PORT OF PALM BEACH DISTRICT

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2018

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Prepared by the Finance Department

Paul Zielinski
Deputy Port Director & Chief Financial Officer

Daniel Kirchman, CPA, CGMA®, CPE™
Controller

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SEPTEMBER 30, 2018

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PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2018

PORT BOARD MEMBERS

Jean L. Enright	Chairwoman
Peyton W. McArthur	Vice-Chairman
Katherine M. Waldron	Secretary/Treasurer
Wayne M. Richards	Commissioner
Blair J. Ciklin	Commissioner

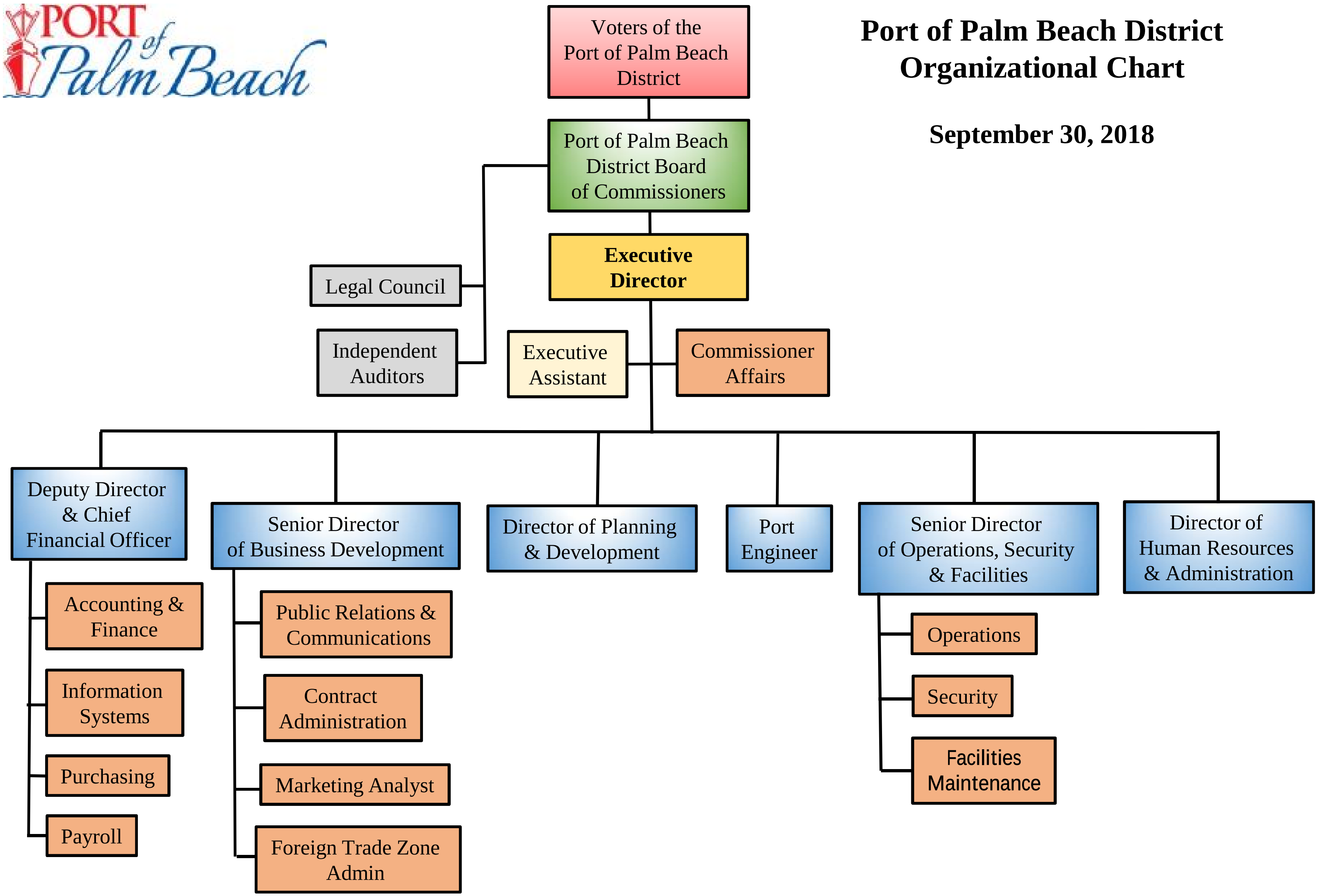
PORT STAFF

Manuel Almira, PPM®	Executive Director
Paul J. Zielinski	Deputy Director / Chief Financial Officer
Jose R. Soler-Martinez, P.E.	Port Engineer
Jarra Kaczwara	Senior Director of Business Development and Communications
Ken Hern	Senior Director of Security, Facilities, and Operations
Carl Baker	Director of Planning and Development
Daniel Kirchman, CPA, CGMA®, CPE™	Controller
Richard Laird	Director of Information Systems
Beatrice Greffin	Director Human Resources and Administration

Port of Palm Beach

Port of Palm Beach District Organizational Chart

September 30, 2018



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JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Port of Palm Beach District
Riviera Beach, Florida

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Palm Beach District as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Change in Accounting Principle

As discussed in Note 12 to the financial statements, the Port implemented Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* during the fiscal year ended September 30, 2018. The net position as of October 1, 2017 has been restated. 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 on pages 6 through 18, the schedule of changes in the total OPEB liability on page 64, and the pension schedules on pages 65 through 68, 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 of Palm Beach District's basic financial statements. The introductory section, accompanying schedules listed as other supplementary information on pages 69 through 78, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The prior year other supplementary information has been derived from the Port of Palm Beach District's 2017 basic financial statements and, in our report dated April 10, 2018 we expressed an unqualified opinion on those financial statements. The schedule of expenditures of state financial assistance on page 95 is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements.

The other supplementary information on pages 69 through 77 and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, schedule of operating statistics presented on page 78, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2019, on our consideration of the Port of Palm Beach District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port of Palm Beach District's internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 10, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Port of Palm Beach District (Port), we offer readers of the Port's financial statements this narrative overview and analysis of the financial activities of the Port of Palm Beach District for the fiscal years ended September 30, 2018 and 2017. The information presented should be read in conjunction with the financial statements, notes and supplemental schedules found in this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Port exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $119,427,014 (*net position*). Of this amount, $15,439,452 (*unrestricted net position*) may be used to meet the Port's ongoing obligations to creditors.

