PORT EVERGLADES
BROWARD COUNTY, FLORIDA

# Annual Financial Report
# Port Everglades Department

***A Major Enterprise Fund of Broward County, Florida***

**For the Fiscal Years Ended September 30,2019 and 2018**
**Prepared by the Finance Division**

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# PORT EVERGLADES DEPARTMENT
# of Broward County, Florida
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# September 30, 2019

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**PORT EVERGLADES DEPARTMENT – Chief Executive & Port Director's Office**
1850 Eller Drive, Fort Lauderdale, Florida 33316
954-468-0104 FAX 954-523-8713

March 26, 2020

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

Ladies and Gentlemen:

We are pleased to present the annual financial report of the Port Everglades Department (Port) of Broward County, Florida (County) for the fiscal year ended September 30, 2019. This report is a complete set of the Port's financial statements, which were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as promulgated by the Governmental Accounting Standards Board (GASB), and which were audited by a firm of independent certified public accountants in accordance with auditing standards generally accepted in the United States (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States (GAGAS).

The Port, originally created in 1927 by a special act of the Florida Legislature, has a jurisdictional area of approximately 2,190 acres. As of September 30, 2019, the Port ranked amongst the world's three busiest cruise ports, the twelfth busiest international containerized cargo port in the United States, and South Florida's main seaport for receiving petroleum products.

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

Information regarding the financial position, changes in financial position, or cash flows of the County, of which the Port is a part, may be found in the County's CAFR for the fiscal year ended September 30, 2019. The Port's annual financial report is not a substitute for or source of such information.

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

We wish to express our appreciation to the efficient and dedicated services of the entire staff of the Port's Finance Division, who were responsible for assembling and compiling the data comprising the annual financial report. We also wish to thank the County's independent auditors, RSM US LLP, for their cooperation and assistance.

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

Sincerely,

Glenn A. Wiltshire
Acting Chief Executive & Port Director

Leah Brasso
Director of Finance

## Independent Auditor's Report

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the Broward County Port Everglades Department (the Port), an enterprise fund of Broward County, Florida (the County), as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinion**
In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Port, as of September 30, 2019 and 2018, and the respective changes in financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**
As discussed in Note 1 to the financial statements, the financial statements present only the Port and do not purport to, and do not, present fairly the financial position of Broward County, Florida, as of September 30, 2019 and 2018, and its changes in its financial position, or where applicable, its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

**Other Matters**

*Required Supplementary Information*
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the pension and other post-employment benefits related schedules as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

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

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2020 on our consideration of the Port's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Port's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port's internal control over financial reporting and compliance.

RSM US LLP

Fort Lauderdale, Florida
March 26, 2020

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## Annual Financial Report

The annual financial report of the Port Everglades Department (the "Port") provides an overview of the Port's financial activities for the fiscal years (FY) ended September 30, 2019 and 2018. The financial statements include the independent auditor's report; statements of net position, statements of revenues, expenses, and changes in net position, statements of cash flows, and the accompanying explanatory notes to the financial statements. Management's discussion and analysis should be read in conjunction with these financial statements and notes.

## Management's Discussion and Analysis

The Port, a department of Broward County, Florida (the "County"), operates as a major enterprise fund of the County. The County, which is operated by the Board of County Commissioners (the "County Commission"), owns the Port. The Port was originally created in 1927 by a special act of the Florida Legislature to create and promote commerce and industry through the operation of a deep-water seaport. The Port's jurisdictional area consists of approximately 2,190 acres, inclusive of land and water, designated for shipping, warehousing, and all other non-residential uses, as approved. The Port owns approximately 1,212 acres.

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

## Financial Position

The Port's performance results during the fiscal year ended September 30, 2019 and the two preceding fiscal years were as follows:

| | FY 2019 | FY 2018 | FY 2017 |
|---|---|---|---|
| Operating revenues (dollars in thousands) | $ 170,744 | $ 167,996 | $ 161,733 |
| Ship calls | 4,016 | 4,214 | 4,029 |
| Cruise passengers | 3,892,215 | 3,870,342 | 3,863,662 |
| TEUs (equivalent number of 20' container units) | 1,053,078 | 1,108,465 | 1,076,912 |
| Petroleum (barrels) | 125,874,463 | 123,404,236 | 122,307,652 |
| | | | |
| <u>Tonnage (in 2,000-pound short tons)</u> | | | |
| Total waterborne commerce | 25,574,776 | 25,734,855 | 25,301,771 |
| Containerized cargo | 6,797,694 | 7,365,755 | 7,226,433 |
| Petroleum | 17,769,607 | 17,433,963 | 17,260,304 |

Port operating revenues totaled $170.7 million in FY 2019. This is 1.6% higher than the $168.0 million achieved in FY 2018, and 5.6% higher than FY 2017, when operating revenues were $161.7 million. This increase in operating revenues is further discussed in the section related to the Schedule of Operating Revenues by Revenue Center, on page FS.11.

Cruise-related activity for the Port, including both cruise revenue and parking revenue, accounted for 39.9% of operating revenues in FY 2019. The number of multi-day passengers increased to 3,773,062 in FY 2019, or 0.9% from 3,741,408 in FY 2018, and 3,738,252 in FY 2017. The total number of passengers, including both single-day and multi-day, was 3,892,215 in FY 2019, which is an increase of 0.6% over the FY 2018 total of 3,870,342, and 3,863,662 in FY 2017. Cruise revenue was $59.4 million in FY 2019, a decrease of $0.2 million, or 0.3% compared to $59.6 million in FY 2018, and an increase of $3.5 million from $55.9 in FY 2017. A major cause of the decrease in cruise revenue was a reduction in Royal Caribbean Cruises Ltd. passenger rates in FY 2019.

**Financial Position (Continued)**

Parking revenue was $8.8 million in FY 2019, an increase of 1.9% compared to $8.6 million in FY 2018, and $8.4 million in FY 2017.

Containerized cargo accounted for 20.2% of operating revenue in FY 2019. Revenue from containerized cargo decreased by 1.9% in FY 2019 to $34.5 million, down from $35.2 million in FY 2018, and up from $34.2 million in FY 2017. This decrease is mainly due to lower volumes at some major terminal operators, including Crowley and Port Everglades Terminal.

The Port ranks third in Florida for total container cargo activity based on total TEUs (20-foot equivalent units, the standard measure for containerized cargo). It is also ranked twelfth among U.S. seaports for containerized cargo trade according to data from the American Association of Port Authorities (AAPA). Total containerized cargo volume was 1,053,078 TEUs in FY 2019. This represents a 5.0% decrease compared to 1,108,465 TEUs in FY 2018, and a 2.2% decrease from 1,076,912 TEUs in FY 2017. Containerized cargo activity was 6,797,694 tons in FY 2019, a decrease of 7.7% compared to 7,365,755 tons in FY 2018, and 5.9% lower than the 7,226,433 tons in FY 2017.

Petroleum accounted for 21.9% of operating revenue in FY2019. Petroleum movements through the Port generated $37.4 million in operating revenue in FY 2019, compared to $36.1 million in FY 2018, and $34.7 million in FY 2017. Overall throughput volume increased to approximately 125.9 million barrels in FY 2019, a 2.0% change compared to approximately 123.4 million barrels in FY 2018, and 2.9% higher than 122.3 million barrels in FY 2017. This increase was driven by higher regional demand for diesel and jet fuel.

Total waterborne commerce, measured in short tons (2,000 pounds), was 25,574,776 tons, a decrease of 0.6% over the 25,734,855 tons recorded in FY 2018, and a 1.1% increase from 25,301,771 tons in FY 2017. In FY 2019 and FY 2018, the Port hosted 4,016 and 4,214 ship calls, respectively, from vessels ranging from naval warships and mega cruise ships, to container ships and tankers of all sizes.

There are more than 20 different ocean carriers that maintain regular service at the Port. Cargo shippers provide service to more than 150 ports in more than 70 countries. The Port's primary trade lanes remain in the regional Caribbean, Central America, and South America markets, representing nearly 89.7% of the Port's cargo movements. As the nation's leading gateway for trade with Latin America, Port Everglades handled approximately 11% of all Latin American trade in the United States, and 46% of Florida Ports' total trade with South America, Central America, and the Caribbean. The Port also leads the United States in imports to and from Latin America. The Port is particularly dominant in Central America, where approximately 38.4% of the Port's containerized cargo volume was destined in FY 2019. With a 12% share of the entire Central American market in FY 2019, the Port is also first among all U.S. seaports operating in that market.

**FY 2019 Event Highlights**

**<u>Planning & Development</u>**

During FY 2019, the Port continued its efforts to complete the 2018 Port Everglades Master/Vision Plan Update (the "Master/Vision Plan"), with final adoption expected in early calendar year 2020. The Master/Vision Plan, last updated in 2014, identifies capital investments over a 20-year timeframe, and continues with the themes of improving productivity and increasing capacity for cargo, cruise, and petroleum businesses that operate at the Port.

**FY 2019 Event Highlights (Continued)**

**Cruise**

In November of 2018, the Port achieved a double celebration with the arrival of Celebrity Cruise's first new ship class in over a decade, *Celebrity Edge*, at her new home, the newly renovated Cruise Terminal 25 (T-25). T-25 underwent a complete renovation requiring the demolition of two smaller terminals to expand the total square feet of the terminal. With a cost of approximately $110 million, the new facility is the largest financial investment Port Everglades has made in a cruise terminal, and in addition to *Celebrity Edge*, T-25 will be the new home to many Celebrity ships during their winter deployment, including *Celebrity Infinity, Celebrity Reflection,* and *Celebrity Silhouette*.

In December of 2018, the Port welcomed Holland America Line's newest cruise ship, *Nieuw Statendam*, on its maiden call to the United States. The ship sailed to Port Everglades on a transatlantic voyage from Civitavecchia, Italy. The 99,902-ton vessel accommodates 2,666 guests and is the second ship in the line's Pinnacle class. The ship features purpose-built staterooms for families and solo travelers among its 1,377 guest accommodations.

**Cargo**

In December of 2018, the Port signed a Memorandum of Understanding (MOU) with the Honduras National Port Authority (Empresa Nacional Portuaria de Honduras) as part of its Sister Seaport Program. Honduras is the Port's largest trading partner by volume, and number one in total TEUs. The MOU outlines joint initiatives the two parties may undertake including marketing activities, market studies, modernization and improvements, and training.

In March of 2019, Florida International Terminal, LLC opened a new 46.6-acre containerized cargo terminal at the Port with double the number of entry gates, new scales, heavy equipment, technology and increased stacking capacity. The new facility improvements include six lanes entering the terminal with scales, two outbound lanes, a new yard tractor fleet, and upgraded container handling equipment. It also adds up to three hundred and fifty new power plugs for refrigerated containers, an appointment system with a dedicated lane for refrigerated cargo, and enhanced information technology with quick disaster recovery abilities.

**Other**

In October of 2018, the U.S. Department of Commerce's Foreign-Trade Zone Board approved an application for the Port's Foreign-Trade-Zone (FTZ) #25 at Port Everglades to operate under its Alternative Site Framework. This authorization speeds the FTZ approval process by eliminating temporary minor boundary modifications, acreage re-designation, and other minor procedures that take time to process under the Traditional Site Framework. FTZ #25 at the Port is fifth in the United States for warehousing and distribution and is a secured, designated U.S. location where companies can use special procedures to encourage U.S. economic activity and provide added value in competition with foreign alternatives by allowing duty-free, delayed, deferred or reduced duty payments on foreign merchandise, as well as other savings.

**Required Financial Statements**

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

The statement of net position includes all of the Port's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. They provide information about the nature and amounts of investments in resources (assets and deferred outflows of resources) and the obligations to the Port's

**Required Financial Statements (continued)**

creditors (liabilities and deferred inflows of resources). They also provide the basis for computing rate of return, evaluating the capital structure of the Port, and assessing the liquidity and financial flexibility of the Port.

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

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

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

**Analysis of Overall Financial Position and Results of Operations**

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

**Statements of Net Position**

The statements of net position serve as a useful indicator of the Port's financial position. They distinguish assets, deferred outflows of resources, liabilities, and deferred inflows of resources with respect to their expected use for current operations or internally designated use for capital projects. The Port's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $896.8 million and $822.6 million as of September 30, 2019 and 2018, respectively, a $74.2 million increase from September 30, 2018, and a $48.0 million increase from September 30, 2017 to September 30, 2018. A condensed comparative summary of the Port's statements of net position as of September 30, 2019, 2018, and 2017 is shown on the next page.

## Statements of Net Position (Continued)

***Condensed Statements of Net Position***
***(Dollars in Thousands)***

| | FY 2019 | FY 2018 | FY 2017 |
|---|---|---|---|
| **Assets** | | | |
| Current assets (unrestricted) | $ 112,529 | $ 268,770 | $ 320,636 |
| Current assets (restricted) | 62,642 | 16,268 | 15,609 |
| Other assets | 390,862 | 30,355 | 28,803 |
| Capital assets, less accumulated depreciation | 1,009,812 | 740,367 | 633,794 |
| Total assets | 1,575,845 | 1,055,760 | 998,842 |
| **Deferred Outflows of Resources** | | | |
| Deferred charge on refunding | 3,747 | 1,034 | 1,150 |
| Deferred outflows on other post employment benefits | 84 | 25 | - |
| Deferred outflows on pensions | 5,535 | 6,116 | 6,307 |
| Accumulated decrease in fair value of interest rate swap | - | 1,706 | 2,948 |
| Total deferred outflows of resources | 9,366 | 8,881 | 10,405 |
| **Liabilities** | | | |
| Current liabilities payable from unrestricted assets | 12,741 | 44,723 | 23,671 |
| Current liabilities payable from restricted assets | 62,642 | 16,268 | 15,609 |
| Non-current liabilities | 611,767 | 179,451 | 194,330 |
| Total liabilities | 687,150 | 240,442 | 233,610 |
| **Deferred Inflows of Resources** | | | |
| Deferred inflows on other post employment benefits | 32 | 11 | - |
| Deferred inflows on pensions | 1,216 | 1,570 | 1,040 |
| Total deferred inflows of resources | 1,248 | 1,581 | 1,040 |
| **Net Position** | | | |
| Net investment in capital assets | 781,913 | 542,723 | 443,217 |
| Restricted for | | | |
| Debt service | 232 | 1,204 | 1,142 |
| Operating and maintenance | 17,521 | 17,028 | 15,476 |
| Renewal and replacement | 3,000 | 3,000 | 3,000 |
| Unrestricted | 94,147 | 258,663 | 311,762 |
| Total net position | $ 896,813 | $ 822,618 | $ 774,597 |

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

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

A condensed comparative summary of the Port's revenues, expenses, and changes in net position for each of the fiscal years ended September 30, 2019, 2018 and 2017 is shown below:

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

| | FY 2019 | FY 2018 | FY 2017 |
|---|---|---|---|
| Operating revenues | $ 170,744 | $ 167,996 | $ 161,733 |
| Operating expenses (including depreciation) | 134,223 | 131,316 | 116,866 |
| Operating income | 36,521 | 36,680 | 44,867 |
| Non-operating revenues (expenses), net | (5,348) | (5,425) | (8,333) |
| Income before capital contributions and transfers | 31,173 | 31,255 | 36,534 |
| Capital contributions | 43,022 | 16,932 | 15,819 |
| Transfer in | - | - | 6,770 |
| Change in net position | 74,195 | 48,187 | 59,123 |
| Net position, beginning of year | 822,618 | 774,597 | 715,474 |
| Cumulative effect of adoption of GASB Statement No. 75 | - | (166) | - |
| Net position, beginning of year, as restated | - | 774,431 | - |
| Net position, end of year | $ 896,813 | $ 822,618 | $ 774,597 |

In FY 2019, the Port increased its operating revenues by $2.7 million, or 1.6% to $170.7 million from $168.0 million in FY 2018 mainly due to increases in the real estate and petroleum revenue categories. Operating expenses (including depreciation) also increased by $2.9 million, or 2.2% to $134.2 million from $131.3 million in FY 2018. The increases occurred primarily in the contractual services, law enforcement and fire rescue, and salaries and wages expense categories. These increases were offset by a decrease in the maintenance, equipment, and supplies expense category of $7.6 million due to a reduction in inventory purchases for plumbing, marine equipment, paint, janitorial, hardware, ground maintenance, electrical, and other marine equipment supplies. As a result, operating income in FY 2019 decreased by 0.2 million, or 0.4% from the prior year to $36.5 million. The declining trend in operating income over the past three years was primarily due to the expenses associated with a one-time, unusual project to construct a new FPL substation to power new cranes in Southport, and increases in expenses for law enforcement for security services during cruise season.

