses					
Operations					
Salaries	\$ 3,084,720	\$ 2,865,888	\$ 2,089,601	\$ 2,196,696	\$ 2,028,852
Benefits	1,572,625	1,680,365	1,070,478	995,430	816,967
Service contracts	568,503	546,934	1,290,477	1,121,111	15,820
Utilities	41,827	59,580	39,865	3,451	4,321
Maintenance and supplies	184,458	182,216	132,168	96,789	11,771
Fender maintenance	-	18,630	-	-	-
Office	60,293	62,138	-	-	-
Fuel	39,646	88,016	-	-	-
Promotions	856,783	1,394,194	1,548,017	-	-
Travel	8,942	21,144	14,176	15,761	15,649
Education and seminars	822	1,750	-	-	-
Cruise terminal maintenance	24,786	-	323,251	343,243	35,092
Other	-	22,792	142,595	829,450	51,290
Total operations	6,443,405	6,943,647	6,650,628	5,601,931	2,979,762
Facilities					
Salaries	2,533,548	2,459,606	2,318,349	2,164,630	1,629,547
Benefits	1,460,719	1,464,822	1,435,644	1,228,881	1,011,337
Service contracts	2,033,688	2,078,573	1,126,621	685,126	2,270,884
Utilities	4,018,158	3,659,201	3,219,918	3,380,330	3,340,318
Maintenance and support	1,134,509	808,414	702,277	842,568	1,090,543

Canaveral Port Authority

Schedule of Comparative Revenues, Expenses and Changes in Net Position - Unaudited (Continued)

<i>Years Ended September 30,</i>	2018	2017	2016	2015	2014
Office	26,218	26,291	-	-	-
Fuel	118,147	86,804	70,643	150,971	271,558
Travel	4,458	1,574	792	1,551	732
Education and seminars	2,663	4,042	-	-	-
Other	18,645	14,417	31,922	47,541	10,742
Total facilities	11,350,753	10,603,744	8,906,166	8,501,598	9,625,661
Public Safety					
Salaries	414,486	345,309	266,993	411,472	3,106,616
Benefits	139,437	112,597	97,716	206,901	1,465,149
Service contracts	1,304	2,220	-	-	-
Fire protection	2,277,483	2,199,799	2,156,817	2,017,754	1,791,183
Police services	6,275,308	5,965,973	5,306,799	4,861,060	173,000
Security badging	2,118	3,360	3,208	4,368	3,221
Maintenance and supplies	6,157	13,683	6,117	6,418	93,746
Office	16,852	15,738	-	-	-
Communications services	4,818	6,216	1,194	5,059	8,023
Harbor patrol	-	-	-	712	5,004
Security	-	-	-	-	6,435
Travel	14,023	4,533	1,654	155	3,821
Education and seminars	1,869	3,169	-	-	-
Training	-	-	-	132	12,316
Other	1,706	3,495	26,713	29,532	59,693
Total public safety	9,155,561	8,676,092	7,867,211	7,543,563	6,728,207
Parks and recreation					
Salaries	541,507	484,981	468,562	509,054	467,572
Benefits	360,602	370,389	331,203	314,035	264,247
Service contracts	205,540	229,434	198,808	193,824	190,019
Store merchandise	59,569	75,733	102,451	86,019	90,106
Utilities	280,660	243,584	272,422	294,622	269,443
Maintenance and supplies	17,456	14,510	16,510	12,995	43,263
Office	30,487	24,147	-	-	-
Travel	2,130	378	-	-	-
Education and seminars	1,158	1,211	-	-	-
Other park expense	14,259	12,614	85,970	68,631	66,374
Total parks and recreation	1,513,368	1,456,981	1,475,926	1,479,180	1,391,024
Exploration tower					
Salaries	327,179	285,170	315,681	276,018	216,319
Benefits	183,946	192,561	216,665	158,467	115,614
Service contracts	19,348	23,808	11,976	-	67,407
Store merchandise	61,087	24,440	77,339	71,034	51,601
Utilities	24,231	46,817	79,781	100,623	54,488
Exhibit and special events	41,754	23,438	14,912	32,804	9,035
Maintenance and supplies	5,210	11,574	7,437	13,112	130,657
Office	5,924	5,582	1,882	285	-
Promotions	2,347	585	3,989	-	-
Advertising	18,273	16,124	56,523	82,827	96,909
Cove marketplace	-	-	-	-	4,040
Travel	666	701	1,542	2,394	371
Education and seminars	353	288	-	-	-
Other expenses	1,477	658	1,270	7,654	3,518
Total exploration tower	691,795	631,746	788,997	745,218	749,959