- The Port's total net position increased by $3,948,363. This increase consists of $2,422,021 of income before contributions, and $1,526,342 of capital contributions.

- At the end of the current fiscal year, unrestricted net position was 157% of cash operating expenses and the return on unrestricted net position was 16%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Governmental accounting policy, practice and procedures fall under the auspices of the Government Accounting Standards Board ("GASB"). The Port's financial transactions and subsequent statements are prepared according to the GASB Statement 34 reporting model, as mandated by the GASB. The purpose of the GASB 34 reporting model is to consolidate two basic forms of governmental accounting, governmental (such as municipalities) and proprietary (those entities which generate their own revenues and therefore are similar to a private business such as the Port).

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Port, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Port has only one fund category: proprietary fund.

Proprietary Funds. The Port maintains only one type of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the basic financial statements. The Port is considered a proprietary form of government and its financial transactions are recorded in a single Enterprise Fund.

The basic financial statements report information about the Port using the full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a statement of net position, a statement of revenues, expenses, and changes in net position, and a statement of cash flows. Please refer to Note 1 in the accompanying financial statements for a summary of the Port's significant accounting policies.

The financial section of this annual report consists of three parts: MD&A, the basic financial statements, and notes to the financial statements. The basic financial statements include:

The ***Statement of Net Position*** presents financial information on all of the Port's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Port is improving or deteriorating.

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

The ***Statement of Cash Flows*** presents changes in cash and cash equivalents from operational, financing, and investing activities. This statement presents cash receipt and disbursement information without consideration of when earnings are recorded, when an obligation arises, noncash amortization expense or depreciation of capital assets.

The basic proprietary fund financial statements can be found on pages 19 - 23 of this report.

The ***Notes to the Financial Statement***s provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 24 - 63 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Port's progress in funding its obligation to provide pension and OPEB benefits to its employees, *other supplementary information*, and *statistical data*. This information can be found on pages 64 - 90 of this report.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as of September 30, 2018 and 2017 by $119,427,014 and $115,478,651 respectively.