Capital contributions in FY 2019 increased by $26.1 million from the prior year to $43.0 million primarily due to an increase in grant eligible construction activities for the Southport Turning Notch Extension (STNE)/Crane Rail Infrastructure Improvements project.

The overall financial performance in FY 2019 resulted in a net position of $896.8 million, an increase of $74.2 million, or 9.0% from FY 2018. The following sections discuss in detail the changes in operating revenues, operating expenses, and net operating revenues (expenses), for each of the fiscal years ended September 30, 2019, 2018, and 2017.

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

The following table details operating revenues by revenue center for each of the fiscal years ended September 30, 2019, 2018, and 2017:

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

| | FY 2019 | FY 2018 | FY 2017 |
|---|---|---|---|
| Operating revenues | | | |
| Cruise | $ 59,412 | $ 59,596 | $ 55,875 |
| Containerized cargo | 34,525 | 35,182 | 34,156 |
| Petroleum | 37,402 | 36,080 | 34,733 |
| Real estate | 18,496 | 16,946 | 17,068 |
| Parking | 8,769 | 8,603 | 8,426 |
| Other | 3,161 | 3,300 | 3,379 |
| Break Bulk | 4,002 | 4,672 | 5,145 |
| Bulk | 4,977 | 3,617 | 2,951 |
| Total operating revenues | $ 170,744 | $ 167,996 | $ 161,733 |

In FY 2019, operating revenues increased by 1.6% to $170.7 million from the prior year. This was primarily due to a $1.3 million increase in petroleum revenues compared to the prior year. In addition, real estate revenue increased by $1.6 million primarily due to increased warehouse space leased to International Warehouse Services as well as new leases and market rent adjustments for existing customers. Parking revenue increased by $0.2 million due to the re-opening of T-25.

In FY 2018, operating revenues increased 3.9% from $161.7 million in FY 2017 to $168.0 million. This was primarily due to a $3.7 million increase in cruise revenue resulted from increased passenger counts and related revenue from the Carnival Corporation cruise lines. In addition, containerized cargo revenue increased by $1.0 million, primarily due to provisions in Crowley's new agreement which resulted in payments above the minimum guarantee amount. Petroleum revenue also increased by $1.3 million due to higher throughput.

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

The following table details operating expenses by function for September 30, 2019, 2018 and 2017:

***Schedule of Operating Expenses by Function***
***(Dollars in Thousands)***

| | FY 2019 | FY 2018 | FY 2017 |
|---|---|---|---|
| Operating expenses | | | |
| Personal services | $ 24,603 | $ 23,077 | $ 22,066 |
| Law enforcement and fire rescue | 28,069 | 26,512 | 25,672 |
| Maintenance, equipment, and supplies | 18,810 | 26,456 | 18,598 |
| Contractual services | 16,049 | 11,266 | 7,978 |
| General and administrative | 7,657 | 6,849 | 5,002 |
| Insurance | 5,907 | 5,313 | 4,931 |
| Utilities | 4,659 | 4,497 | 4,325 |
| Total operating expenses before depreciation | 105,754 | 103,970 | 88,572 |
| Depreciation | 28,469 | 27,346 | 28,294 |
| Total operating expenses | $ 134,223 | $ 131,316 | $ 116,866 |

In FY 2019, operating expenses before depreciation increased by 1.7% to $105.8 million from the prior year. The increases occurred primarily in the contractual services, law enforcement and fire rescue, and salaries and wages expense categories. Contractual services increased by $4.8 million primarily due to an agreement between Broward County and Florida Power & Light (FPL) in FY 2018 in which the Port incurred cost for constructing a new electric utility substation facility that will be owned, operated, and maintained by FPL once construction is complete. This electrical substation will provide the necessary power supply to operate the new Super Post-Panamax container gantry cranes in Southport. The construction of this electric utility substation began in July of 2018 and is estimated to be completed in FY 2020. In addition, there were increases in costs for project management and security services. Law enforcement and fire rescue increased by $1.6 million primarily due to the Port enhancing security services during the FY 2019 cruise season. Salaries, wages and benefits increased by $1.5 million due to the hiring of new staff, salary adjustments for existing employees, increased overtime pay to support cruise operations, and increased employee pension costs.

The increase in operating expenses before depreciation was offset by a $7.6 million decrease in maintenance, equipment and supplies. This was primarily due to a reduction in inventory purchases for plumbing, marine equipment, paint, janitorial, hardware, ground maintenance, electrical, and other marine equipment supplies.

In FY 2018, the major increases in total operating expenses before depreciation were primarily attributed to the maintenance, equipment, and supplies expense category as well as contractual services. Maintenance, equipment and supplies expenses increased by $7.9 million, or 42.3% from the prior year, mainly due to the replacement of passenger loading bridge parts and higher costs for crane equipment maintenance, facilities maintenance, and repairs. Contractual services also increased by $3.3 million, or 41.2% from FY 2017, partially due to higher costs in parking management fees and construction project management services. Additionally, a big portion of the increase in this category was related to an agreement between Broward County and Florida Power & Light (FPL) in FY 2018. General and administrative expenses increased $1.8 million, or 36.9% from FY 2017, which were related to chargebacks

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

for County Auditor and County Attorney fees, as well as an increase in the General Fund cost allocation for central services and other miscellaneous expenses.

The following table presents non-operating revenues and non-operating expenses for each of the fiscal years ended September 30, 2019, 2018, and 2017:

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

| | FY 2019 | FY 2018 | FY 2017 |
|---|---|---|---|
| **Non-operating revenues** | | | |
| Interest Income | $ 8,381 | $ 2,540 | $ 1,623 |
| Other revenues, net | 3,084 | 581 | 161 |
| Total non-operating revenues | 11,465 | 3,121 | 1,784 |
| **Non-operating expenses** | | | |
| Interest expense | (7,485) | (5,178) | (7,966) |
| Debt issuance costs | (3,093) | - | - |
| Loss on disposal or discontinuance of capital assets | (2,510) | (2,356) | (233) |
| Loss on in-substance defeasance | (2,529) | - | - |
| Other expenses, net | (1,196) | (1,012) | (1,918) |
| Total non-operating expenses | (16,813) | (8,546) | (10,117) |
| **Non-operating revenues (expenses), net** | $ (5,348) | $ (5,425) | $ (8,333) |

In FY 2019, net non-operating expenses decreased by $0.1 million to $5.3 million from net expense of $5.4 million in FY 2018. This was primarily due to a $5.8 million increase in interest income as a result of the Port obtaining a higher valuation on investments and receiving $2.5 million in a legal settlement. These increases in non-operating revenues were offset by interest expense, a loss on in-substance defeasance, and debt issuance costs. Interest expense increased by $2.3 million because the Port implemented GASB Statement No. 89 and is no longer capitalizing interest expense. The Port defeased a portion of the outstanding Series 2011A and 2011B Bonds, and refunded the Series 2009A Bonds and the Subordinate Series 2008 Bonds with Series 2019C and Series 2019D Bonds. The partial defeasance and refunding of these bonds resulted in a loss on in-substance defeasance of $2.5 million and an accelerated charge to interest expense. In addition, the Port incurred debt issuance costs of $3.1 million as a result of the Series 2019 bond issuance.

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

### Capital Improvement Plan

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

### Capital Acquisitions and Construction Activities

During FY 2019, the Port added $299.8 million of construction in progress and pending equipment. The major capital asset events related to these additions included STNE/Crane Rail Infrastructure

### Capital Acquisitions and Construction Activities (Continued)

Improvements, Cruise Terminals 2 and 4 Parking Garage, and Super Post-Panamax Cranes projects. At the end of the fiscal year, the Port also put into use approximately $128.8 million of new capital assets. A major asset that was added was the T-25. T-25 underwent a complete renovation, requiring the demolition of two smaller terminals to expand the total square footage. With a cost of approximately $110 million, the new facility is the largest financial investment Port Everglades has made in a cruise terminal. It was converted from the construction in progress phase into a new depreciable asset. There were also other assets added including the new Southport Phase 9B Container Yard project, equipment, artwork and vehicles.

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

Capital asset acquisitions are capitalized at cost. Acquisitions are funded primarily with Port revenues, grants, and revenue bonds. The Port had construction commitments of approximately $167.9 million as of September 30, 2019, compared to $268.3 million in FY 2018, a 37.4% decrease. This large decrease is primarily due to reduction in construction costs associated with T-25 after it was recorded as a new building. Additional information on the Port's capital assets and commitments can be found in Note 4 – Capital Assets and Note 13 – Commitments and Contingencies.

### Overview of Upcoming Projects

During FY 2019, the Port continued implementing several key projects included in the Port Everglades 20-Year Master/Vision Plan. These projects include the STNE/Crane Rail Infrastructure Improvements, Super Post-Panamax Container Gantry Cranes, U.S. Army Corps of Engineers Deepening and Widening Project, Cruise Terminals 2 and 4 Parking Garage, Northport and Southport Improvements, and Foreign Trade Zone Relocation. These projects, as further described below, are expected to be completed over the coming years, and will add up to five berths, increase the Ports ability to handle containers stacked nine high and reach twenty-two containers across the ship's deck, widen and deepen the channel, and reconfigure existing space.

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

During FY 2019, construction activities began for the expansion project to add new berths for larger cargo ships and install crane rail infrastructure as part of the STNE/Crane Rail Infrastructure Improvements project. This project will lengthen the existing deepwater turn-around area for cargo ships from approximately 900 feet to 2,400 feet, which will allow for up to five new cargo berths. The existing gantry crane rails will be extended to the full length of the extended Turning Notch berth to utilize the existing cranes, and new crane rail will be added to the extended berth for the new Super Post-Panamax container gantry cranes.

#### Super Post-Panamax Container Gantry Cranes

During FY 2019, construction activities began for the three custom-designed Super Post-Panamax container gantry cranes. The new cranes will have the ability to handle containers stacked nine high and reach 22 containers across the ship's deck. They are the largest low-profile container gantry cranes ever designed and built. Each crane is valued at $13.8 million, and all three are expected to arrive in Florida for commissioning in late September 2020. The cranes are 175-feet tall (53.3 meters) and are designed as "low profile" with booms that extend out and back rather than raise up, thus staying out of the flight path of Fort Lauderdale-Hollywood International Airport (FLL), which is less than two miles away. The Port also has an option to purchase three additional cranes within the next four years.

**Overview of Upcoming Projects (Continued)**

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

The Port must deepen its channel to 48 feet (+1+1 overdepth) and widen it in certain areas to remain competitive with seaports in the southeastern United States that are gearing up for the Panama Canal expansion. The Port already handles post-Panamax ships, those ships too large to fit through the Panama Canal before it was expanded in 2016. However, the ships must be lightly loaded, which is inefficient and may drive ocean shipping companies to use other ports that have deeper water or are currently dredging deeper.

The project calls for deepening and widening the Outer Entrance Channel from an existing 45-foot project depth over a 500-foot channel width to a 55-foot depth (+1+1 overdepth), with an 800-foot channel width, for a flared extension extending 2,200 feet seaward, deepening the Inner Entrance Channel, Southport Access Channel, and Main Turning Basin from 42 feet to 48 feet (+1+1 overdepth) and widening the channels within the Port to increase the margin of safety for ships transiting to berth. This is needed to safely accommodate increasingly larger cargo ships, especially those already coming from Europe and South America. The project also addresses environmental concerns and will utilize innovative approaches to coral restoration and protection. The total cost is estimated to be $437.8 million, and the U.S. Army Corps of Engineers and the Port are currently in the preconstruction engineering and design (PED) phase of this project.

**Cruise Terminals 2 and 4 Parking Garage**

In 2019, the Cruise Terminals 2 and 4 Parking Garage project began construction to provide additional parking capacity in the Northport area. The new garage is designed to redefine the entry to the Port, including a new ground transportation area, which allows for approximately 2,000 cars to park and provide an air-conditioned bridge connector to Cruise Terminals 2 and 4. The garage is being constructed in conjunction with the County's Convention Center Expansion and Convention Center Hotel project and is expected to be completed in December of 2020.

**Additional Northport and Southport Improvements**

An additional project for Northport will replace the existing bulkheads at Berths 9 and 10 in a new location approximately 150 feet south of their current location, which will widen Slip 1. This redevelopment will allow the Port to accommodate larger petroleum vessels by increasing the width of the slip through the excavation of land on the south side of the slip. The programming and design of this project commenced in February of 2017 and is expected to be completed in 2021, with project construction expected to be complete in 2025.