Canaveral Port Authority

Schedule of Comparative Revenues, Expenses and Changes in Net Position - Unaudited (Continued)

<i>Years Ended September 30,</i>	2018	2017	2016	2015	2014
Fire training facility					
Service contracts	98,024	90,326	79,729	81,447	70,370
Utilities	31,298	24,807	16,187	31,960	48,179
Insurance	38,329	42,468	40,941	42,493	40,842
Maintenance and supplies	34,482	32,564	43,107	40,291	29,404
Other	-	-	-	470	470
Total fire training facility	202,133	190,165	179,964	196,661	189,265
Commission					
Salaries	113,339	113,018	107,544	104,772	99,910
Benefits	101,992	102,631	96,801	87,843	89,386
Legal	55,429	55,847	92,310	57,575	26,884
Office	8,154	8,580	140,156	3,736	3,564
Promotions	4,000	26,900	1,000	16,300	2,107
Advertising	633	557	-	-	-
Travel	21,935	18,522	19,411	40,619	17,908
Education and seminars	-	1,252	995	-	-
Total commission	305,482	327,307	458,217	310,845	239,759
Executive					
Salaries	795,659	865,868	* 1,063,817	712,204	511,540
Benefits	254,752	268,949	* 341,168	248,335	194,898
Legal	281,126	134,277	40,264	183,466	435,910
Office	196,492	195,092	* 198,439	198,336	211,705
Planning and studies	-	15,519	* 69,494	13,386	57,038
Fraud hotline	2,456	2,339	* 2,053	2,000	2,333
Sponsorship	-	20,000	-	-	-
Travel	9,855	10,783	* 21,024	36,694	39,250
Federal legislative consultant	-	8,000	* -	-	-
Education and seminars	1,520	1,267	10,839	8,573	4,172
Total executive	1,541,860	1,522,094	1,747,098	1,402,994	1,456,846
Finance and accounting					
Salaries	920,613	856,557	775,917	754,934	704,048
Benefits	411,398	391,511	329,262	303,366	274,541
Service contracts	92,628	517	-	-	-
Office	141,999	82,922	60,012	76,375	60,627
Computer support and training	105,502	216,189	228,931	253,782	220,025
Advertising	3,960	7,444	-	-	-
Travel	8,614	4,490	6,202	4,363	5,171
Education and seminars	9,837	1,788	5,385	182	6,768
Accounting	130,539	93,377	150,660	137,152	128,510
Total finance and accounting	1,825,090	1,654,795	1,556,369	1,530,154	1,399,690

* These items have been reclassified to conform to the FY18 financial statement presentation.

Canaveral Port Authority

Schedule of Comparative Revenues, Expenses and Changes in Net Position - Unaudited (Continued)