The following table reflects the condensed statement of net position:

Port of Palm Beach District's Net Position

	2018	2017
Current and other assets	$ 31,050,396	$ 28,005,316
Capital assets, net	122,250,582	122,935,414
Total assets	153,300,978	150,940,730
Total deferred outflows of resources	1,863,385	2,122,323
Current liabilities	7,744,235	6,792,787
Noncurrent liabilities	27,630,339	30,588,160
Total liabilities	35,374,574	37,380,947
Total deferred inflows of resources	362,775	203,455
Net investment in capital assets	102,315,957	99,729,682
Restricted	1,671,605	1,080,356
Unrestricted	15,439,452	14,668,613
Total net position	$ 119,427,014	$ 115,478,651

Current and other assets increased by approximately $3.04 million primarily as a result of an increase in cash and cash equivalents of $2.09 million from operating activities. Both trade and grant receivables increased by approximately $0.98 million due to additional operating revenues and significant grant projects. Prepaid items had a net insignificant decrease of $0.03 million. The Port's operating activities provided approximately $9.56 million in cash that was reduced by $7.47 million primarily for capital asset purchases and debt service on the revenue bonds.

Current liabilities increased by approximately $0.95 million due to an increase of $0.61 million in payables, accrued expenses, compensated absences and customer deposits that was primarily the result of the construction retainage and the timing of vendor payments at fiscal year-end. Unearned revenue increased by $0.19 due to a significant prepayment by a new tenant. Accrued interest had a net insignificant decrease of $0.02 million. The current portion of long-term debt increased by $0.16 million primarily as a result of a larger portion of next year's revenue bond debt payments being principal.

Deferred outflows of resources decreased approximately $0.26 million and Deferred inflows of resources increased $0.16 million primarily as a result of expected and actual experience, assumptions and proportion changes, projected and actual earnings and methods used by the FRS actuary in performing the GASB calculations to meet the parameters set by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Additional information on the Port's deferred outflows and inflows of resources of pension related items can be found in Note 8, in the accompanying notes to the financial statements.

The decrease in Noncurrent liabilities of approximately $2.96 million is primarily the result of a decrease in the long-term debt (revenue bonds) of $3.59 million from principal bond payments. Capital appreciation interest payable increased by $0.62 million from additional deferred interest on the Series 2002 revenue bonds. Compensated absences, other postemployment benefits and net pension liability had an insignificant increase of $0.01 million.

The Port has recorded a liability for the fiscal years ending September 30, 2018 and 2017 of $3,513,846 and $3,527,037 respectively, for its proportionate share of the FRS and HIS pension plan's net pension liability as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in FY 2015. Additional information on the Port's net pension liability can be found in Note 8, in the accompanying notes to the financial statements.

Net Position

By far the largest portion of the Port's net position as of September 30, 2018 and 2017 (86%) reflects its net investment in capital assets (e.g., land, buildings, slips, wharfs, improvements, equipment, vehicles, furniture and fixtures and construction in progress, net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the Port's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the Port's net position as of September 30, 2018 and 2017 (1%) represents the reserve for maximum debt service, sinking, renewal and replacement, and business development funds that are restricted in accordance with existing bond covenants. The remaining balance of the Port's net position is unrestricted and may be used to meet the Port's ongoing obligations to creditors. At the end of FY 2018, the Port's unrestricted net position was $15,439,452 (13% of net position), an increase of $770,839 or 5% from FY 2017.

The Port's total net position increased by $3,948,363 or over 3% in FY 2018. Of this amount, $2,422,021 represents net income before capital contributions and $1,526,342 represents capital contributions from federal, state and private sources. There is no assurance that these capital contributions from other sources will continue in the future.

The following table reflects the condensed revenue and expense data:

Port of Palm Beach District's Changes in Net Position

	2018	**2017**
Operating revenues:		
Fees and charges for services	$ 18,942,144	$ 17,165,322
Non-operating revenues:		
Investment earnings	158,189	46,191
Other	67,608	63,124
Grant revenue	230,249	55,772
Total non-operating revenues	456,046	165,087
Total revenues	19,398,190	17,330,409
Operating expenses:		
General expenses	2,012,394	2,213,993
Engineering and maintenance	2,931,289	2,419,325
Security	2,071,052	1,784,325
Administration	1,847,377	1,814,485
Business development	684,139	655,740
Operations	309,952	257,559
Depreciation and amortization	4,828,653	4,786,448
Total operating expenses	14,684,856	13,931,875
Non-operating expenses:		
Grant and related expenses	206,500	28,690
Loss on disposition of assets	1,088,109	
Interest	996,704	1,363,288
Total non-operating expenses	2,291,313	1,391,978
Total expenses	16,976,169	15,323,853
Income before contributions	2,422,021	2,006,556
Capital contributions	1,526,342	2,855,381
Change in net position	3,948,363	4,861,937
Net position – beginning (restated)	115,478,651	110,616,714
Net position - ending	$ 119,427,014	$ 115,478,651

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

- Operating Revenues (Fees and charges for services) increased by approximately $1.78 million or more than 10%. This was primarily due to increases in wharfage and related cargo, net passenger charges, rent and related storage as discussed below. Wharfage, dockage and related revenues, passenger and parking charges, and rent and related storage are the largest portion of the Port's operating revenues, accounting for approximately 92%.

  The Port's operating revenues have achieved a compound annual growth rate of approximately 7% over the last ten fiscal years. This is a result of Port management's continued aggressive marketing campaign and improved economic conditions, after the end of the Great Recession, that has resulted in attracting new business and growing current business.

  The Grand Celebration (the cruise vessel and their owners) began their ninth year of operations (eighth fiscal year) as a multi-day cruise line to the Bahamas, and added a second cruise vessel, the Grand Classica, in April 2018. Under the terms of the agreement the Port receives a Passenger Charge for each departing and arriving passenger, the net proceeds from all parking revenue generated from cruising passengers and has agreed to participate in the cost of the sales and marketing efforts of the Celebration cruise ship based upon their passenger counts. Passenger charges were approximately $7.55 million from 463 thousand passengers and the Ports contribution to the Celebration's sales and marketing effort was approximately $4.29 million, which resulted in net passenger charges of $3.26 million for FY 2018. The Port's multiday net-passenger revenue increased by approximately $0.73 million or 29%. The increase in net revenue was primarily due to the addition of a second cruise vessel, the Grand Classica. The passenger counts were up by approximately 7%, however passenger counts were impacted due to no cruise sailings from October through most of December 2017 as a result of FEMA chartering the Grand Celebration for relief housing in St. Thomas, U.S. V.I., due to Hurricane Irma in September 2017.

  Wharfage and cargo related revenue increased by approximately $0.49 million or 11%, primarily due to increases in container, breakbulk (vehicles), asphalt, diesel and utility fuel oil tonnage and TEU's, which more than offset declines in sugar, molasses and recyclable steel. Both cargo tonnage and TEU's grew by over 3%. Over the last three fiscal years, the Port has seen cargo volumes return to previous levels. When factoring out the utility fuel oil shipments, that mostly ended in FY 2010 when the FP&L power plant was rebuilt to operate on natural gas, the cargo tonnage compound annual growth rate for the past five fiscal years is approximately 4%.

  Dockage and related revenue had an increase of approximately $0.07 million or 3%, primarily due to a significant new tenant, fuel oil shipments, and tariff rate increases that offset reduced sugar and molasses shipments.

Rent and related storage increased by approximately $0.30 million or 7% primarily due to additional space assignments for land to several tenants, and the storage of inbound steel rebar shipments.

Parking fees decreased by approximately $0.07 million or 5%, primarily as a result of the redeployment (charter) of the cruise ship, Grand Celebration. (*see miscellaneous income below for additional information*)

Miscellaneous income increased by approximately $0.16 million or 28% primarily due to contractual reservation fees for the future new cargo terminal area; and contractual relief fees from the loss of passengers and parking revenue from the Grand Celebration cruise ship, which was chartered by FEMA from October through December 2017, as a result of Hurricane Irma.

The remaining operating revenues which consist of switching, licenses, permits, and identification badging increased by approximately $0.08 million or 11%, primarily due to an increase in rail car switching volume of over 6%.

The Schedule of Port Facilities Revenues can be found on page 73 of this report.

- Investment Earnings increased by approximately $0.11 million, as the target range for the federal funds interest rate increased which correlates with our banks internal rate.

- Other non-operating revenues of approximately $0.07 million consist of insurance recoveries that were collected from damages that occurred in the previous fiscal year.