The Port Everglades West Lake Park Mitigation project is in the permit modification process and is expected to begin construction in Fiscal Year 2021. This project is a key part of the Port's mitigation plan related to both the STNE/Crane Rail Infrastructure Improvements, and the U.S. Army Corps of Engineers Deepening and Widening projects. It calls for the restoration of seagrasses and mangroves in West Lake Park, which is located to the south of the Port.

Additionally, the Southport Gate Lane addition on McIntosh Road will add an additional outbound lane (increasing outbound lanes to three) and shift the inbound lanes to the west with a reservation for an additional inbound lane. The objective of the project is to increase efficiency of Southport gate operations and reduce wait times, both inbound and outbound, through the gate. Construction for the first phase of the project was ongoing during FY 2019, with final completion expected in early calendar year 2020.

**Overview of Upcoming Projects (Continued)**

**Foreign Trade Zone Relocation**

In June of 2019, the Port broke ground at the construction site for a new 296,207 square-foot International Logistics Center building operated by CenterPoint Properties. The property will be used for storing cargo coming into Port Everglades that requires U.S. Customs and U.S. Department of Agriculture inspection services and will also be the new home of the Port's FTZ #25. The Port Everglades International Logistics Center is a public-private partnership designed to provide a modern, efficient, and secure environment for cargo activity at the Port.

**Debt Administration**

As of September 30, 2019, 2018, and 2017, the Port had $517.2 million, $169.5 million, and $183.1 million, respectively, in outstanding long-term revenue bonds. The bonds are secured by a pledge of and lien on net revenues as defined in the Bond Resolution. Detailed information regarding the bonds is contained in Note 6 - Long-term Obligations.

The Port's bond ratings on outstanding revenue bonds as of September 30, 2019 are as follows:

| Issue | Insured | Fitch Inc. | Moody's Investors Service | Standard & Poor's Ratings |
|---|---|---|---|---|
| 2011A Port Facilities Refunding Revenue | Assured Guaranty | A | A1 | A |
| 2011B Port Facilities Refunding Revenue | Assured Guaranty | A | A1 | A |
| 2019A Port Facilities Revenue | No | - | A1 | A |
| 2019B Port Facilities Revenue | No | - | A1 | A |
| 2019C Port Facilities Refunding Revenue | No | - | A1 | A |
| 2019D Subordinate Port Facilities Refunding Revenue | No | - | A2 | A- |

**Contacting the Port Department's Financial Management**

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

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Statements of Net Position**
**September 30, 2019 and 2018**
**(Dollars in Thousands)**

| | 2019 | 2018 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Unrestricted assets | | |
| Cash and cash equivalents | $ 66,165 | $ 35,592 |
| Investments | 27,366 | 191,635 |
| Receivables: | | |
| Accounts, net of allowance of $7 in 2019 and $26 in 2018 | 7,274 | 8,459 |
| Other | 587 | 727 |
| Due from other County funds | 1 | - |
| Due from other governments | 1,201 | 10,416 |
| Inventories | 7,714 | 7,800 |
| Prepaid items | 2,221 | 14,141 |
| Total current unrestricted assets | 112,529 | 268,770 |
| Restricted assets | | |
| Cash and cash equivalents | 377 | 1,950 |
| Investments | 62,265 | 14,318 |
| Total current restricted assets | 62,642 | 16,268 |
| Total current assets | 175,171 | 285,038 |
| **Noncurrent assets** | | |
| Restricted assets | | |
| Cash and cash equivalents | 356,867 | 13,327 |
| Investments | 33,995 | 17,028 |
| Total noncurrent restricted assets | 390,862 | 30,355 |
| Capital assets | | |
| Land and land improvements | 58,303 | 58,303 |
| Construction in progress and pending equipment | 365,678 | 194,079 |
| Buildings, piers, and other improvements | 671,924 | 577,820 |
| Equipment and vehicles | 187,750 | 183,707 |
| Property held for leasing | 267,090 | 250,777 |
| Total capital assets | 1,550,745 | 1,264,686 |
| Less accumulated depreciation | (540,933) | (524,319) |
| Total capital assets, net | 1,009,812 | 740,367 |
| Total noncurrent assets | 1,400,674 | 770,722 |
| Total assets | 1,575,845 | 1,055,760 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Deferred charge on refunding | 3,747 | 1,034 |
| Deferred outflows on other post employment benefits | 84 | 25 |
| Deferred outflows on pensions | 5,535 | 6,116 |
| Accumulated decrease in fair value of interest rate swap | - | 1,706 |
| Total deferred outflows of resources | $ 9,366 | $ 8,881 |

(Continued)

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Statements of Net Position (Continued)**
**September 30, 2019 and 2018**
**(Dollars in Thousands)**

| | 2019 | 2018 |
|---|---|---|
| **LIABILITIES** | | |
| **Current liabilities** | | |
| Payable from unrestricted assets | | |
| Accounts payable | $ 8,881 | $ 41,930 |
| Accrued liabilities | 480 | 348 |
| Due to other County funds | 1,052 | 387 |
| Due to other governments | 929 | 796 |
| Compensated absences | 1,399 | 1,262 |
| Total current liabilities payable from unrestricted assets | 12,741 | 44,723 |
| Payable from restricted assets | | |
| Accounts payable | 52,395 | - |
| Accrued interest payable | 389 | 746 |
| Security deposits | 1,353 | 1,202 |
| Revenue bonds payable | 8,505 | 14,320 |
| Total current liabilities payable from restricted assets | 62,642 | 16,268 |
| Total current liabilities | 75,383 | 60,991 |
| **Noncurrent liabilities** | | |
| Revenue bonds payable, including discounts and premiums | 589,712 | 157,793 |
| Compensated absences | 1,275 | 1,326 |
| Total other post employment benefits liability | 981 | 899 |
| Fair value of interest rate swap | - | 1,706 |
| Net pension liability | 19,799 | 17,727 |
| Total noncurrent liabilities | 611,767 | 179,451 |
| Total liabilities | 687,150 | 240,442 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Deferred inflows on other post employment benefits | 32 | 11 |
| Deferred inflows on pensions | 1,216 | 1,570 |
| Total deferred inflows of resources | 1,248 | 1,581 |
| **NET POSITION** | | |
| Net investment in capital assets | 781,913 | 542,723 |
| Restricted for | | |
| Debt service | 232 | 1,204 |
| Operating and maintenance | 17,521 | 17,028 |
| Renewal and replacement | 3,000 | 3,000 |
| Unrestricted | 94,147 | 258,663 |
| Total net position | $ 896,813 | $ 822,618 |

See accompanying notes to financial statements.

## PORT EVERGLADES DEPARTMENT
## of Broward County, Florida
## Statements of Revenues, Expenses, and Changes in Net Position
## For the Fiscal Years Ended September 30, 2019 and 2018
## (Dollars in Thousands)

| | 2019 | 2018 |
|---|---|---|
| **Operating revenues** | | |
| Vessel, cargo, and passenger services | $ 142,015 | $ 141,020 |
| Lease of facilities | 17,583 | 16,049 |
| Vehicle parking | 8,769 | 8,603 |
| Other | 2,377 | 2,324 |
| Total operating revenues | 170,744 | 167,996 |
| **Operating expenses** | | |
| Salaries and wages | 16,375 | 15,907 |
| Benefits | 8,228 | 7,170 |
| Total personal services expenses | 24,603 | 23,077 |
| Law enforcement and fire rescue | 28,069 | 26,512 |
| Maintenance, equipment, and supplies | 18,810 | 26,456 |
| Contractual services | 16,049 | 11,266 |
| General and administrative | 7,657 | 6,849 |
| Insurance | 5,907 | 5,313 |
| Utilities | 4,659 | 4,497 |
| Total non-personal services expenses | 81,151 | 80,893 |
| Total operating expenses before depreciation | 105,754 | 103,970 |
| Depreciation | 28,469 | 27,346 |
| Total operating expenses | 134,223 | 131,316 |
| Operating income | 36,521 | 36,680 |
| **Non-operating revenues (expenses)** | | |
| Interest income | 8,381 | 2,540 |
| Interest expense | (7,485) | (5,178) |
| Debt issuance costs | (3,093) | - |
| Loss on disposal or discontinuance of capital assets | (2,510) | (2,356) |
| Loss on in-substance defeasance | (2,529) | - |
| Other, net | 1,888 | (431) |
| Total non-operating expenses | (5,348) | (5,425) |
| Income before capital contributions | 31,173 | 31,255 |
| Capital contributions | 43,022 | 16,932 |
| Change in net position | 74,195 | 48,187 |
| Net position, beginning of year, as restated | 822,618 | 774,431 |
| Net position, end of year | $ 896,813 | $ 822,618 |

See accompanying notes to financial statements.

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Statements of Cash Flows**
**For the Fiscal Years Ended September 30, 2019 and 2018**
**(Dollars in Thousands)**

| | 2019 | 2018 |
|---|---|---|
| **Cash flows from operating activities:** | | |
| Cash received from customers | $ 172,079 | $ 166,759 |
| Payments to suppliers for goods and services | (73,279) | (88,885) |
| Payments to employees for services | (22,042) | (21,469) |
| Other cash receipts | 408 | 462 |
| Other cash paid | (568) | (638) |
| Net cash provided by operating activities | 76,598 | 56,229 |
| **Cash flows from non-capital financing activities:** | | |
| Nonoperating grants received | 171 | 120 |
| **Cash flows from capital and related financing activities:** | | |
| Proceeds from issuance of bonds | 497,726 | - |
| Payment to refunded bond escrow agent | (6,669) | - |
| Payment of bond issuance costs | (1,050) | - |
| Acquisition of capital assets | (276,532) | (116,580) |
| Legal settlement proceeds | 2,506 | |
| Principal payments on bonds | (14,320) | (13,645) |
| Principal payments on defeased bonds | (53,755) | - |
| Loss on bond defeasance | (3,330) | - |
| Payment of interest and fiscal charges | (8,271) | (8,902) |
| Payment of other debt service costs | (647) | (327) |
| Proceeds from sale of capital assets | - | 62 |
| Capital contributions | 52,237 | 15,342 |
| Net cash provided by (used for) capital and related financing activities | 187,895 | (124,050) |
| **Cash flows from investing activities:** | | |
| Purchase of investments | (152,488) | (433,944) |
| Proceeds from sales and maturities of investments | 251,843 | 509,432 |
| Interest on investments | 8,521 | 2,412 |
| Net cash provided by investing activities | 107,876 | 77,900 |
| Net increase in cash and cash equivalents | 372,540 | 10,199 |
| Cash and cash equivalents, beginning of year | 50,869 | 40,670 |
| Cash and cash equivalents, end of year | $ 423,409 | $ 50,869 |
| Cash and cash equivalents - unrestricted assets | $ 66,165 | $ 35,592 |
| Cash and cash equivalents - restricted assets - current | 377 | 1,950 |
| Cash and cash equivalents - restricted assets - noncurrent | 356,867 | 13,327 |
| | $ 423,409 | $ 50,869 |

(Continued)

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Statements of Cash Flows (Continued)**
**For the Fiscal Years Ended September 30, 2019 and 2018**
**(Dollars in Thousands)**

| | 2019 | 2018 |
|---|---|---|
| **Reconciliation of operating income to net cash provided by operating activities** | | |
| Operating income | $ 36,521 | $ 36,680 |
| **Adjustments to reconcile operating income to net cash provided by operating activities** | | |
| Depreciation | 28,469 | 27,346 |
| Miscellaneous non-operating expenses | (160) | (176) |
| Decrease (increase) in assets and deferred outflows of resources: | | |
| Accounts receivable, trade | 1,185 | (1,318) |
| Accounts receivable, other | - | 32 |
| Due from other County funds | (1) | - |
| Inventories | 86 | (613) |
| Prepaid items | 7,040 | (7,451) |
| Deferred outflows on other post employment benefits liability | (59) | (25) |
| Deferred outflows on pensions | 581 | 191 |
| Increase (decrease) in liabilities and deferred inflows of resources: | | |
| Accounts payable | (52) | 197 |
| Accrued liabilities | 132 | 32 |
| Due to other County funds | 665 | 26 |
| Due to other governments | 133 | (151) |
| Compensated absences | 86 | 57 |
| Security deposits | 151 | 49 |
| Total other post employment benefits liability | 82 | 45 |
| Net pension liability | 2,072 | 767 |
| Deferred inflows on other post employment benefits liability | 21 | 11 |
| Deferred inflows on pensions | (354) | 530 |
| Net adjustments | 40,077 | 19,549 |
| Net cash provided by operating activities | $ 76,598 | $ 56,229 |
| **Supplemental information** | | |
| Non-cash investing, capital, and financing activities | | |
| Capital assets acquired through current accounts payable | $ 56,165 | $ 36,892 |
| Capital contributions | 1,201 | 10,420 |
| Amortization of bond premiums | (2,063) | (317) |
| Amortization of deferred charges | 533 | 116 |
| Change in fair value of interest rate swap | (1,706) | (1,242) |
| Change in fair value of investments | 3,711 | (2,549) |
| Issuance of refunding bonds | 73,127 | - |

See accompanying notes to financial statements.

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Notes to Financial Statements**
**September 30, 2019 and 2018**

## *Note 1 Summary of Significant Accounting Policies*

***A. Reporting Entity:*** These financial statements present the financial position, changes in net position, and cash flows of the Port Everglades Department (the “Port”) of Broward County, Florida (the “County”) and not the County as a whole. The Port is a department of the County and operates as a major enterprise fund thereof. The County owns Port Everglades, which is operated by the County’s Board of County Commissioners (the “County Commission”). The Port, formerly known as Port Everglades Authority (“PEA”), is located within the geographic boundaries of the County and was originally created in 1927 by a special act of the Florida Legislature to create and promote commerce and industry through the operation of a deep-water seaport. The Port’s jurisdictional area consists of approximately 2,190 acres, inclusive of land and water, designated for shipping, warehousing, and all other non-residential uses, as approved. The Port owns approximately 1,212 acres.

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

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

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

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

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

***C. Implementation of Governmental Accounting Standards Board Statements:*** The Port adopted the following Governmental Accounting Standards Board (GASB) Statements during the fiscal year ended September 30, 2019:

### *1. GASB Statement No. 83, Certain Asset Retirement Obligations*

Statement No. 83 establishes guidance for governments to recognize and measure legally enforceable liabilities associated with the retirement of certain tangible capital assets and determining the timing and pattern of recognition for liabilities and corresponding deferred outflow of resources related to asset retirement obligations. The Port adopted this Statement for the fiscal year ended 2019. The adoption of Statement No. 83 did not impact the Port’s financial position or results of operations.