<i>Years Ended September 30,</i>	2018	2017	2016	2015	2014
Administrative services					
Salaries	1,492,086	1,287,872	1,085,961	1,013,275	1,026,658
Benefits	652,305	596,528	511,038	425,124	384,693
Service contracts	79,701	63,517	-	-	-
Utilities	-	230	-	-	-
Legal	79,586	27,142	28,932	48,201	78,843
Insurance	2,355,214	2,535,975	2,013,410	2,439,592	2,784,698
Office	154,682	95,098	122,505	160,379	162,009
Personnel training and recruiting	165,457	156,098	123,733	29,028	39,681
Computer support and training	1,039,675	1,076,282	551,299	450,676	235,685
Advertising	1,031	1,871	-	-	-
Travel	11,992	7,603	5,133	7,111	10,483
Education and seminars	14,212	5,566	3,710	5,480	4,007
Total administrative services	6,045,941	5,853,782	4,445,721	4,578,866	4,726,757
Engineering and environmental					
Salaries	946,397	849,096	822,085	809,214	843,350
Benefits	407,134	391,406	366,458	309,183	301,126
Office	27,893	28,093	25,248	62,635	38,189
Advertising	3,176	1,392	-	-	-
Travel	19,897	12,151	12,078	11,445	4,724
Education and seminars	6,213	5,659	12,631	10,391	4,731
Engineering – general	976,411	4,028,254	425,090	349,384	386,865
Engineering – planning	-	-	-	-	16,498
Engineering – environment	351,907	316,809	272,143	417,682	405,835
Total engineering and environmental	2,739,028	5,632,860	1,935,733	1,969,934	2,001,318
Business development					
Salaries	669,985	452,974	519,532	473,610	542,727
Benefits	267,194	158,523	181,574	156,915	194,798
Office	7,669	61,790	-	-	-
Promotions	61,860	810	-	-	-
Advertising	316	254,914	250,424	285,287	248,518
Trade development	281,036	186,819	476,350	501,474	235,457
FTZ development	223,300	-	5,687	4,314	6,776
Travel	94,216	58,070	86,233	95,677	94,776
Education and seminars	299	613	-	-	-
Total business development	1,605,875	1,174,513	1,519,800	1,517,277	1,323,052
Tenant development					
Salaries	233,983	213,416	207,126	143,239	71,165
Benefits	68,790	71,558	71,409	38,949	17,991
Office	5,500	11,329	11,295	2,934	1,197
Land use planning	35,433	66,030	201,668	20,445	104,078
Lease preparation	543,449	255,452	585,441	310,896	193,405
Promotions	420	162	-	-	-
Advertising	3,500	12,018	30,431	-	-
Travel	820	76	4,190	2,925	-
Education and seminars	1,090	205	-	-	-
Total tenant development	892,985	630,246	1,111,560	519,388	387,836

Canaveral Port Authority

Schedule of Comparative Revenues, Expenses and Changes in Net Position - Unaudited (Continued)

<i>Years Ended September 30,</i>	2018	2017	2016	2015	2014
Government and strategic communications					
Salaries	493,321	404,419 *	231,186	227,591	183,290
Benefits	142,657	140,223 *	108,206	91,005	80,022
Office	9,662	8,808 *	6,739	4,822	13,419
Planning and studies	-	52,830 *	-	-	-
Promotions	34,827	72,075	87,699	84,089	1,202,581
Publications	6,153	79,513	147,100	145,672	175,631
Electronic media	27,041	57,660	59,409	86,522	128,758
Advertising	65,600	38,828	48,093	64,977	78,043
Sponsorship	79,530	40,150	-	-	-
Travel	17,243	27,088 *	7,294	6,003	3,985
State legislative consultant	64,999	105,000 *	63,750	55,389	50,000
Federal legislative consultant	73,200	84,000 *	96,000	96,647	96,000
Education and seminars	3,872	7,509 *	-	-	-
Total communications	1,018,105	1,118,103	855,476	862,717	2,011,729
Depreciation	43,139,638	38,515,405	34,555,085	31,506,831	24,666,694
Amortization	481,862	365,005	1,274,811	1,718,755	1,513,820
Total operating expenses	88,952,881	85,296,485	75,328,762	69,985,912	61,391,379
Non-operating expenses					
Amortization of bond discounts	175,129	175,129	226,421	182,870	167,489
Commissions and fees	104,312	923,113 *	295,368	137,340	502,096
Interest expense	9,352,013	8,725,519	6,976,059	5,639,606	3,707,926
Loss on disposal of capital assets	931,634	78,981	626,509	60,692	2,723,558
State grant expense	-	-	40,000	-	-
Federal grant expense	-	-	-	-	50,500
Hurricane repairs	533,770	-	-	-	-
Total non-operating expense	11,096,858	9,902,742	8,164,357	6,020,508	7,151,569
Total expenses	\$ 100,049,739	\$ 95,199,227	\$ 83,493,119	\$ 76,006,420	\$ 68,542,948
Total operating revenues	\$ 101,708,705	\$ 93,279,519	\$ 85,478,213	\$ 77,705,203	\$ 71,928,585
Total operating expenses	88,952,881	85,296,485	75,328,762	69,985,912	61,391,379
Net operating income	\$ 12,755,824	\$ 7,983,034	\$ 10,149,451	\$ 7,719,291	\$ 10,537,206
Total non-operating revenues	\$ 2,299,141	\$ 4,732,946	\$ 1,151,338	\$ 374,284	\$ 374,085
Total non-operating expenses	11,096,858	9,902,742	8,164,357	6,020,508	7,151,569
Net non-operating loss	\$ (8,797,717)	\$ (5,169,796)	\$ (7,013,019)	\$ (5,646,224)	\$ (6,777,484)
Total revenues	\$ 104,007,846	\$ 98,012,465	\$ 86,629,551	\$ 78,079,487	\$ 72,302,670
Total expenses	100,049,739	95,199,227	83,493,119	76,006,420	68,542,948
Net income before capital contributions and special item	3,958,107	2,813,238	3,136,432	2,073,067	3,759,722
Special Item	-	-	-	(421,690)	(693,999)
Capital contributions	9,834,725	4,854,580	6,634,056	27,832,677	13,184,167
Changes in net position	\$ 13,792,832	\$ 7,667,818	\$ 9,770,488	\$ 29,484,054	\$ 16,249,890