- Operating Grant revenue increased by approximately $0.17 million. The Port recognized approximately $0.23 million in operating grant revenue for reimbursed repair and maintenance expenses under the U.S. Dept. of Homeland Security FY 2016 Port Security and FEMA Public Assistance Grant Programs that started in FY 2017.

- Operating Expenses increased approximately $0.62 million or 5%, and operating expenses before depreciation and amortization increased approximately $0.37 million or 4%. The most significant increases were primarily salary and benefits, hurricane repairs, bad debt and depreciation expenses.

The Port's operating expenses have remained relatively flat over the last ten fiscal years, only rising at a compound annual rate of approximately 2%. This is a result of Port Management undertaking a significant effort to contain, if not reduce expenditures primarily through staff reductions, conservation and negotiation efforts, and the use of contract services personnel for security, eliminating the railroad and janitorial contracts by bringing the operation of the railroad and janitorial services in-house with existing staff in FY 2009. These changes continue to have a positive effect in reducing or containing expenses. Operating Expense containment continues to be a priority for Port Management.

Salaries, payroll taxes and benefits (employee costs) represent the largest portion of the Port's operating expenses before depreciation and amortization at approximately 51% and increased by approximately $0.25 million or 5%. Salaries and payroll taxes increased by $0.16 million or 5%, primarily due to approved salary increases. Group health insurance costs increased approximately $0.08 million or 9%, primarily from continued increases in premiums. The remaining $0.01 million nominal increase in pension costs was due to approved salary increases and increased FRS contribution rates, mandated by the Florida legislature, that were offset by a smaller annual adjustment in actuarial assumptions, experience, earnings and proportion by the FRS as a result of GASB Statement No. 68, see Note 8, in the accompanying notes to the financial statements.

General expense (excluding employee benefits) decreased by approximately $0.29 million or 35%, primarily due to a bad debt expense and additional property insurance and taxes on the Maritime Office Building (MOB) as a result of the Tropical Shipping vacancy that occurred in FY 2017 and did not re-occur in FY 2018. Commercial property and liability premiums remained flat and the MOB premium was removed in FY 2018.

Security expense (excluding employee costs) increased by approximately $0.24 million or 25%. This was due primarily to increases in contracted security costs from the addition of the second cruise ship, Grand Classica.

Engineering and maintenance expense (excluding employee costs) increased by approximately $0.46 million or 24%, primarily from additional cruise terminal maintenance and janitorial costs, primarily as a result of the second cruise ship, Hurricane Irma storm repairs, major repairs and overhaul to the elevators and escalator in the MOC/Cruise Terminal and port-wide repairs and maintenance for docks, plumbing, electrical and storm drains.

Administration expense (excluding employee costs) increased by approximately $0.03 million or 7%, primarily due to increases in legal fees from the lawsuit, see Note 11 – Risk Management, in the accompanying notes to the financial statements.

Business development expenses (excluding employee costs) remained relatively flat.

Operations expense (excluding employee costs) increased by approximately $0.02 million, primarily due to required tug charges to safely assist tenant vessel movement as a result of the larger second cruise vessel, Grand Classica.

Depreciation and amortization expense has a modest increase of approximately $0.04 million or only 1% as additions slightly offset deletions and there were no major capital projects completed during FY 2018.

The Schedule of Operating Expenses can be found on pages 74 and 75 of this report.