***Note 1 - Summary of Significant Accounting Policies (Continued)***

2. ***GASB Statement No. 8*8, *Certain disclosures related to debt, including direct borrowings and direct placements***

Statement No. 88 establishes improved information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The Port implemented this Statement for the fiscal year ended 2019. The adoption of Statement No. 88 required the Port to disclose in Note 6 its assets pledged as collateral for debt, and disclose significant finance related consequences relating to events of default.

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

Statement No. 89 is effective beginning with its year ending September 30, 2021, but the Port adopted it in 2019. The primary objective of this Statement is to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period, and (2) simplify accounting for interest cost incurred before the end of a construction period. The effect of adoption of Statement No. 89 during the fiscal year ended 2019 was to expense interest cost incurred on funds used to finance construction before the end of a construction period where previously it was capitalized and included in the cost of capital assets. Statement No. 89 was applied prospectively and had no impact on previously reported financial position or results of operations.

4. ***GASB Statement No. 91*, *Conduit debt obligations***

Statement No. 91 is effective beginning with its year ending September 30, 2022, but the Port adopted it in 2019. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. Statement No. 91 clarifies the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The adoption of Statement No. 91 did not impact the Port's financial position or results of operations because its existing accounting and reporting practices were consistent with Statement No. 91.

The Port evaluated the following GASB Statements during the fiscal year ended September 30, 2019:

5. ***GASB Statement No. 84, Fiduciary Activities***

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

***Note 1 - Summary of Significant Accounting Policies (Continued)***

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

Statement No. 87 will be effective for the Port beginning with its year ending September 30, 2021. This Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. Statement No. 87 requires note disclosure only for certain leases subject to regulation and establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under Statement No. 87, the Port, as a lessee, is required to recognize a lease liability and an intangible right-to-use lease asset, and, as a lessor, is required to recognize a lease receivable and a deferred inflow of resources. Adoption of this statement will have a material impact on the Port's financial statements.

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

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

***8. GASB Statement No. 92, Omnibus 2020***

Statement No. 92 addresses various accounting issues including the modification of the effective date of Statement No. 87; reporting of intra-entity transfers of assets between a primary government and a component unit defined benefit pension plan or defined benefit OPEB plan; the applicability of certain GASB statements to reporting assets accumulated for pension and OPEB; the applicability of certain requirements of Statements No. 84; and measurements of liabilities and assets, if any, related to asset retirement obligations in a government acquisition. The change in the effective date for GASB 87 was immediate and the other provisions are effective for the Port beginning with the fiscal year ending September 30, 2022. Management is currently evaluating the impact of the adoption of this statement on the Port's financial statements.

***D. Deposits and Investments:*** Cash and cash equivalents consist of cash on hand, demand deposits and investments with original maturities at time of purchase of three months or less.

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

***E. Accounts Receivable:*** The Port invoices customers for vessel, cargo, and passenger services, and leasing of facilities. The Port records accounts receivable at the estimated net realizable value, based on current economic conditions and consideration of the customer's ability to pay. Accordingly, accounts receivables are shown net of estimated uncollectible accounts, as determined by management policies.

***Note 1 - Summary of Significant Accounting Policies (Continued)***

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

***G. Due from or to Other Governments:*** The amounts due from other governments represent grants receivable from Federal and State governments for their share of amounts expended on various capital projects. Additionally, the Port has activity with other governments for services received, and residual balances outstanding at year end are reported as due to other governments.

***H. Inventories and Prepaid Items:*** Crane and loading bridge spare parts, supplies, and fender inventories are carried at the lower of average cost or market. Fire retardant chemical inventory is recorded using the lower of cost (first-in, first-out method) or market. Prepaid items consist of insurance and other necessary costs paid in advance that will benefit future accounting periods.

***I. Capital Assets:*** Capital assets are stated at cost or, if donated, acquisition value on the date of donation. Capital assets are defined as assets with an initial, individual cost of $1,000 or more for equipment and $5,000 or more for all other capital assets. The costs of normal maintenance and repairs that do not add to the value of assets or materially extend assets' lives are not capitalized. Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

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

***J. Capitalization of Interest Costs:*** Interest incurred during the construction phase of capital assets through September 30, 2018 is included as part of the capitalized value of the assets constructed. The Port adopted the accounting and reporting requirements of GASB 89 for the fiscal year ended September 30, 2019, and therefore did not capitalize interest for the fiscal year ended September 30, 2019. The Port incurred interest of $8,641,000 for the fiscal year ended September 30, 2018, and, of this, $3,463,000 was included as part of capital assets placed into service for the fiscal year ended September 30, 2018.

***K. Deferred Outflows/Inflows of Resources:*** In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense) until then. The category of deferred outflows of resources reported in the Port's Statements of Net Position is related to debt refunding, the interest rate swap, OPEB and pensions. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded debt or refunding debt. A deferred outflow of resources has been reported for the accumulated decrease in fair value of the interest rate swap in the Statements of Net Position. Deferred outflows on OPEB activities are more fully discussed in Note 1, Section N and Note 7. Deferred outflows on pension activities are more fully discussed in Note 1, Section O and Note 8.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of

***Note 1 - Summary of Significant Accounting Policies (Continued)***

resources (revenue) until that time. The category of deferred inflows of resources reported in the Port's Statements of Net Position is related to OPEB and pensions. Deferred inflows of resources on OPEB activities are more fully discussed in Note 1, Section N and Note 7. Deferred inflows of resources on pension activities are more fully discussed in Note 1, Section O and Note 8.

***L. Long-term Obligations:*** Long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. Effective September 30, 2019, the Port used the effective interest method to amortize bond premiums or discounts. Prior to that, bond premiums or discounts were amortized on a straight-line basis over the life of the bonds, which approximates the effective interest rate method. Bonds payable as reported include unamortized amounts of bond premiums or discounts.

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

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

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

***P. Net Position and Net Position Flow Assumption:*** Net position represents the residual interest in the Port's assets and deferred outflows of resources after liabilities and deferred inflows of resources are deducted. Net position consists of three components: net investment in capital assets, restricted and unrestricted net position. Net investment in capital assets includes capital assets, net of accumulated depreciation, reduced by outstanding debt incurred to acquire, construct or improve those assets, excluding unexpended proceeds. The restricted category represents the balance of assets restricted by external parties (creditors, grantors, contributors, or laws or regulations of other governments) or imposed by law through constitutional provisions or enabling legislation. Unrestricted net position consists of the net position

***Note 1 - Summary of Significant Accounting Policies (Continued)***

not meeting the definition of either of the other two components. Sometimes, the Port will fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts reported as restricted net position and unrestricted net position in the financial statements, a flow assumption must be made about the order in which the resources are considered to be liquidated. It is the Port's policy to consider restricted net position to have been depleted before unrestricted net position is liquidated.

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

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

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

***Note 2 - Deposits and Investments***

As of September 30, 2019 and 2018, the Port's deposits and investments consisted of the following (dollars in thousands):

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Cash deposits | $ 69,512 | $ 40,647 |
| Investments: | | |
| Money Market | 343,925 | - |
| U.S. Agencies | 79,713 | 174,167 |
| U.S. Treasuries | 42,323 | 41,480 |
| World Bank | 11,362 | 7,868 |
| Commercial Paper | - | 9,157 |
| Sovereign Bond | 200 | 531 |
| Total investments | 477,523 | 233,203 |
| Total cash and cash equivalents and investments | $ 547,035 | $ 273,850 |

***Note 2 - Deposits and Investments (Continued)***

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

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Current assets: | | |
| Cash and cash equivalents - unrestricted | $ 66,165 | $ 35,592 |
| Cash and cash equivalents - restricted | 377 | 1,950 |
| Investments - unrestricted | 27,366 | 191,635 |
| Investments - restricted | 62,265 | 14,318 |
| Non-current assets: | | |
| Cash and cash equivalents - restricted | 356,867 | 13,327 |
| Investments - restricted | 33,995 | 17,028 |
| Total cash and cash equivalents and investments | $ 547,035 | $ 273,850 |

### *A. Deposits*

***Custodial Credit Risk:*** The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the County will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The County mitigates custodial credit risk by generally requiring public funds to be deposited in a qualified public depository pursuant to State Statutes. Under the State Statutes, all qualified public depositories are required to pledge eligible collateral having a market value equal to or greater than the average daily or monthly balance of all public deposits times the depositories' collateral pledging level. The pledging level may range from 25% to 150% depending upon the depositories' financial condition ranking from two nationally recognized financial rating services, as well as consideration of financial ratios, trends and other pertinent information. All collateral must be deposited with an approved financial institution. Any potential losses to public depositors are covered by applicable deposit insurance, sale of securities pledged as collateral, and, if necessary, assessments against other qualified public depositories of the same type as the depository in default. At September 30, 2019 and 2018, $3,319,000 and $15,228,000, respectively, was collateralized with securities held by the pledging financial institutions' trust department.

### *B. Investments*

The Port follows the County's investment practices and are governed by Section 218.415 of the Florida Statutes, County Code of Ordinances, Chapter I, Article I, Section 1-10 and the requirements of outstanding bond covenants. The County has a formal investment policy that, in the opinion of management, is designed to ensure conformity with State Statutes and seeks to limit exposure to investment risks. The investment policy specifies the types, issuer, maturity, and performance measurement of investment securities that are permissible. Securities are held to maturity with limited exceptions outlined in the investment policy. Qualified institutions utilized for investment transactions are also addressed within the policy, as well as diversification requirements for the investment portfolio. Under State Statutes and County Ordinances, the County is authorized to invest in obligations of the Government, its agencies and instrumentalities, the Florida Local Government Surplus Trust Fund or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, repurchase agreements with primary dealers, commercial paper, bonds, notes or obligations of the State of Florida or any municipality, political subdivision or agency

***Note 2 - Deposits and Investments (Continued)***

or authority of the State, certificates of deposit, securities in certain open-end or closed-end investment companies or trusts, World Bank notes, bonds and discount notes, obligations of the Tennessee Valley Authority, certain money market funds and rated or unrated bonds, notes or instruments backed by the full faith and credit of the government of Israel. The County may also invest in collateralized mortgage obligations, reverse repurchase agreements and asset-backed commercial paper with the approval of the County's Chief Financial Officer. County policy requires that securities underlying repurchase agreements must have a market value of at least 102% of the cost of the repurchase agreements.

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

| | |
|---|---|
| Overnight | 35% |
| 1 to 30 days | 80% |
| 31 to 90 days | 80% |
| 91 days to 1 year | 70% |
| 1 year to 2 years | 40% |
| 2 years to 3 years | 25% |
| 3 years to 4 years | 20% |
| 4 years to 5 years | 15% |
| 5 years to 7 years | 10% |

Assets held pursuant to bond covenants are exempt from these maturity limitations. As of September 30, 2019 and 2018, the portfolio weighted average maturity was 566 days, and 509 days, respectively, and was in accordance with the County's investment policy.

***Credit Risk:*** The County's investment policy contains specific rating criteria for certain investments. The policy states that commercial paper and asset-backed commercial paper, as well as bonds, notes, or obligations of the State of Florida, any municipality or political subdivision, or any agency or authority of the State, must be rated in one of the two highest rating categories by at least two nationally recognized rating agencies. Commercial paper not rated must be backed by a letter of credit or line of credit rated in one of the two highest rating categories. Any investments in World Bank notes, bonds, and discount notes must be rated AAA or equivalent by Moody's Investors Service or Standard & Poor's Ratings Services. Investments in Sovereign bonds are allowable by the Broward County Investment Policy whether the bonds are rated or unrated. Investments in Securities and Exchange Commission registered money market funds must have the highest credit quality rating from a nationally recognized rating agency.

As of September 30, 2019 and 2018, the Port's investments in U.S. Treasuries and U.S. Agencies, except for investments of $3,537,000 and $9,739,000, respectively, in the Federal Agricultural Mortgage Corporation which are not rated, are rated AA+ by Standard & Poor's Rating Services and Aaa by Moody's Investors Service. The County's investments in commercial paper are rated A-1 and A-1+ by Standard & Poor's Ratings Services, P-1 by Moody's Investors Service and, F1 and F1+ by Fitch. The County's investments in World Bank notes are rated AAA by Standard & Poor's Rating Services and Aaa by Moody's Investors Service. The County's investments in Sovereign (government of Israel) bonds are rated AA- by Standard & Poor's Rating Services, A-1 by Moody's Investors Service and rated A+ by Fitch. The County's investments in the Money Market Mutual Funds are rated AAAm by Standard & Poor's Ratings Services and Aaa-mf by Moody's Investors Services. At September 30, 2019, the County's investments were held in the County's name.

***Note 2 - Deposits and Investments (Continued)***

***Concentration of Credit Risk:*** The County requires that all investments be diversified with no more than 5% of the value of the portfolio invested in the securities of any single issuer at the time of purchase. The County investment policy also limits investments in any one money market or mutual fund to no more than 10% of the total investment portfolio, whereas, the County places no limit on the amount that may be invested in securities of the U.S. Government and U.S. Agencies thereof, or government-sponsored corporation securities. The County purchased shares of Goldman Sachs Financial Square Governmental Fund on September 26, 2019, which represented 12.24% of the County's investment portfolio. The County cured the over-allocation within five business days of discovery. GASB Statement No. 40, *Deposit and Investment Risk Disclosures - an amendment of GASB Statement No.3,* requires disclosure when 5% or more is invested in any one issuer. In addition to the investment in the Goldman Sachs Financial Square Governmental Fund as described above, the investment in the Federal Farm Credit Bank was 11.93%, Federal Home Loan Bank was 20.39%, the Federal Home Loan Mortgage Corporation was 14.97%, and the Federal National Mortgage Association was 16.16% as of September 30, 2019.

As of September 30, 2018, the investment in the Federal Farm Credit Bank is 8.55%, Federal Home Loan Bank is 17.75%, the Federal Home Loan Mortgage Corporation is 16.90%, and the Federal National Mortgage Association is 18.21%.

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

The Port has the following fair value measurements as of September 30, 2019 and 2018 (dollars in thousands):

| | Total | Quoted Prices in Active Markets for Identical Assets (Level I) September 30, | Significant Other Observable Inputs (Level 2) September 30, | |
|---|---|---|---|---|
| | **2019** | **2019** | **2019** | **2018** |
| **Investments by Fair Value Level** | | | | |
| Debt Securities: | | | | |
| U.S. Treasuries | $ 42,323 | | $ 42,323 | $ 41,480 |
| U.S. Agencies | 79,713 | | 79,713 | 174,167 |
| World Bank | 11,362 | | 11,362 | 7,868 |
| Commercial Paper | - | | - | 9,157 |
| Sovereign Bond | 200 | | 200 | 531 |
| Total Debt Securities | $ 133,598 | | $ 133,598 | $ 233,203 |
| Money Market Mutual Funds | 343,925 | 343,925 | - | - |
| **Total Investments at Fair Value** | $ 477,523 | $ 343,925 | $ 133,598 | $ 233,203 |
| **Liability by Fair Value Level** | | | | |
| Derivative Instrument - Interest Rate Swap | $ - | $ - | $ - | $ 1,706 |

***Note 2 - Deposits and Investments (Continued)***

- U.S. Treasuries, U.S. Agencies, Commercial Paper and World Bank debt securities are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities relationship to benchmark quoted prices (Level 2 inputs).