* These items have been reclassified to conform to the FY18 financial statement presentation.

Canaveral Port Authority

Schedule of Comparative Operating Revenues by Activity (Unaudited)

<i>Years ended September 30,</i>	2018	2017	2016	2015	2014
Cruise ships	\$ 77,734,133	\$ 72,799,989	\$ 68,214,524	\$ 63,006,688	\$ 58,284,973
Cargo ships	10,141,812	8,569,893	6,870,898	5,123,196	4,425,353
Total ship related operating revenue	87,875,945	81,369,882	75,085,422	68,129,884	62,710,326
Land leases	8,414,872	6,914,194	5,588,459	5,069,270	4,951,406
Recreation	3,178,419	2,686,091 *	2,625,225	2,500,239	2,263,894
Miscellaneous	2,239,469	2,309,352 *	2,179,107	2,005,810	2,002,959
Total non-ship related operating revenue	13,832,760	11,909,637	10,392,791	9,575,319	9,218,259
Total operating revenue	\$ 101,708,705	\$ 93,279,519	\$ 85,478,213	\$ 77,705,203	\$ 71,928,585

* These items have been reclassified to conform to the FY18 financial statement presentation.

Canaveral Port Authority

**Schedule of Construction in Progress and Capital Costs Compared With Budget (Unaudited)
(Prior to Transfer of Completed Projects to Capital Assets)**

<i>Year Ended September 30, 2018</i>	Prior Years	Actual		Budget	
		Current Year	Cumulative Total	Cumulative Total	
Road Improvements	\$ 26,770	\$ 1,982,528	\$ 2,009,298	\$ 2,011,106	
Portwide Parking Lot Improvement	1,225,398	223,173	1,448,571	1,448,748	
Security Fencing/Lighting	-	43,413	43,413	43,826	
Other Computer Equipment	6,645	124,001	130,646	130,679	
Park Upgrades	20,300	552,530	572,830	582,723	
Improve Piers,Bldgs,Structures	72,397	451,204	523,601	524,321	
Northside Land Improvements	72,622	-	72,622	72,622	
Marine Terminal Ph2-10 Acre	-	101,231	101,231	101,731	
Fire Equipment	-	77,181	77,181	90,500	
Fire Training Equipment	-	1,650	1,650	1,650	
Utilities and Improvements	-	185,127	185,127	185,623	
Minor Equipment	-	88,072	88,072	88,139	
New/Replacement Vehicles	2,815	420,737	423,552	427,689	
Welcome Center	142,640	-	142,640	142,640	
CT Furniture/Equipment	-	55,258	55,258	55,495	
Northside Pier Rejuvenation	365,891	2,880,576	3,246,467	3,246,478	
Reuse Irrigation System	-	10,650	10,650	10,650	
North Cargo Pier 8	1,577,069	10,084,866	11,661,935	11,662,658	
Southside Pier Evaluation	39,353	-	39,353	39,353	
FDOT SCP Widen/Ext	274,134	-	274,134	274,134	
Cove Roads Phase 2	1,797,670	-	1,797,670	1,803,675	
Equipment	-	41,082	41,082	46,949	
CT10 Terminal Improvements	189,970	941,448	1,131,418	1,132,191	
Maritime Ctr Tenant Improvemnt	1,683,819	1,206,175	2,889,994	2,890,412	
CT# 8 Renovations	14,258	574,315	588,573	588,955	
WTB Channel Entrance Phase 2	2,284,602	79,536	2,364,138	2,364,519	
WTB-Cargo Area Deepening	7,477,874	378,238	7,856,112	7,856,112	
North Cargo Piers 1&2	177,191	4,067,650	4,244,841	4,244,843	
PSGP FY2017 Projects	-	241,034	241,034	241,925	
Commercial Access & Billing	1,092,226	608,712	1,700,938	1,701,646	
Improved Fender System	195,980	77,202	273,182	273,621	
SR 401 Improvements	47,076	213,696	260,772	278,120	