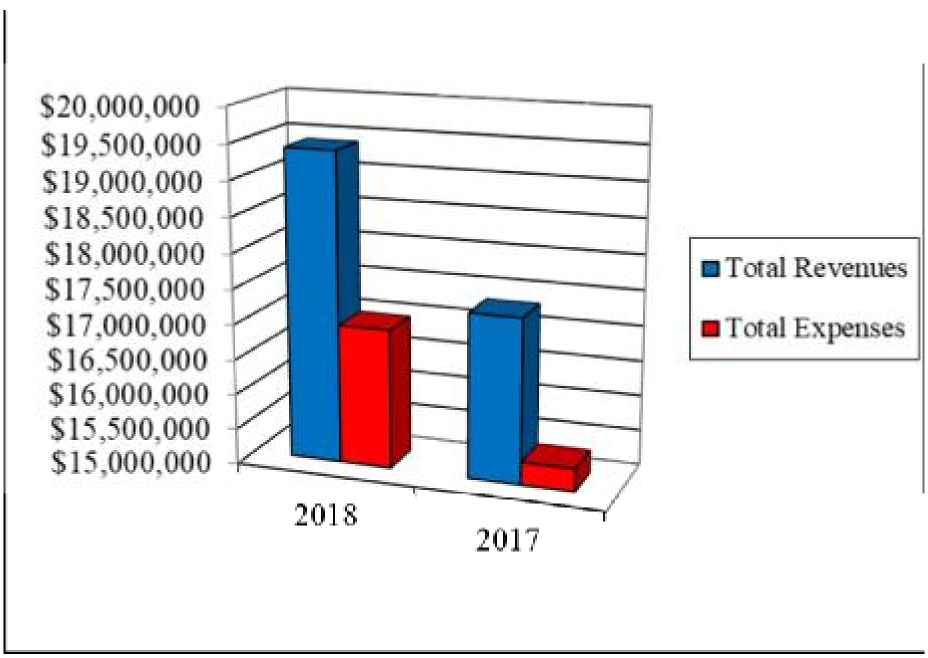
- The largest non-operating expense is interest, which decreased by approximately $0.37 million or 27%, primarily as a result of the capitalized interest on the Berth 17 Project and annual principal payments reducing the outstanding revenue bond principal balances.

- Non-operating Grants and related expenses increased by approximately $0.17 million, as a result of various security equipment purchases by the Palm Beach County Sheriff Office through a interlocal agreement that was classified as transfers to the sub-recipients. These purchases were from the Port's FY 2016 Port Security Grant program as previously noted above in operating grant revenues, and also additional administrative fees for FDOT grant funding

- The loss on disposition of assets of approximately $1.09 million was from the demolition of the MOB to develop a refrigerated container cargo yard.

- Capital contributions decreased by approximately $1.33 million, primarily as a result of the Berth 17 Expansion project that was a front loaded matching grant which was mostly used up in FY 2017 with the Port incurring its matching portion in FY 2018. The total capital contributions of $1.53 million consisted of approximately $1.27 million from the Florida Department of Transportation Seaport matching grants for the major capital projects listed in the Capital Asset section below. The remaining $0.26 million is from the FY 2016 Port Security Grant matching program for security equipment.

Total Revenues and Expenses



CAPITAL ASSETS

Capital assets: The Port's capital assets as of September 30, 2018 amounted to approximately $122.25 million, (net of accumulated depreciation). This investment in capital assets includes land, buildings, facility and infrastructure improvements and equipment, furniture and fixtures, and construction work in progress. Capital asset acquisitions are capitalized at cost and depreciated over estimated useful lives using the straight-line method.

The total decrease in the Port's investment in capital assets after accumulated depreciation for FY 2018 was $0.68 million. This was attributable to $5.19 million for the acquisition and construction of Capital Assets, of which the majority were additions for the construction of Berth 17, On Port Rail Facility, MOB Demolition/Container Yard and other improvements, machinery and equipment and computers, which were offset by depreciation of $4.78 million and loss on disposition of assets of $1.09 million.

The Port's Capital Program restarted in FY 2011 with a major commitment to its oldest slip. The refurbishment for Slip #3, constructed in the mid-1950's, was completed in early FY 2016 and has provided the Port with additional "roll on / roll off" capability. The total project cost was approximately $27.67 million.

The Port has several current major capital projects and are as follows:

Berth 17 Expansion, which began construction in FY 2016 and was substantially completed in the 1st quarter of FY 2019. The project is a refurbishment and capacity expansion and includes improvements to the adjacent upland drainage system, utilities, and additional "roll on / roll off" capability. The total project cost is estimated to be approximately $12.20 million, which includes engineering, design and permitting.

Berth 1 Refurbishment, which began concept study, design, and permitting in FY 2015, will begin construction in the 3rd quarter of FY 2019 and is estimated to be completed in the 2nd quarter of FY 2020. The project will replace the bulkhead, which was first installed in 1972, in addition to upland paving, utility and security improvements, sewer, storm water drainage and fire protection systems. The total project cost is estimated to be approximately $5.58 million, which includes engineering, design and permitting.