- Money market mutual funds are valued using quoted market prices (Level 1 inputs)

- The interest rate swap derivative instrument is valued using the zero-coupon method (Level 2 inputs), receives observable quotes from the over-the counter swap markets and is based on models that reflect the contractual terms of the derivative.

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

### *Note 3 - Restricted Assets*

Restricted assets of the Port as of September 30, 2019 and 2018 represent amounts restricted for construction projects, debt service, bond reserves, operating and maintenance, and renewal and replacement under the terms of outstanding bond agreements, as well as refundable customer security deposits. The construction project accounts contain proceeds received from bonds to fund the Series 2019A and 2019B Improvements. The debt service accounts contain the principal due within one year and the accumulated cash for one-twelfth of the required interest payable for the subsequent year. Under the bond resolutions in effect, the bond reserve accounts contain the required amounts for the debt service reserves established by the Series 2019 bonds; the operating and maintenance reserve is the required amount to be set aside to cover two months of operating expenses; and the renewal and replacement reserve is the required amount to be set aside for renewal and replacement of equipment. The security deposits represent refundable amounts received from customers to lease land and buildings within the Port.

As of September 30, 2019 and 2018, assets were restricted for the following purposes (dollars in thousands):

| | September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Construction projects | $ 392,395 | $ - |
| Debt service accounts | 8,894 | 15,066 |
| Bond reserve accounts | 30,341 | 10,327 |
| Operating and maintenance | 17,521 | 17,028 |
| Renewal and replacement | 3,000 | 3,000 |
| Security deposits | 1,353 | 1,202 |
| Total restricted assets | $ 453,504 | $ 46,623 |

As of September 30, 2019 and 2018, restricted assets were classified in the Statements of Net Position as follows (dollars in thousands):

| | September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Current assets – restricted | | |
| Cash and cash equivalents | $ 377 | $ 1,950 |
| Investments | 62,265 | 14,318 |
| Noncurrent assets - restricted | | |
| Cash and cash equivalents | 356,867 | 13,327 |
| Investments | 33,995 | 17,028 |
| Total restricted assets | $ 453,504 | $ 46,623 |

### *Note 4 - Capital Assets*

Capital asset activity was as follows for the fiscal years ended September 30, 2019 and 2018 (dollars in thousands):

| | Balance October 1, 2018 | Additions | Deletions | Balance September 30, 2019 |
|---|---|---|---|---|
| Capital assets not being depreciated | | | | |
| Land and land improvements | $ 58,303 | $ - | $ - | $ 58,303 |
| Property held for leasing - land and land improvements | 151,276 | - | - | 151,276 |
| Construction in progress and pending equipment | | | | |
| Construction in progress | 193,607 | 297,400 | (125,987) | 365,020 |
| Pending equipment | 472 | 2,444 | (2,258) | 658 |
| Total construction in progress and pending equipment | 194,079 | 299,844 | (128,245) | 365,678 |
| Total non-depreciable capital assets | 403,658 | 299,844 | (128,245) | 575,257 |
| Capital assets being depreciated | | | | |
| Buildings, piers, and other improvements | 577,820 | 107,391 | (13,287) | 671,924 |
| Property held for leasing - buildings, piers, and other improvements | 99,501 | 16,313 | - | 115,814 |
| Equipment and vehicles | 183,707 | 5,121 | (1,078) | 187,750 |
| Total depreciable capital assets | 861,028 | 128,825 | (14,365) | 975,488 |
| Less accumulated depreciation | | | | |
| Buildings, piers, and other improvements | (327,224) | (20,917) | 10,787 | (337,354) |
| Property held for leasing - buildings, piers, and other improvements | (74,129) | - | - | (74,129) |
| Equipment and vehicles | (122,966) | (7,552) | 1,068 | (129,450) |
| Total accumulated depreciation | (524,319) | (28,469) | 11,855 | (540,933) |
| Total capital assets being depreciated, net | 336,709 | 100,356 | (2,510) | 434,555 |
| Total capital assets, net | $ 740,367 | $ 400,200 | $ (130,755) | $ 1,009,812 |

As of September 30, 2019, property held for leasing included both non-depreciable capital assets (land and land improvements of $151,276,000) and depreciable capital assets (buildings, piers, and other improvements of $115,814,000), totaling $267,090,000, less accumulated depreciation of $74,129,000 for a net book value of $192,961,000.

***Note 4 - Capital Assets (Continued)***

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

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

### *Note 5 - Lease Agreements*

The Port earns revenue through leasing of real property. A summary of future minimum rental revenues from non-cancellable leases is as follows (dollars in thousands):

| Fiscal Year(s) | Amount |
|---|---|
| 2020 | $ 10,946 |
| 2021 | 11,032 |
| 2022 | 10,941 |
| 2023 | 10,098 |
| 2024 | 9,881 |
| 2025-2029 | 14,038 |
| 2030-2034 | 1,562 |
| 2035-2039 | 1 |
| Total | $ 68,499 |

### *Note 6 - Long-term Obligations*

Changes in long-term obligations for the fiscal years ended September 30, 2019 and 2018 were as follows (dollars in thousands):

| | Balance October 1, 2018 | Additions | Reductions | Balance September 30, 2019 | Due within One Year |
|---|---|---|---|---|---|
| Revenue bonds payable | | | | | |
| 2008 Subordinate Port Facilities, Refunding | $ 24,975 | $ - | $ (24,975) | $ - | $ - |
| 2009A Port Facilities | 56,180 | - | (56,180) | - | - |
| 2011A Port Facilities, Refunding | 12,370 | - | (8,280) | 4,090 | - |
| 2011B Port Facilities, Refunding, Serial | 44,315 | - | (32,320) | 11,995 | 2,785 |
| 2011B Port Facilities, Refunding, Term | 31,640 | - | (21,180) | 10,460 | - |
| 2019A Port Facilities | - | 101,200 | - | 101,200 | - |
| 2019B Port Facilities | - | 328,665 | - | 328,665 | - |
| 2019C Port Facilities, Refunding | - | 40,565 | - | 40,565 | 3,445 |
| 2019D Subordinate Port Facilities, Refunding | - | 20,240 | - | 20,240 | 2,275 |
| Total gross revenue bonds payable | 169,480 | 490,670 | (142,935) | 517,215 | 8,505 |
| Unamortized bond discounts | (273) | - | 273 | - | - |
| Unamortized bond premiums | 2,906 | 80,183 | (2,087) | 81,002 | - |
| Total net revenue bonds payable | 172,113 | 570,853 | (144,749) | 598,217 | 8,505 |
| Compensated absences payable | 2,588 | 1,746 | (1,660) | 2,674 | 1,399 |
| Other post employment benefits liability | 899 | 82 | - | 981 | - |
| Net pension liability | 17,727 | 2,072 | - | 19,799 | - |
| Total | $ 193,327 | $ 574,753 | $ (146,409) | $ 621,671 | $ 9,904 |

| | Balance October 1, 2017* | Additions | Reductions | Balance September 30, 2018 | Due within One Year |
|---|---|---|---|---|---|
| Revenue bonds payable | | | | | |
| 2008 Subordinate Port Facilities, Refunding | $ 27,285 | $ - | $ (2,310) | $ 24,975 | $ 2,395 |
| 2009A Port Facilities | 59,880 | - | (3,700) | 56,180 | 3,900 |
| 2011A Port Facilities, Refunding | 12,370 | - | - | 12,370 | - |
| 2011B Port Facilities, Refunding, Serial | 51,950 | - | (7,635) | 44,315 | 8,025 |
| 2011B Port Facilities, Refunding, Term | 31,640 | - | - | 31,640 | - |
| Total gross revenue bonds payable | 183,125 | - | (13,645) | 169,480 | 14,320 |
| Unamortized bond discounts | (298) | - | 25 | (273) | - |
| Unamortized bond premiums | 3,248 | - | (342) | 2,906 | - |
| Total net revenue bonds payable | 186,075 | - | (13,962) | 172,113 | 14,320 |
| Compensated absences payable | 2,531 | 1,653 | (1,596) | 2,588 | 1,262 |
| Other post employment benefits liability* | 854 | 45 | - | 899 | - |
| Net pension liability* | 16,960 | 767 | - | 17,727 | - |
| Total | $ 206,420 | $ 2,465 | $ (15,558) | $ 193,327 | $ 15,582 |

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

## PORT EVERGLADES DEPARTMENT
## of Broward County, Florida
## Notes to Financial Statements
## September 30, 2019 and 2018

### *Note 6 – Long-term Obligations (Continued)*

***Revenue Bonds Payable:*** The following is a summary of the major provisions and significant debt service requirements for bonds outstanding as of September 30, 2019 and 2018 (dollars in thousands):

| | | | Interest Payment | | Redemption | | | | | Outstanding September 30, | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Bond Issue | Primary Purpose | Type | Rate (%) | Dates | Optional (O) or Mandatory (M) | Redemption Year | Final Maturity Date | Original Amount Issued | Retired / Refunded | 2019 | 2018 |
| 2008 Subordinate Port Facilities Refunding | Refunding Issue | Demand | 3.642 * | Monthly | O | 2019 | 9-1-2027 | $ 46,145 | $ (24,975) | $ - | $ 24,975 |
| 2009A Port Facilities | Capital Improvements | Serial | 3.0 - 6.0 | 3-1 9-1 | O | 2019 | 9-1-2025 | $ 48,085 | $ (21,030) | - | 21,030 |
| 2009A Port Facilities | Capital Improvements | Term | 5.25 - 5.5 | 3-1 9-1 | M | 2023 | 9-1-2029 | $ 35,150 | $ (35,150) | - | 35,150 |
| 2011A Port Facilities | Refunding Issue | Serial | 5.0 | 3-1 9-1 | O | 2021 | 9-1-2025 | $ 12,370 | $ (8,280) | 4,090 | 12,370 |
| 2011B Port Facilities | Refunding Issue | Serial | 5.0 | 3-1 9-1 | O | 2021 | 9-1-2023 | $ 69,055 | $ (32,320) | 11,995 | 44,315 |
| 2011B Port Facilities | Refunding Issue | Term | 4.625 | 3-1 9-1 | M | 2025 | 9-1-2027 | $ 31,640 | $ (21,180) | 10,460 | 31,640 |
| 2019A Port Facilities | Capital Improvements | Serial | 4.0 - 5.0 | 3-1 9-1 | O | 2029 | 9-1-2049 | $ 42,690 | $ - | 42,690 | - |
| 2019A Port Facilities | Capital Improvements | Term | 5.0 | 3-1 9-1 | M | 2040 | 9-1-2049 | $ 58,510 | $ - | 58,510 | - |
| 2019B Port Facilities | Capital Improvements | Serial | 2.25 - 5.0 | 3-1 9-1 | O | 2030 | 9-1-2049 | $ 143,790 | $ - | 143,790 | - |
| 2019B Port Facilities | Capital Improvements | Term | 3.0 - 4.0 | 3-1 9-1 | M | 2040 | 9-1-2049 | $ 184,875 | $ - | 184,875 | - |
| 2019C Port Facilities | Refunding Issue | Serial | 5.0 | 3-1 9-1 | N/A | N/A | 9-1-2029 | $ 40,565 | $ - | 40,565 | - |
| 2019D Port Facilities | Refunding Issue | Serial | 5.0 | 3-1 9-1 | N/A | N/A | 9-1-2027 | $ 20,240 | $ - | 20,240 | - |
| Total face amount of revenue bonds payable | | | | | | | | | | $ 517,215 | $ 169,480 |

*Synthetic fixed rate per swap agreement

***Note 6 - Long-term Obligations (Continued)***

The annual debt service requirements for all bonds outstanding as of September 30, 2019 are as follows (dollars in thousands):

| Fiscal Year(s) | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 8,505 | $ 21,572 | $ 30,077 |
| 2021 | 8,570 | 22,660 | 31,230 |
| 2022 | 8,975 | 22,232 | 31,207 |
| 2023 | 11,690 | 21,783 | 33,473 |
| 2024 | 12,245 | 21,198 | 33,443 |
| 2025-2029 | 64,355 | 96,473 | 160,828 |
| 2030-2034 | 70,590 | 81,093 | 151,683 |
| 2035-2039 | 88,900 | 62,785 | 151,685 |
| 2040-2044 | 109,260 | 42,421 | 151,681 |
| 2045-2049 | 134,125 | 17,557 | 151,682 |
| Total | $ 517,215 | $ 409,774 | $ 926,989 |

Details of the Port's bonds outstanding as of September 30, 2019 and 2018 are provided in the following sections.

***<u>Series 2008 Bonds:</u>*** In July 2008, the Port issued $46,145,000 of Subordinated Port Facilities Refunding Revenue Bonds Series 2008 (the "Series 2008 Bonds"). The Series 2008 Bonds were issued to refund $43,160,000 of outstanding Series 1998 Bonds. The Series 2008 Bonds bear interest at a weekly variable rate. The variable rate as of September 30, 2018 was 1.56%. The bonds were secured by subordinate pledged revenue derived from the operation of the Port.  The Series 2008 Bonds were refunded in full in 2019 with the issuance of the Series 2019D Bonds.

***<u>Series 2009A Bonds:</u>*** In July 2009, the Port issued $83,235,000 of Port Everglades Revenue Bonds Series 2009A (the "Series 2009A Bonds") for the purpose of providing funds, together with other legally available funds to (i) pay all or part of the costs for the Terminal 18 improvements and other capital improvements, (ii) fund a subaccount of the Reserve Account, and (iii) pay certain costs of issuance and expenses relating to the Series 2009A Bonds. The Series 2009A Bonds, Outstanding Bonds, along with any Additional Bonds or Refunding Bonds hereafter issued under the Bond Resolution, are payable from and are equally and ratably secured pursuant to the Bond Resolution by a pledge of and a lien on the Net Revenue of the County derived from the operation of the Port Facilities and the moneys on deposit from time to time in the Funds and Accounts established pursuant to the Bond Resolution (excluding the Rebate Fund and the Operation and Maintenance Fund and the accounts therein), subject to the provisions of the Bond Resolution permitting application thereof for the purposes and on the terms and conditions set forth in the Bond Resolution. The Series 2009A Bonds interest rates range from 3% to 6%.  The Series 2009A Bonds were refunded in full in 2019 with the issuance of the Series 2019C Bonds.