(Continued)

Canaveral Port Authority

**Schedule of Construction in Progress and Capital Costs Compared With Budget (Unaudited)
(Prior to Transfer of Completed Projects to Capital Assets) (Continued)**

<i>Year Ended September 30, 2018</i>	Prior Years	Actual		Budget	
		Current Year	Cumulative Total	Cumulative Total	
Tug Piers	\$ 150,174	\$ (150,174)	\$ -	\$ -	
CT#1 Cruise Terminal	-	331,749	331,749	332,489	
North Cargo Berth 4	628,248	35,149	663,397	663,639	
North Cargo Berth 3	198,580	13,127	211,707	211,816	
Acquisitions and Lease Buyback	-	990,128	990,128	990,628	
CT Rental Car Facility NS	67,738	(67,738)	-	-	
Auto Terminal	95,390	-	95,390	95,390	
EUL-USAF	424,572	(424,572)	-	-	
Port Master Plan	1,119,369	72,699	1,192,068	1,192,085	
Cruise Terminal 3	666,186	6,708,711	7,374,897	7,375,410	
Contingency New Projects/Lease	-	-	-	1,680,581	
NCP 3-A Barge Berth	55,077	2,827	57,904	57,904	
North Cargo Power Project	47,262	2,535	49,797	49,965	
Portwide Wayfinding	504,522	593,516	1,098,038	1,098,957	
Fire Station Remodel	91,647	151,103	242,750	242,750	
2278-S. Intermodal Gate Rehab	6,804	-	6,804	6,804	
CT Pax Bridge Renovation	28,310	63,931	92,241	103,562	
Bollards at Terminals	-	97,360	97,360	101,456	
Emergency Generators	-	42,822	42,822	42,822	
Mobile Harbor Crane	21,277	2,759,581	2,780,858	2,782,101	
Security Items	-	3,807	3,807	15,407	
CBP Tech Upgrades	-	44,954	44,954	44,954	
	<u>\$ 22,891,856</u>	<u>\$ 36,982,800</u>	<u>\$ 59,874,656</u>	<u>\$ 61,652,453</u>	

Canaveral Port Authority**Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended September 30, 2018**

Federal Agency/ Program Title/ Pass-through Entity	CFDA Number	Contract / Pass Through Entity Identifying Number	Expenditures
Federal Programs:			
<u>U.S. Department of Homeland Security</u>			
Direct Programs			
Port Security Grant Program			
FY2015 Port Security Grant	97.056	EMW-2015-PU-00183-S01	\$ 199,517
FY2017 Port Security Grant	97.056	EMW-2017-PU-00534-S01	193,099
<u>U.S. Department of Homeland Security/Passthrough from the State of Florida Division of Emergency Management</u>			
Public Assistance – Hurricane Matthew	97.036	17-PA-U5-06-15-09-055	<u>463,659</u>
Total expenditures of federal awards			<u>\$ 856,275</u>

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Canaveral Port Authority

**Schedule of Expenditures of Federal Awards and State Financial Assistance (Continued)
For the Fiscal Year Ended September 30, 2018**