On Port Rail Facility Expansion, began construction in FY 2017 and phase 1 of the project was completed in the 2nd quarter of FY 2019. Phase 1 replaced approximately 1,640 feet of aging and obsolete rail tracks (spur #1&#2), switches, turnouts, crossing arms, paving and utility infrastructure west of U.S. Hwy. 1. The total project cost, for all phases, is estimated to be approximately $9.61 million, which includes engineering, design and permitting. The remaining phases of the project will take place over the next several fiscal years.

MOB Demo., & Container Yard Improvements, which began concept study, design, and permitting in FY 2017, and began construction at the beginning of FY 2019 and is estimated to be completed at the end of FY 2019. The project will redevelop approximately 3.5 acres of upland property by demolishing an existing the obsolete Maritime Office Building and adjacent parking lot and replacing it with a refrigerated container paved laydown area, which will include, electrical utility and security improvements, high and low mast lighting, water and sewer, storm water drainage and fire protection systems. The total project cost is estimated to be approximately $4.34 million, which includes engineering, design and permitting.

Construction-in-progress projects total approximately $13.98 million as of September 30, 2018 and include the following projects:

- Berth 17 Expansion
- On Port Rail Facility Expansion
- Berth 1 Expansion
- MOB Demo., & Container Yard Improvements
- Other small projects

The Port's capital program is funded primarily through the Florida Department of Transportation Seaport matching grant programs and also the U.S. Department of Homeland Security matching grants programs, Port facility fees and charges for services, public and private contributions, non-operating revenues, and revenue bond issues. Additional information on the Port's capital assets can be found in Note 3, in the accompanying notes to the financial statements.

Port of Palm Beach District's Capital Assets
(net of accumulated depreciation)

	2018	**2017**
Land	$ 28,119,220	$ 28,119,220
Buildings and improvements	30,705,884	32,204,029
Slips and improvements	36,472,315	37,461,725
Other improvements	7,987,094	9,516,875
Wharf and loading ramps	3,612,601	3,777,862
Machinery and equipment	740,842	754,190
Computer equipment	407,435	498,374
Autos and trucks	97,025	79,297
Furniture and fixtures	124,914	105,369
Construction in progress	13,983,252	10,418,473
Total capital assets, net	$ 122,250,582	$ 122,935,414

DEBT ADMINISTRATION

Long-term debt: The Port had outstanding revenue bonds of approximately $20.4 million as of September 30, 2018. Of this amount, approximately $3.6 million is current and will mature by September 1, 2019. On September 1, 2018, the Revenue Refunding Bond, Series 2007 matured and was paid off. The Port's outstanding revenue bonds are secured by a first lien upon and a pledge of the operating revenues. Additional information on the Port's long-term debt can be found in Note 4, in the accompanying notes to the financial statements.

The Port of Palm Beach District is required by the terms of the Series 2002, 2013 and 2016 Revenue Refunding Bonds to generate sufficient Net Revenues so as to maintain a minimum ratio of 110% to the debt service requirement for that year. In FY 2018 and 2017, the Port met this requirement.

The Port's outstanding revenue bonds were upgraded to a rating of "Baa2" with a stable outlook by Moody's Investors Service.

Port of Palm Beach District's Outstanding Debt
Revenue Bonds

	2018	**2017**
Revenue bonds payable	$ 20,486,420	$ 23,916,746
Less deferred amounts:		
For issuance discounts	(42,571)	(47,949)
Total revenue bonds payable	$ 20,443,849	$ 23,868,797

IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As described in Note 1 to the financial statements, the Port of Palm Beach District implemented Governmental Accounting Standard Board Statement No. 75, Accounting and *Financial Reporting for Postemployment Benefit Plans Other than Pensions;* GASB Statement No. 81, *Irrevocable Split-Interest Agreement;* GASB Statement No. 85, *Omnibus;* GASB Statement No. 86, *Certain Debt Extinguishment Issues;* during the fiscal year ended September 30, 2018.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2019 Budget was based upon the following assumptions:

- Net operating revenues were budgeted to increase by approximately 3.2% for FY 2019 as a result of the increases in cruise passengers and parking (from second cruise ship at a full year), tariff rates, volume and contractual increases. Operating expenses are budgeted to increase approximately 12.4% primarily due to salary, payroll taxes and benefit increases, and repairs and maintenance; additional contract security and utility services for the second cruise ship at a full year; legal fees related to the lawsuit described in Note 11, in the accompanying notes to the financial statements; depreciation for constructions projects completed, and new equipment, and all other normal inflationary increases.