***<u>Series 2011A and B Bonds:</u>*** On August 20, 2019, the County authorized the use of legally available funds to  defease a portion of the outstanding Port Facilities Refunding Revenue Bonds, Series 2011A (Non-AMT) and a portion of the Port Facilities Refunding Revenue Bonds, Series 2011B (AMT), issued on November 22, 2011. The defeased Series 2011A and Series 2011B Bonds, in the principal amounts of $8,280,000 and $45,475,000, respectively, were defeased on August 28, 2019. As of September 30, 2019, the remaining principal amounts outstanding for the Series 2011A and 2011B Bonds were $4,090,000 and $22,455,000, respectively, with interest rates ranging from 4.625% to 5%.

***Note 6 - Long-term Obligations (Continued)***

***Series 2019A Bonds:*** On September 26, 2019, the County issued Port Facilities Revenue Bonds, Series 2019A in the par amount of $101,200,000 (Non-AMT) (the "Series 2019A Bonds"), with a premium of $24,206,000 resulting in a true interest rate of 3.34%. The Series 2019A Bonds were issued to provide funding for the costs of the acquisition, construction, and equipping of a new multi-story parking garage structure west of Cruise Terminal 4, and an elevated horizontal pedestrian connector from the new garage to Cruise Terminal 2. These capital improvements included entrance and exit ramps, elevators, moving sidewalks, roadway improvements, utility work, parking collection systems, closed-circuit television, security standards compliance, rooftop solar panels, landscaping, and other elements. The proceeds of the Series 2019A Bonds were also used to fund a subaccount of the Debt Service Reserve Account and pay for the issuance costs relating to the Series 2019A Bonds. The Series 2019A Bonds interest rates range from 4% to 5%. The Series 2019A Bonds have mandatory redemption for the term bonds and optional redemption for the serial bonds.

***Series 2019B Bonds:*** On September 26, 2019, the County issued $328,665,000 of Port Everglades Revenue Bonds, Series 2019B (AMT) (the "Series 2019B Bonds"), with a premium of $45,137,000 resulting in a true interest rate of 3.22%. The Series 2019B Bonds were issued to finance the Southport Turning Notch Extension project, which includes the lengthening of the existing deepwater turn-around area for cargo ships, the extension of the existing crane rail infrastructure, and the acquisition of three new Super Post-Panamax container gantry cranes. The proceeds of the Series 2019B Bonds were also used to fund a subaccount of the Debt Service Reserve Account and pay for the issuance costs relating to the Series 2019B Bonds. The Series 2019B Bonds interest rates range from 2.25% to 5%. The Series 2019B Bonds have mandatory redemption for the term bonds and optional redemption for the serial bonds.

***Series 2019C Bonds:*** On September 26, 2019, the County issued Port Facilities Refunding Bonds, Series 2019C in the amount of $40,565,000 (Non-AMT) (the "Series 2019C Bonds"), with a premium of $7,890,000 resulting in a true interest rate of 1.51%. The Series 2019C Bonds were issued to refund on a current basis all of the outstanding Port Facilities Revenue Bonds, Series 2009A (the "Series 2009A Bonds"), which were issued on July 8, 2009 for the primary purpose of financing the costs of the Terminal 18 improvements. The Series 2009A Bonds were callable in 2019 and subject to redemption prior to maturity, at the option of the County. A portion of the proceeds derived from the sale of the Series 2019C Bonds were deposited in an escrow account with the bond trustee and applied to refund the Series 2009A Bonds in full. The proceeds of the Series 2019C Bonds were also used to fund a subaccount of the Debt Service Reserve Account and pay for the issuance costs relating to the Series 2019C Bonds. The Series 2019C Bonds interest rate is 5%.

***Series 2019D Bonds:*** On September 26, 2019, the County issued Subordinate Port Facilities Refunding Revenue Bonds, Series 2019D in the amount of $20,240,000 (AMT) (the "Subordinate Series 2019D Bonds"), with a premium of $2,950,000 resulting in a true interest rate of 1.74%. The Subordinate Series 2019D Bonds were issued as fixed rate bonds to refund all of the Subordinate Series 2008 Bonds (the "Prior Subordinate Bonds"), which were issued on July 10, 2008 for the purpose of refunding the Series 1998 Bonds. The Prior Subordinate Bonds were issued in variable rate mode, with a floating-to-fixed swap whereby Port Everglades paid a counterparty a synthetic fixed interest rate of 3.642% and received from the counterparty a variable rate. The Prior Subordinate Bonds were also subject to a letter of credit which expired on October 2, 2019. A portion of the proceeds derived from the sale of the Subordinate Series 2019D Bonds were deposited in an escrow account with the bond trustee for the Prior Subordinate Bonds and applied to refund the Prior Subordinate Bonds in full.

In connection with the refunding of the outstanding Prior Subordinate Bonds, the County terminated the Prior Subordinate Bonds interest swap agreement and a portion of the proceeds of the Subordinate Series 2019D Bonds were used to pay a swap termination fee of $2,647,000. The proceeds of the Series 2019D Bonds were also used to fund a subaccount of the Debt Service Reserve Account and pay for the issuance costs relating to the Subordinate Series 2019D Bonds. The Subordinate Series 2019D Bonds interest rate is 5%.

### *Note 6 - Long-term Obligations (Continued)*

***Defeased Bonds***: On August 28, 2019, the Port completed a partial cash defeasance of the Series 2011A Bonds to reduce its total debt service payments over the next 6 years by $10,422,000, as well as the Series 2011B Bonds over the next 8 years by $55,541,000.

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

On September 26, 2019, the Port completed the current refunding of the Series 2009A Bonds and the Subordinate Series 2008 Bonds by issuing the Series 2019C Bonds and the Series 2019D Bonds, respectively. The current refunding resulted in differences between the reacquisition price of the new debt and the net carrying amount of the old debt of $600,000 and $2,821,000, for the Series 2019C and 2019D Bonds, respectively. The differences were reported in the accompanying financial statements as deferred outflow of resources and are being charged to operations through the fiscal year 2027 for the Series 2019C Bonds, and through the fiscal year 2029 for the Series 2019D Bonds using the straight-line method of amortization. As a result of the issuance of the Refunding Series 2019C and the Series 2019D Bonds, the Port reduced the total debt service payments over the next 8 years by $16,807,000, and over the next 10 years by $2,580,000, respectively. The Port also obtained an economic gain (difference between the present values of the old and new debt service payments) of $11,000,000 and $155,000, from the Series 2019C and 2019D Bonds, respectively.

The table below is a summary of the outstanding principal amounts of the Port's defeased bond issues from the partial cash defeasance of the Series 2011 Bonds and the issuance of the refunding 2019C and 2019D Bonds (dollars in thousands). As of September 30, 2018, the Port had no defeased bonds from advance refundings. As of September 30, 2019, the Port's defeased bonds were as follows:

| | | Principal Outstanding September 30, |
|---|---|---|
| **Year of Defeasance** | **Bond Issue Defeased** | **2019** |
| 2019 | Port Facilities Revenue Bonds Series 2011A | $ 8,280 |
| 2019 | Port Facilities Revenue Bonds Series 2011B | 45,475 |
| 2019 | Port Facilities Revenue Bonds Series 2009A | 52,280 |
| 2019 | Subordinate Port Facilities Series 2008 Bonds | 22,580 |
| | Total | $ 128,615 |

***Bond Covenants:*** On August 20, 2019, the County approved the adoption of the Amended and Restated Master Bond Resolution, amending and restating in its entirety Resolution No. 24-1989, which was adopted by the Port Everglades Authority on July 20, 1989 as the Master Port Facilities Revenue Bonds Resolution. The intended purpose of amending and restating the Master Bond Resolution was to modernize its language, and among other things, revise the definition of gross revenues. In addition, the Amended and Restated Bond Resolution now allows for the issuance of subordinated debt under a separate indenture. Section 5.02 of the Amended and Restated Master Bond Resolution requires compliance with the following bond covenants:

***Note 6 - Long-term Obligations (Continued)***

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

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

3. Subject to the two preceding paragraphs, from time to time and as often as it appears necessary, revise the rates, fees, rentals, and other charges for the use of the Port Facilities and for the services furnished by the County as may be necessary or proper in order that the Gross Revenue (excluding investment income on funds on deposit in the Construction Fund) will at all times be sufficient in each fiscal year to provide an amount at least equal to:
    a. 100% of the current expenses for the current fiscal year;
    b. The sum of 125% of Senior Lien Bonds' principal and interest requirements for the current fiscal year, and 110% of the Subordinate Bonds' principal and interest requirement for the current fiscal year;
    c. 100% of the bond reserve requirement; and
    d. 100% of the required current deposits to the Renewal & Replacement Fund.

The Port was in compliance with bond indenture requirements as of September 30, 2019 and 2018.

The Amended and Restated Master Bond Resolution applicable to the outstanding Port Facilities Revenue Bonds generally contains provisions that, upon the occurrence and continuation of any event that constitutes an "Event of Default" (typically payment or covenant related compliance criteria), the outstanding principal balance, accrued interest, and/or penalties may, at the option of a required percentage of bondholders, be accelerated and would be due and payable immediately. Revenue bonds are typically backed by a pledge of funds derived from users of the Port facilities and are not supported by the full faith and credit of the County.

The Port's bonds are secured by a pledge of specific revenues. Total pledged revenues to repay the principal and interest of revenue bonds payable as of September 30, 2019 and 2018 were as follows (dollars in thousands):

| | September 30, 2019 | September 30, 2018 |
|---|---|---|
| Current pledged revenues | $ 67,074 | $ 65,119 |
| Current year debt service | $ 22,568 | $ 22,547 |
| Total future pledged revenues | $ 926,989 | $ 216,652 |
| Percentage of debt service to pledged revenues (current year) | 33.6% | 34.6% |

Current pledged revenues are equivalent to "Net income available for debt service," as shown in the Schedule of Revenues, Expenses, and Debt Service Coverage, presented in the Supplementary Financial Information. Total future pledged revenues reflect principal and interest payment requirements on a cash basis through fiscal year 2049.

### *Note 6 - Long-term Obligations (Continued)*

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

### *Note 7 - Other Post Employment Benefits (OPEB)*

The Port follows the guidance contained in GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* for certain post employment health care benefits provided by the County for the fiscal year ended September 30, 2019.

### *Plan Description and Benefits Provided*

The Port, as a department of the County, participates in the County's single-employer defined-benefit OPEB plan. The plan allows employees and their beneficiaries to continue obtaining health, dental and other insurance benefits upon retirement. The benefits of the plan conform to the provisions of Section 112.0801, Florida Statutes, which are the legal authority for the plan. The Port makes no direct contribution to the plan. Retirees and their beneficiaries pay the same group rates as are charged to the Port for active employees. The Port does not issue separate OPEB financial reports. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. At September 30, 2019, the OPEB Plan covered 200 active benefit eligible Port employees. The County has 237 inactive employees currently receiving benefit payments, whereas the number of the Port’s inactive employees is not available.

*Actuarial Assumptions and Other Inputs* - The total OPEB liability in the September 30, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---|---|
| Projected Salary increases * | 3.25% |
| Healthcare cost trend rates | Initial 8.00% - Ultimate 4.50% in 2019, and<br>Initial 8.50% - Ultimate 4.50% in 2018 |
| Discount rate | 3.58% in 2019 and 4.15% in 2018 |
| Projected cash flows | Pay as you go |
| Municipal bond rate | 20-Year Tax-Exempt General Obligation |
| Bond rate basis | Average rating of AA/Aa or higher |
| Actuarial valuation date | September 30, 2019 and September 30, 2018 |
| Actuarial cost method | Entry Age Normal Level % of Salary |

The discount rate was based on a range of three indices for the 20-year tax-exempt general obligation municipal bonds, where the range was given as the spread between the lowest and the highest rate. Mortality rates were based on the RP-2000 Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB. The actuarial assumptions used were based on the results of an actuarial experience study for the period from October 1, 2018 to September 30, 2019.

***Note 7 - Other Post Employment Benefits (OPEB) (Continued)***

***Changes in the Total OPEB Liability***

As of September 30, 2019 and 2018, the total OPEB liability of $981,000 and $899,000 was determined by an actuarial valuation with the measurement date of September 30, 2019 and 2018, respectively.

Below are the details regarding the Port's total OPEB liability for the period from October 1, 2018 to September 30, 2019 and October 1, 2017 to September 30, 2018, respectively (dollars in thousands):

| | | Total OPEB Liability |
|---|---|---|
| **Balance at October 1, 2018** | $ | 899 |
| Changes for the fiscal year: | | |
| Service cost | $ | 44 |
| Interest | | 37 |
| Differences between expected and actual experience | | (25) |
| Changes of assumptions and other inputs | | 70 |
| Benefit payments | | (44) |
| Net changes | | 82 |
| Balance at September 30, 2019 | $ | 981 |

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

For fiscal year ended September 30, 2019, the changes of assumptions and other inputs include the change in the discount rate as of the beginning of the measurement period from 4.15% to 3.58%.

For fiscal year ended September 30, 2018, the changes of assumptions and other inputs include the change in the discount rate as of the beginning of the measurement period from 3.5% to 4.15%.