State Agency/ Program Title/ Pass-through Entity	CSFA Number	Contract / Pass Through Entity Identifying Number	Expenditures
State Projects:			
<u>Florida Department of Transportation</u>			
Direct Programs			
Seaport Grants			
North Cargo Development — North Cargo Berths 1 and 2 Improvements	55.005	ARN50/422533-2-94-01	\$ 1,593,684
West Turning Basin Cargo Area Deepening	55.034	AR956/431203-1-94-02 and 431203-2-94-01	804,733
SR401 Improvements – SR401 Wayfinding	55.005	AQX94/428367-1-94-01	222,027
Container and Multipurpose Berth – Purchase of Fenders and Bollards for North Cargo Berths 1 and 2	55.005	G0N78/431768-1-94-05	187,918
Container and Multipurpose Berth – Purchase of Mobile Harbor Crane	55.005	G0O22/431768-1-94-06	1,389,376
North Cargo Berth Improvements – North Cargo Berth 8	55.005	G0S98/440323-1-94-01	4,736,468
Total Florida Department of Transportation			<u>8,934,206</u>
<u>Florida Department of Environmental Protection</u>			
Direct Programs			
Canaveral Inlet Management Plan	37.003	15BE2	<u>27,891</u>
<u>Florida Department of Economic Opportunity</u>			
Direct Programs			
Florida Job Growth Infrastructure Grant			
Port Canaveral Road Access to Cruise and Cargo Terminals	40.043	G0005	<u>654,321</u>
Total expenditures of state financial assistance			<u>9,616,418</u>
Total expenditures of federal and state financial assistance			<u>\$ 10,472,693</u>

See notes to Schedule of Expenditures of Federal Awards and State Financial Assistance.

Canaveral Port Authority

Notes to Schedule of Expenditures of Federal Awards and State Financial Assistance

(1) Basis of Presentation

The accompanying Schedules of Expenditures of Federal Awards and State Financial Assistance (the Schedules) present the activity of all federal awards and state financial assistance of the Authority for the year ended September 30, 2018. The information in the Schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and Chapter 10.550 Rules of the Florida Auditor General. Because the Schedules present only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position, changes in net positions, or cash flows of the Authority. The Authority's reporting entity is defined in Note 1 to the Authority basic financial statements.

(2) Summary of Significant Accounting Policies

The Schedules are presented using the accrual basis of accounting for expenses, which are described in Note 1 to the Authority's basic financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(3) Indirect Cost Recovery

The Authority did not recover its indirect costs using the 10% de minimis indirect cost rate provided under Section 200.414 of the Uniform Guidance.

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

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**Report on Internal Control over Financial
Reporting and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance With
Governmental Auditing Standards**

Independent Auditor's Report

To the Members of the Board of Commissioners
Canaveral Port Authority
Cape Canaveral, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Canaveral Port Authority (the Authority), as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 13, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Melbourne, Florida
February 13, 2019

**Report on Compliance for the Major Federal Program
and State Projects; and Report on Internal Control Over Compliance;
Required by the Uniform Guidance and
Chapter 10.550, Rules of the Florida Auditor General**

Independent Auditor's Report

To the Members of the Board of Commissioners
Canaveral Port Authority
Cape Canaveral, Florida

Report on Compliance for Each Major State Project

We have audited the Canaveral Port Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Department of Financial Services' State Projects Compliance Supplement* that could have a direct and material effect on the Authority's major federal program and state projects for the year ended September 30, 2018. The Authority's major federal program and state projects are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal and state statutes, regulations, and the terms and conditions of its federal awards state financial assistance applicable to its federal awards and state projects.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Authority's major federal program and state projects based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the audit requirements of Chapter 10.550, *Rules of the Florida Auditor General*. Those standards, the Uniform Guidance, and Chapter 10.550 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 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 on compliance for the major federal program and state project. However, our audit does not provide a legal determination of the Authority's compliance.

Opinion on the Major Federal Program and State Projects

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state projects for the year ended September 30, 2018.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program and state projects to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and state projects and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.550, 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 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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and Chapter 10.550. Accordingly, this report is not suitable for any other purpose.

RSM US LLP

Melbourne, Florida
February 13, 2019

Canaveral Port Authority, Florida

**Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2018**

I – Summary of Independent Auditor’s Results

Financial Statements

Type of auditor’s report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None Reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 Yes X No

Significant deficiency(ies) identified?

 Yes X None Reported

Type of auditor’s report issued on compliance for
major programs:

Unmodified

Any audit findings that are required to be
reported in accordance with Section 2 CFR
200.516(a)?

 Yes X No

Identification of major program:

CFDA Number(s)

97.036

Name of Federal Program

Public Assistance Grants

Dollar threshold used to distinguish between type
A and type B projects:

\$750,000

Canaveral Port Authority, Florida

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2018**

I – Summary of Independent Auditor’s Results (Continued)

State Financial Assistance

Internal control over major state projects:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(ies) identified?

_____ Yes X None Reported

Type of auditor’s report issued on compliance for
major projects:

_____ Unmodified _____

Any audit findings disclosed that are required
to be reported in accordance with state projects
pursuant to Chapter 10.550, Rules of the
Auditor General

_____ Yes X No

Identification of major projects:

CSFA Number(s)

40.043

55.005

Name of State Project

Florida Job Growth Infrastructure Grant

Seaport Grants

Dollar threshold used to distinguish between type
A and type B projects:

\$300,000

Canaveral Port Authority, Florida

**Schedule of Findings and Questioned Costs (Continued)
For the Year Ended September 30, 2018**

II – Financial Statement Findings

A. Internal Control Over Financial Reporting

No Matters to Report.

B. Compliance and Other Matters

No Matters to Report.

III – State Financial Assistance Findings and Questioned Costs

A. Internal Control Over Compliance

No Matters to Report.

B. Compliance

No Matters to Report.

Canaveral Port Authority, Florida

**Summary Schedule of Prior Audit Findings
For the Year Ended September 30, 2018**

None Reported.

**Management Letter Required By
Chapter 10.550 of the Rules of the
Auditor General of the State of Florida**

To the Members of the Board of Commissioners
Canaveral Port Authority

Report on the Financial Statements

We have audited the financial statements of the Canaveral Port Authority (the Authority) as of and for the year ended September 30, 2018, and issued our report thereon dated February 13, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reports and Schedule

We have issued our Independent Auditor's Report on Internal Control over Financing Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance For the Major State Project; Report on Internal Control Over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with AICPA Professional Standards, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated February 13, 2019, should be considered in conjunction with this management letter.

Prior Audit Findings

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

Official Title and Legal Authority

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

Financial Condition and Management

Sections 10.554(1)(i)5.a. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether or not the Authority has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the Authority did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to sections 10.554(1)(i)5c and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures. It is management's responsibility to monitor the Authority's financial condition, and our financial condition assessment was based in part on representations made by management and the review of the financial information provided by the same.

Section 10.554(1)(i)2, Rules of the Auditor General, requires that we address in the management letter any recommendations to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Sections 10.554(1)(i)5.b. and 10.556(7), Rules of the Auditor General, require that we apply appropriate procedures and report the results of our determination as to whether the annual financial report for the Authority for the fiscal year ended September 30, 2018, 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, 2018. In connection with our audit, we determined that these two reports were in agreement.

Other Matters

Section 10.554(1)(i)3, Rules of the Auditor General, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of This Letter

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

RSM US LLP

Melbourne, Florida
February 13, 2019

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Independent Auditor's Report

To the Members of the Board of Commissioners
Canaveral Port Authority

We have examined the Canaveral Port Authority's, (the Authority) compliance with *Section 218.415, Florida Statutes, Local Government Investment Policies* during the year ended September 30, 2018. Management is responsible for the Authority's compliance with those requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirement based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Authority's compliance with specified requirements.

In our opinion, the Authority complied, in all material respects, with the aforementioned requirements for the year ended September 30, 2018.