***Note 7 - Other Post Employment Benefits (OPEB) (Continued)***

*Sensitivity of the Total OPEB Liability to Changes in the Discount Rate* - The following presents the total OPEB liability of the Port as of September 30, 2019 and 2018, as well as what the Port's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.58% and 3.15%, respectively), or one percentage point higher (4.58% and 5.15%, respectively) than the current discount rate (dollars in thousands):

| **As of September 30, 2019** | **1% Decrease (2.58%)** | **Discount Rate (3.58%)** | **1% Increase (4.58%)** |
|---|---|---|---|
| Total OPEB liability | $ 1,128 | $ 981 | $ 862 |

| **As of September 30, 2018** | **1% Decrease (3.15%)** | **Discount Rate (4.15%)** | **1% Increase (5.15%)** |
|---|---|---|---|
| Total OPEB liability | $ 1,025 | $ 899 | $ 791 |

*Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates* - The following presents the total OPEB liability of the Port as of September 30, 2019, as well as what the Port's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.0% decreasing to 3.5%) or one percentage point higher (9.0% decreasing to 5.5%) than the current healthcare cost trend rates (dollars in thousands):

| **As of September 30, 2019** | **1% Decrease (7.0% decreasing to 3.50%)** | **Healthcare Cost Trend Rates (8.0% decreasing to 4.50%)** | **1% Increase (9.0% decreasing to 5.50%)** |
|---|---|---|---|
| Total OPEB liability | $ 827 | $ 981 | $ 1,182 |

***Note 7 - Other Post Employment Benefits (OPEB) (Continued)***

The following presents the total OPEB liability of the Port as of September 30, 2018, as well as what the Port's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage point lower (7.0% decreasing to 3.5%) or one percentage point higher (9.0% decreasing to 5.5%) than the current healthcare cost trend rates (dollars in thousands):

| As of September 30, 2018 | 1% Decrease (7.50% decreasing to 3.50%) | Healthcare Cost Trend Rates (8.50% decreasing to 4.50%) | 1% Increase (9.50% decreasing to 5.50%) |
|---|---|---|---|
| Total OPEB liability | $ 773 | $ 899 | $ 1,061 |

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

For the fiscal years ended September 30, 2019 and 2018, the Port recognized OPEB expense of $87,000 and $74,000, respectively. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollars in thousands):

| As of September 30, 2019 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 84 | |
| Changes of assumptions and other inputs | | $ (32) |
| Total | $ 84 | $ (32) |

| As of September 30, 2018 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences between expected and actual experience | $ 25 | |
| Changes of assumptions and other inputs | | $ (11) |
| Total | $ 25 | $ (11) |

***Note 7 - Other Post Employment Benefits (OPEB) (Continued)***

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

| **Fiscal years ending September 30** | | |
|---|---|---|
| 2019 | $ | 5 |
| 2020 | | 5 |
| 2021 | | 5 |
| 2022 | | 5 |
| 2023 | | 5 |
| Thereafter | | 27 |
| Total | $ | 52 |

## Note 8 – Retirement Plans

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

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

### *A. Pension Plan*

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

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

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

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

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

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

***Note 8 – Retirement Plans (Continued)***

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

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

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

*Contributions* - Effective July 1, 2011, all enrolled members of the Pension Plan, other than DROP participants, are required to contribute 3.0% of their salary to the Pension Plan. In addition to member contributions, governmental employers are required to make contributions to the Pension Plan based on state-wide contribution rates established by the Florida Legislature. These rates are updated as of July 1 of each year. The employer contribution rates by job class for the periods from July 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019, respectively, were as follows: Regular – 6.54% and 6.75%, Senior Management Service – 22.34% and 23.69%; and DROP Participants – 12.37% and 12.94%. The employer contribution rates by job class for the periods from July 1, 2017 through June 30, 2018, were as follows: Regular – 6.20%, Senior Management Service – 20.99%, and DROP Participants – 11.60%. These employer contribution rates do not include the HIS Plan contribution rate and the administrative cost assessment.

For the fiscal years ended September 30, 2019 and 2018, contributions, including employee contributions of $324,000 and $337,000, to the Pension Plan for the Port totaled $1,320,000 and $1,283,000, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At September 30, 2019 and 2018, the Port reported liabilities of $13,724,000 and $12,059,000, respectively, for its proportionate share of the Pension Plan's net pension liability. The net pension liabilities were measured as of June 30, 2019 and June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by actuarial valuations as of July 1, 2019 and July 1, 2018. The Port's proportionate share of the net pension liability was based on its share of the County's 2018-2019 and 2017-2018 fiscal year contributions relative to the 2018-2019 and 2017-2018 fiscal year contributions of all participating members. At June 30, 2019, the Port's proportionate share was 0.03515%, which was a decrease of 0.00086% from its proportionate share measured as of June 30, 2018. At June 30, 2018, the Port's proportionate share was 0.03601%, which was a decrease of 0.00268% from its proportionate share measured as of June 30, 2017.

### *Note 8 – Retirement Plans (Continued)*

For the fiscal years ended September 30, 2019 and 2018, the Port recognized pension expense of $3,044,000 and $1,928,000, respectively. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to the Pension Plan from the following sources (dollars in thousands):

| **As of September 30, 2019** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 718 | $ (7) |
| Change of Assumptions | 3,109 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | (670) |
| Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contributions | 317 | (88) |
| Pension Plan Contributions Subsequent to the Measurement Date | 310 | - |
| Total | $ 4,454 | $ (765) |

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

***Note 8 – Retirement Plans (Continued)***

The deferred outflows of resources related to the Pension Plan totaling $310,000 for the Port, resulting from contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2020. Other amounts reported as of September 30, 2019 as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows (dollars in thousands):

| **Fiscal years ending September 30** | | |
|---|---|---|
| 2020 | $ | 1,142 |
| 2021 | | 345 |
| 2022 | | 833 |
| 2023 | | 628 |
| 2024 | | 162 |
| Thereafter | | 269 |
| Total | $ | 3,379 |

*Actuarial Assumptions* - The total pension liability in the July 1, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.60% |
| Salary Increases | 3.25% average, including inflation |
| Investment Rate of Return | 6.90% in 2019 and 7.00% in 2018, net of pension plan investment expense, including inflation |

Mortality rates used in the July 1, 2019 valuation were based on the PUB-2010 base table, projected generationally with Scale MP-2018, whereas mortality rates used in the July 1, 2018 valuation were based on the Generational RP-2000 with Projection Scale BB Tables.

The actuarial assumptions used in the July 1, 2019 and 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018. The assumptions used in the July 1, 2019 valuation were unchanged from those used in the prior valuation as of July 1, 2018 except for the investment return assumption which was decreased from 7.00% to 6.90%.

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

***Note 8 – Retirement Plans (Continued)***

**As of September 30, 2019**

| Asset Class | Target Allocation* | Annual Arithmetic Return | Compound Annual (Geometric) Return | Standard Deviation |
|---|---|---|---|---|
| Cash | 1.0% | 3.3% | 3.3% | 1.2% |
| Fixed Income | 18.0% | 4.1% | 4.1% | 3.5% |
| Global Equity | 54.0% | 8.0% | 6.8% | 16.5% |
| Real Estate (Property) | 10.0% | 6.7% | 6.1% | 11.7% |
| Private Equity | 11.0% | 11.2% | 8.4% | 25.8% |
| Strategic Investments | 6.0% | 5.9% | 5.7% | 6.7% |
| Total | 100.0% | | | |
| Assumed Inflation - Mean | | 2.6% | | 1.7% |

**As of September 30, 2018**

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

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

*Discount Rate* - The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 6.90% and 7.00%, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that contributions will be made at the statutorily required rates. The Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.90% rate of return assumption used in the June 30, 2019 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standard of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Plan.

***Note 8 – Retirement Plans (Continued)***

*Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate* - The following represents the Port's proportionate share of the net pension liability calculated as of September 30, 2019 and 2018 using the discount rate of 6.90% and 7.00%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.90% and 6.00%, respectively) or one percentage point higher (7.90% and 8.00%, respectively) than the current rate (dollars in thousands):

| **As of September 30, 2019** | **1% Decrease 5.90%** | **Current Discount Rate 6.90%** | **1% Increase 7.90%** |
|---|---|---|---|
| Proportional Share of the Net Pension Liability | $ 20,926 | $ 13,724 | $ 4,739 |

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

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

*Payables to the Pension Plan* - At September 30, 2019 and 2018, the Port reported payables in the amount of $80,000 and $77,000, respectively, for outstanding contributions to the Pension Plan required for the fiscal years ended September 30, 2019 and 2018.

***B. HIS Plan***

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

*Benefits Provided* - For the fiscal year ended September 30, 2019, eligible retirees and beneficiaries received a monthly HIS payment of $5 for each year of creditable service completed at the time of retirement, with a minimum HIS payment of $30 and a maximum HIS payment of $150 per month. To be eligible to receive these benefits, a retiree under a State-administered retirement system must provide proof of health insurance coverage, which may include Medicare.

*Contributions* - The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. The employer contributions are a percentage of gross compensation for all active FRS members. The employer contribution rates for the periods from July 1, 2018 through June 30, 2019 and from July 1, 2019 through September 30, 2019 were 1.66% and 1.66%, respectively. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

***Note 8 – Retirement Plans (Continued)***

For the fiscal years ended September 30, 2019 and 2018, contributions to the HIS Plan for the Port totaled $210,000 and $210,000, respectively.

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* - At September 30, 2019 and 2018, the Port reported liabilities of $6,075,000 and $5,668,000 respectively, for its proportionate share of the HIS Plan's net pension liability. The net pension liabilities were measured as of June 30, 2019 and 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. Liabilities originally calculated as of actuarial valuation date have been recalculated as of June 30, 2019 using a standard actuarial roll-forward technique. The Port's proportionate share of the net pension liability was based on its share of the County's 2018-2019 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members. At June 30, 2019, the Port's proportionate share was 0.04733%, which was a decrease of 0.00066% from its proportionate share measured as of June 30, 2018. At June 30, 2018, the Port's proportionate share was 0.04799%, which was a decrease of 0.00353% from its proportionate share measured as of June 30, 2017.

For the fiscal years ended September 30, 2019 and 2018, the Port recognized pension expense of $464,000 and $421,000, respectively. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to the HIS Plan from the following sources (dollars in thousands):

| **As of September 30, 2019** | **Deferred Outflows of Resources** | **Deferred Inflows of Resources** |
|---|---|---|
| Differences Between Expected and Actual Experience | $ 64 | $ (6) |
| Change of Assumptions | 613 | (433) |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 3 | - |
| Changes in Proportion and Differences Between Pension Plan Contributions and Proportionate Share of Contribution | 328 | (12) |
| Pension Plan Contributions Subsequent to the Measurement Date | 73 | - |
| Total | $ 1,081 | $ (451) |

### *Note 8 – Retirement Plans (Continued)*

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

The deferred outflows of resources related to the HIS Plan totaling $73,000 for the Port, resulting from contributions to the HIS Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ending September 30, 2020. Other amounts reported as of September 30, 2019 as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows (dollars in thousands):

| **Fiscal years ending September 30** | |
|---|---|
| 2019 | $ 103 |
| 2020 | 82 |
| 2021 | 45 |
| 2022 | (33) |
| 2023 | 6 |
| Thereafter | 354 |
| Total | $ 557 |

*Actuarial Assumptions* - Actuarial valuations for the HIS plan are conducted biennially. The July 1, 2018 HIS valuation is the most recent actuarial valuation and was used to develop the liabilities as of June 30, 2019 and 2018. The total pension liabilities as of June 30, 2019 and 2018 were determined using the following actuarial assumptions:

| | |
|---|---|
| Inflation | 2.60% |
| Salary Increases | 3.25% average, including inflation |
| Investment Rate of Return | 3.50% in 2019 and 3.87% in 2018, net of pension plan investment expense, including inflation |

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

The actuarial assumptions that determined the total pension liability as of June 30, 2019 and June 30, 2018 were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

***Note 8 – Retirement Plans (Continued)***

*Discount Rate* - The discount rate used to measure the total pension liability at June 30, 2019 and 2018 was 3.50% and 3.87%, respectively. In general, the discount rate for calculating the total pension liability is equal to the single rate equivalent to discounting at the long-term expected rate of return for benefit payments prior to the projected depletion date. Because the HIS benefit is essentially funded on a pay-as-you-go basis, the depletion date is considered to be immediate, and the single equivalent discount rate is equal to the municipal bond rate selected by the FRS Actuarial Assumption Conference. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index. The change between the two measurement dates is due to the changes in the applicable municipal bond index between the dates.

*Sensitivity of the Proportionate Share of the Net Position Liability to Changes in the Discount Rate* - The following represents the Port's proportionate share of the net pension liability calculated as of September 30, 2019 and 2018 using the discount rate of 3.50% and 3.87%, respectively, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.50% and 2.87%, respectively) or one percentage point higher (4.50% and 4.87%, respectively) than the current rate (dollars in thousands):

| **As of September 30, 2019** | **1% Decrease 2.50%** | **Current Discount Rate 3.50%** | **1% Increase 4.50%** |
|---|---|---|---|
| Proportional Share of the Net Pension Liability | $ 6,045 | $ 6,075 | $ 4,671 |

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

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

*Payables to the HIS Plan* - At September 30, 2019 and 2018, the Port reported payables in the amount of $17,000 and $16,000, respectively, for outstanding contributions to the HIS plan required for the fiscal years ended September 30, 2019 and 2018.

***Note 8 – Retirement Plans (Continued)***

The Port's proportionate share of the County's net pension liability, deferred outflows of resources and deferred inflows of resources as of September 30, 2019 and 2018, and pension expense/adjustment for the fiscal years ended as of September 30, 2019 and 2018, was allocated to the Port based on its contributions. Amounts are as follows (in thousands):

| As of September 30, 2019 | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense Adjustment |
|---|---|---|---|---|
| Pension Plan | $ 13,724 | $ 4,454 | $ (765) | $ 2,085 |
| HIS Plan | 6,075 | 1,081 | (451) | 213 |
| Total | $ 19,799 | $ 5,535 | $ (1,216) | $ 2,298 |

| As of September 30, 2018 | Net Pension Liabilities | Deferred Outflows of Resources | Deferred Inflows of Resources | Pension Expense Adjustment |
|---|---|---|---|---|
| Pension Plan | $ 12,059 | $ 5,113 | $ (1,004) | $ 1,287 |
| HIS Plan | 5,668 | 1,003 | (566) | 201 |
| Total | $ 17,727 | $ 6,116 | $ (1,570) | $ 1,488 |

***C. Investment Plan***

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

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the defined benefit pension plan. County employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida State Legislature. The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class as the Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.04% of payroll and by forfeited benefits of plan members. Effective July 1, 2012, allocations to the investment member's accounts, as established by Section 121.72, Florida Statutes, are based on a percentage of gross compensation, by class, as follows: Regular class 6.30% and Senior Management Service class 7.67%.

For all membership classes, employees are immediately vested in their own contributions and are vested after one year of service for employer contributions and investment earnings. If an accumulated benefit obligation for service credit originally earned under the Pension Plan is transferred to the Investment Plan, the member must have the years of service required for Pension Plan vesting (including the service credit represented by the transferred funds) to be vested for these funds and the earnings on the funds. Nonvested employer contributions are placed in a suspense account for up to five years. If the employee returns to FRS-covered employment within the five-year period, the employee will regain control over their account. If the employee does not return within the five-year period, the employee will forfeit the accumulated

### *Note 8 – Retirement Plans (Continued)*

account balance. For the fiscal years ended September 30, 2019 and 2018, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Port.

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

The Investment Plan pension expense for the Port totaled $312,000 and $283,000 respectively for the fiscal years ended September 30, 2019 and 2018.