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

RSM US LLP

Melbourne, Florida
February 13, 2019

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Canaveral Port Authority

Appendix A – Schedule of Seaport Bond Program Projects (Unaudited)
For the Year Ended September 30, 2018

FLORIDA PORTS FINANCING COMMISSION

Project Description / Match	Project Number/ Bond Fund	Total Authorized Project Costs	Current Year Expenditures	Cumulative Expenditures	Expenditures to Total Authorized Project Costs
Cruise Terminal 8 (50/50)	97-2RP / 320.20(3)	\$ 11,000,000	\$ -	\$ 11,000,000	100%
Canaveral Cove (50/50)	96-2P / 320.20(3)	1,044,000	-	1,044,000	100%
Channel Widening & Deepening (50/50)	97-3RP / 320.20(3)	800,000	-	800,000	100%
Roro Ramp and Container Yard (50/50)	97-7 / 320.20(3)	3,316,229	-	3,316,229	100%
Parking Cruise Terminal 2&3 (50/50)	97-5 / 320.20(3)	235,885	-	235,885	100%
Wastewater (50/50)	97-1P / 320.20(3)	980,329	-	980,329	100%
Fire Training Facility (50/50)	97-10 / 320.20(3)	994,640	-	994,640	100%
Fire Station (50/50)	97-8 / 320.20(3)	595,000	-	595,000	100%
Cruise Terminal 6 & 7 (50/50)	98-1 / 320.20(3)	258,633	-	258,633	100%
South Cargo Pier 4 Extension (50/50)	99-1 / 320.20(3)	2,534,702	-	2,534,702	100%
Additions and Modifications to Cruise Terminals No. 5 & 10 (50/50)	2000-1 / 320.20(3)	1,918,599	-	1,918,599	100%
Landside and Waterside (50/50)					
Modifications to CT5 (Megaship) (50/50)	01-P-2E / 320.20(3)	1,213,658	-	1,213,658	100%
Various Bulkheads (50/50)	2000-3 / 320.20(3)	675,000	-	675,000	100%
Total of 320.20(3) Fund		25,566,675	-	25,566,675	100%
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%
Total 320.20(4) Fund		21,659,822	-	21,659,822	100%
WTB Channel Widening and Deepening (75/25)	AR956 / 339.0801(1)	19,164,063	804,733	18,316,322	96%
NCB 5&6 Container & Multipurpose Berths – Crane Rail System (50/50)	ARB24 / 339.0801(1)	1,550,000	-	1,550,000	100%
Total 339.0801(1) Fund		20,714,063	804,733	19,866,322	96%
Grand Total		\$ 67,940,560	\$ 804,733	\$ 67,092,819	98%

Note: The previous Bond Funds 320.20(3) and 320.20(4) were on the cash basis of accounting. The new Bond Fund 339.0801(1) is on the accrual basis of accounting.

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Canaveral Port Authority**Appendix B – Schedule of Insurance in Force (Unaudited)
For the Year Ended September 30, 2018**

Property Coverage

Total insured values	\$ 592,291,014
Limit on buildings, contents, EDP, flood, equipment, terrorism and boats	\$ 200,000,000

Port Liability

Comprehensive per occurrence/bodily injury and property damage	\$ 10,000,000
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Automobile Liability and Physical Damage

Bodily Injury and Property Damage	\$ 1,000,000
Auto Medical Payments, any one accident or loss	\$ 5,000
Personal Injury Protection	Statutory
Hired Auto Liability	\$ 1,000,000

Excess Port Liability

Per occurrence/aggregate	\$ 90,000,000
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Public Officials Liability, Claims Made Policy, includes D&O and EPLI

Each claim and aggregate, including claims expense	\$ 50,000,000
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Comprehensive Crime insurance

Employee Theft, per loss/aggregate	\$ 500,000
Forgery or alteration	Included
Computer fraud	Included

Florida Storage Tank

Each incident/Aggregate	\$ 2,000,000
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Fiduciary Liability, Claims Made Policy

Aggregate	\$ 1,000,000
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Privacy & Network Protection Policy

Privacy Liability, Network Security per occurrence/aggregate	\$ 3,000,000
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Kidnap & Ransom

Kidnap, Ransom & Extortion – Each insured event/aggregate	\$ 1,000,000
Threat – each insured event	\$ 75,000
Death & Dismemberment – each insured person	\$ 250,000
Death & Dismemberment – each insured event/aggregate	\$ 1,250,000

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