*Payables to the Investment Plan* - At September 30, 2019 and 2018, the Port reported payables in the amount of $26,000 and $22,000, respectively, for outstanding contributions to the Investment Plan required for the fiscal years ended September 30, 2019 and 2018.

### *Note 9 - Major Customers*

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

The following tables present major customers contributing to the Port's total operating revenues and accounts receivable, respectively, for the fiscal years ended September 30, 2019 and 2018:

| | Percent of Operating Revenues September 30, | |
|---|---|---|
| **Customer** | **2019** | **2018** |
| Royal Caribbean Cruises Ltd. and its affiliates | 19.2% | 18.7% |
| Carnival Corporation and its affiliates | 15.4% | 16.2% |
| | 34.6% | 34.9% |

| | Percent of Accounts Receivable September 30, | |
|---|---|---|
| **Customer** | **2019** | **2018** |
| Royal Caribbean Cruises Ltd. and its affiliates | 20.5% | 21.2% |
| USA Maritime Enterprises, Inc. | 10.3% | 6.6% |
| Carnival Corporation and its affiliates | 3.8% | 8.5% |
| | 34.6% | 29.7% |

### *Note 10 - Capital Contributions*

Grants and other contributions used to acquire or construct capital assets are classified as capital contributions in the Statements of Revenues, Expenses and Changes in Net Position. For the fiscal years ended September 30, 2019 and 2018, capital contributions were as follows (dollars in thousands):

| | September 30, | |
|---|---|---|
| **Contributor - Purpose** | **2019** | **2018** |
| State of Florida – Southport Turning Notch Extension | $ 40,844 | $ 15,037 |
| State of Florida – ACOE Deepening and Widening | 656 | 537 |
| State of Florida – Slip 1 Berths 9 & 10 Improvements | 1,157 | 612 |
| State of Florida – Transportation Regional Incentive Program | 365 | 8 |
| Federal – Port Security Improvements | - | 734 |
| Donated Assets | - | 4 |
| Total capital contributions | $ 43,022 | $ 16,932 |

### *Note 11 - Risk Management*

The Port is exposed to various risks and losses related to alleged torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port participates in the County's Self-Insured Workers' Compensation program. For its Workers' Compensation exposure, the County purchases excess coverage above a $2,000,000 retention limit and pays any claims below the retention from its Self-Insurance Fund. The Port (through the Self-Insurance Fund) also purchases commercial insurance for property damage and numerous smaller policies that are required by lease agreements, union contracts, State Statutes, etc. The Port does not participate in the County's general liability program, electing instead to purchase its own general liability insurance through an agent in the commercial market. The Port's general liability insurance provides limits of $75,000,000 per occurrence and has a $14,950 deductible. The Port has purchased $75,000,000 in terrorism coverage. The Owner Controlled Insurance Program (OCIP) is a large deductible self-insurance program for County construction projects providing qualified participants with workers' compensation, general liability, and environmental insurance coverage. The program has a $250,000 per occurrence deductible for workers' compensation and general liability claims and a $25,000 deductible for environmental claims. The Port participates in the OCIP program and makes contributions based on the estimated construction value, insurance costs and estimated potential losses of its projects.

The County is self-insured for employee health insurance and has also purchased stop-loss coverage for the group medical and pharmacy plan with a specific deductible of $400,000 per individual. Settled claims have not exceeded commercial coverage in the past three years.

The Port makes payments for the Self-Insurance Programs to the Self-Insurance Fund based on actuarial estimates of the amounts needed to pay prior and current year claims and fund reserves for all losses. The Port is insured against any losses in a given year in excess of the fees charged. Fees charged are expensed as incurred. The estimated liabilities for self-insured losses were determined by independent actuarial valuations performed as of September 30, 2019. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts), and other economic and social factors. The claim liability estimates also include amounts for incremental adjustment expenses as well as estimated recoveries from salvage or subrogation. The claims liability is based on an estimate and the ultimate settlement of the claims may differ from the amounts recorded. The claim liabilities for the Self-Insurance Programs are reported in the County's Self-Insurance Fund. The Port is not liable for amounts beyond the premiums paid to the Self-Insurance Fund.

### *Note 11 - Risk Management (Continued)*

The Port purchased several policies under the Controlled Insurance Program (PECIP) for a major construction project, the Southport Turning Notch Extension (STNE)/Crane Rail Infrastructure Improvements. The PECIP for the STNE/Crane Rail Infrastructure project is funded by the Port as part of the capital project costs. The PECIP provides project insurance coverages including workers compensation, general liability, excess liability and contractors' pollution liability. The Port provided to the insurer as security for payment obligations, a renewable twelve-month term Standby Irrevocable Letter of Credit, in the amount of $3,650,000. The workers' compensation and general liability insurance have a deductible amount of $250,000 for each occurrence respectively, and $350,000 for the worker's compensation and general liability in the aggregate. Under the PECIP, the Port's maximum deductible exposure for worker's compensation and general liability shall not exceed $3,625,250. Excess liability insurance has a zero deductible amount and the limit of insurance is $100,000,000 for each occurrence and $100,000,000 in the aggregate. Contractor's pollution insurance has a self-insured retention amount of $50,000 and the limit of the policy is $50,000,000. The insurer will pay claims exceeding the deductible, up to the policy limit.

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

### *Note 12 – Transactions with Other County Departments*

The County allocates certain support department costs which include administration, legal, fiscal, internal audit, purchasing, personnel, and communication costs to other County departments. The Port's Seaport Engineering and Facilities Maintenance Division is also required to obtain licenses and permits from other County departments for its construction projects. Certain funds are also charged for the cost of the services provided by the Fleet Services and Print Shop funds. Costs of approximately $9,344,000 and $8,483,000 for these services were allocated to the Port during the fiscal years ended September 30, 2019 and 2018, respectively.

The Port contracts directly with the Broward Sheriff's Office for law enforcement services at Port Everglades. The cost of these services from the Sheriff's Office was approximately $17,721,000 and $16,595,000 for the fiscal years ended September 30, 2019 and 2018, respectively. The Port utilizes the services of the Broward Sheriff's Office Department of Fire Rescue and Emergency Services for fire rescue and emergency medical services at the Port. The cost of these services was approximately $10,323,000 and $9,846,000 for the fiscal years ended September 30, 2019 and 2018, respectively.

The Port reimburses the Broward County Aviation Department for allocated maintenance costs for the landscaping of US1 at Fort Lauderdale-Hollywood International Airport. The cost of these services from the Aviation Department was approximately $37,000 and $25,000 for the fiscal years ended September 30, 2019 and 2018, respectively.

At September 30, 2019 and 2018, approximately $1,052,000 and $387,000, respectively, was due to other County funds for services provided.

### *Note 13 - Commitments and Contingencies*

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

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

At September 30, 2019 and 2018, the Port had various uncompleted construction projects in process, with commitments totaling approximately $167,876,000 and $268,282,000, respectively. The retainage payable on these contracts totaled approximately $23,905,000 and $8,077,000, respectively. Funding of these projects is to be made through a combination of internally generated funds and grant proceeds.

### *Note 14 – Subsequent Event*

In December 2019, a novel strain of coronavirus surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption. The coronavirus was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. The operations and business results of the Port could be significantly and adversely affected. The extent to which the coronavirus may impact business activity or investment results will depend on future developments, which are highly uncertain and cannot be predicted, including new information which may emerge concerning the severity of the coronavirus and the actions required to contain the coronavirus or treat its impact, among others.

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# Required Supplementary Information (Unaudited)

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Required Supplementary Information (Unaudited)**
**September 30, 2019**

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

| **Total OPEB Liability** | **2019** | **2018** |
|---|---|---|
| Service cost | $ 44 | $ 41 |
| Interest | 37 | 32 |
| Differences between expected and actual experience | (25) | 28 |
| Changes of assumptions and other inputs | 70 | (12) |
| Benefit payments | (44) | (44) |
| Net change in total OPEB liability | 82 | 45 |
| Total OPEB liability - beginning | 899 | 854 |
| Total OPEB liability - ending | $ 981 | $ 899 |
| Covered-employee payroll | $ 10,693 | $ 11,443 |
| Total OPEB liability as a percentage of covered-employee payroll | 9.18% | 7.86% |

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

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

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Required Supplementary Information (Unaudited)**
**September 30, 2019**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Port's proportion of the net pension liability (asset) | 0.03515% | 0.03601% | 0.03869% | 0.03811% | 0.03965% | 0.03995% |
| Port's proportionate share of the net pension liability (asset) | $ 13,724 | $ 12,059 | $ 11,447 | $ 9,623 | $ 5,121 | $ 2,438 |
| Port's covered payroll | $ 12,529 | $ 12,537 | $ 13,178 | $ 13,254 | $ 11,672 | $ 12,894 |
| Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 108.41% | 96.18% | 86.86% | 72.61% | 43.87% | 18.91% |
| Plan fiduciary net position as a percentage of the total pension liability | 82.61% | 84.26% | 83.89% | 84.88% | 92.00% | 96.00% |

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

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

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Required Supplementary Information (Unaudited)**
**September 30, 2019**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 996 | $ 946 | $ 930 | $ 861 | $ 881 | $ 867 |
| Contributions in relation to the contractually required contribution | $ (996) | $ (946) | $ (930) | $ (861) | $ (881) | $ (867) |
| Contribution deficiency (excess) | - | - | - | - | - | - |
| Port's covered payroll | $ 12,659 | $ 12,625 | $ 13,357 | $ 13,457 | $ 13,035 | $ 13,164 |
| Contributions as a percentage of covered payroll | 7.87% | 7.50% | 6.96% | 6.40% | 6.76% | 6.59% |

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

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

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Required Supplementary Information (Unaudited)**
**September 30, 2019**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Port's proportion of the net pension liability (asset) | 0.04733% | 0.04799% | 0.05152% | 0.05030% | 0.04939% | 0.04959% |
| Port's proportionate share of the net pension liability (asset) | $ 6,075 | $ 5,668 | $ 5,509 | $ 5,862 | $ 5,037 | $ 4,637 |
| Port's covered payroll | $ 12,529 | $ 12,537 | $ 13,178 | $ 13,254 | $ 11,672 | $ 12,894 |
| Port's proportionate share of the net pension liability (asset) as a percentage of its covered payroll | 47.99% | 45.21% | 41.81% | 44.23% | 43.15% | 35.96% |
| Plan fiduciary net position as a percentage of the total pension liability | 2.63% | 2.15% | 1.64% | 0.97% | 0.50% | 0.99% |

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

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

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**Required Supplementary Information (Unaudited)**
**September 30, 2019**

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

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 210 | $ 210 | $ 222 | $ 223 | $ 164 | $ 158 |
| Contributions in relation to the contractually required contribution | $ (210) | $ (210) | $ (222) | $ (223) | $ (164) | $ (158) |
| Contribution deficiency (excess) | - | - | - | - | - | - |
| Port's covered payroll | $ 12,659 | $ 12,625 | $ 13,357 | $ 13,457 | $ 13,035 | $ 13,164 |
| Contributions as a percentage of covered payroll | 1.66% | 1.66% | 1.66% | 1.66% | 1.26% | 1.20% |

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

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

## Note 1 - OPEB Information

The Port did not have plan assets accumulated in a trust that meets the criteria of paragraph 4 of GASB Statement No. 75. The discount rate used to measure the total OPEB liability at September 30, 2019 was decreased to 3.58% from 4.15%. The discount rate will be updated annually to reflect market conditions as of the measurement date.

## Note 2 - Pension Information

The discount rate used to measure the total pension liability at June 30, 2019 was decreased to 6.90% from 7.00%. The FRS Actuarial Assumption Conference is responsible for setting the assumptions used in the valuations of the defined benefit pension plans pursuant to Section 216.136(10), Florida Statutes. The 6.90% rate of return assumption used in the June 30, 2019 calculations was determined by the Plan's consulting actuary to be reasonable and appropriate per Actuarial Standards of Practice No. 27 (ASOP 27) for accounting purposes which differs from the rate used for funding purposes which is used to establish the contribution rates of the Plan.

# Supplementary Financial Information (Unaudited)

**PORT EVERGLADES DEPARTMENT**
**of Broward County, Florida**
**September 30, 2019 and 2018**

***Schedule of Revenues, Expenses, and Debt Service Coverage (Unaudited)***
***For the Fiscal Years Ended September 30, 2019 and 2018***
***(Dollars in Thousands)***

| | 2019 | 2018 |
|---|---|---|
| Operating revenues | | |
| Vessel, cargo, and passenger services | $ 142,015 | $ 141,020 |
| Leasing of facilities | 17,583 | 16,049 |
| Vehicle parking | 8,769 | 8,603 |
| Other | 2,377 | 2,324 |
| Total operating revenues | 170,744 | 167,996 |
| Eligible non-operating revenues | | |
| Interest income | 8,381 | 2,540 |
| Less O&M reserve interest | (10) | - |
| Less 2008 sinking fund interest | (25) | (15) |
| Less 2008 debt service reserve interest | (67) | (40) |
| Shared revenue from USACOE for maintenance dredging | 171 | - |
| Legal settlement | 2,506 | - |
| Property damage reimbursement | 110 | - |
| Loss on disposal or discontinuance of capital assets | (2,510) | (793) |
| Refund of prior year's expenditures | 298 | 361 |
| Total eligible non-operating revenues | 8,854 | 2,053 |
| Total eligible revenues | 179,598 | 170,049 |
| Operating expenses before depreciation* | (105,754) | (103,970) |
| Eligible non-operating expenses | | |
| Other debt service costs | (584) | (322) |
| Debt issuance costs | (3,093) | - |
| Loss on in-substance defeasance | (2,529) | - |
| Payment in lieu of taxes | (564) | (638) |
| Total eligible non-operating expenses | (6,770) | (960) |
| Total eligible expenses | (112,524) | (104,930) |
| Net income available for debt service | 67,074 | 65,119 |
| Debt service requirements - senior lien bonds | 19,235 | 19,230 |
| Actual coverage | 3.48 | 3.38 |
| Required coverage | 1.25 | 1.25 |
| Composite debt service requirements -- senior and subordinate bonds | 22,568 | 22,547 |
| Actual coverage | 2.97 | 2.89 |
| Required coverage | 1.10 | 1.10 |

* Effective FY 2019, the debt service coverage ratio is based on the Amended and Restated Master Bond Resolution

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

**Independent Auditor's Report**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Broward County Port Everglades Department (the Port), an enterprise fund of Broward County, Florida, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the Port's basic financial statements, and have issued our report thereon dated March 26, 2020.

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

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

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

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

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

RSM US LLP

Fort Lauderdale, Florida
March 26, 2020

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