- Income before capital contributions is budgeted at approximately $2.15 million. This represents a budgeted increase of approximately 14.1% over FY 2018, however, this would have to be reduced by approximately $1.2 million to reflect for the loss on disposal of the MOB that was included in the FY 2018 Budget.

Requests for Information

This financial report is designed to provide a general overview of the Port of Palm Beach District's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Port of Palm Beach District
Paul J. Zielinski, Deputy Director - CFO
1 East 11th Street, Suite 600
Riviera Beach, FL 33404

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2018

ASSETS

		2018
Current assets:		
Cash and cash equivalents	$	20,386,577
Accounts receivable (net of allowance for uncollectables of $35,000)		1,597,371
Grants receivable		1,119,872
Prepaid items		894,211
Restricted assets:		
Cash and cash equivalents		7,052,365
Total current assets		**31,050,396**
Noncurrent assets:		
Capital assets:		
Land and land rights		28,119,220
Buildings and improvements		54,229,312
Slips and improvements		49,742,290
Other improvements		33,450,672
Wharf and loading ramps		7,798,154
Machinery and equipment		2,632,269
Computer equipment		1,364,406
Autos and trucks		463,844
Furniture and fixtures		371,444
Construction in progress		13,983,252
Less accumulated depreciation		(69,904,281)
Total capital assets (net of accumulated depreciation)		122,250,582
Total noncurrent assets		**122,250,582**
Total assets		**153,300,978**

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources:		
Pension related items		1,354,161
Deferred loss on bond refunding, net		509,224
Total deferred outflows of resources		**1,863,385**

LIABILITIES

		2018
Current liabilities		
Accounts payable and accrued expenses	$	924,067
Contracts payable		1,805,165
Unearned revenue		562,870
Compensated absences payable		227,277
Payable from restricted assets:		
Customer deposits		375,000
Accounts payable and accrued expenses		222,610
Accrued interest payable		33,978
Current portion of long-term debt		3,593,268
Total current liabilities		**7,744,235**
Noncurrent liabilities		
Compensated absences payable		227,277
Other postemployment benefits		255,455
Net pension liability		3,513,846
Capital appreciation interest payable from restricted assets		6,783,180
Revenue bonds payable (less unamortized bond discount)		20,443,849
Less: current portion		(3,593,268)
Total noncurrent liabilities		**27,630,339**
Total liabilities		**35,374,574**

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources:		
Pension related items		362,775

NET POSITION

Net investment in capital assets		102,315,957
Restricted for renewal and replacement		1,004,486
Restricted for business development		667,119
Unrestricted		15,439,452
Total net position	**$**	**119,427,014**

PORT OF PALM BEACH DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended September 30, 2018

	2018
Operating revenue	
Port facilities	$ 23,229,182
Less: Direct marketing support	(4,287,038)
Net operating revenue	**18,942,144**
Operating expenses	
General expenses	2,012,394
Engineering and maintenance	2,931,289
Security	2,071,052
Administration	1,847,377
Business development	684,139
Operations	309,952
Operating expenses before depreciation and amortization	**9,856,203**
Operating income before depreciation and amortization	**9,085,941**
Depreciation and amortization expense	**4,828,653**
Operating income	**4,257,288**
Non-operating revenues (expenses)	
Investment earnings	158,189
Grant revenue	230,249
Grant expense	(206,500)
Insurance recoveries	67,608
Gain (loss) on disposition of assets	(1,088,109)
Interest expense	(996,704)
Total nonoperating revenue (expenses)	**(1,835,267)**
Income before contributions	**2,422,021**
Capital contributions	**1,526,342**
Change in net position	**3,948,363**
Total net position - beginning, as restated	**115,478,651**
Total net position - ending	**$ 119,427,014**

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2018

	2018
Cash flows from operating activities:	
Receipts from customers and users	$ 19,008,477
Payments to suppliers for goods and services	(4,663,894)
Payments to or on behalf of employees	(4,783,895)
Net cash provided by operating activities	**9,560,688**
Cash flows from non-capital financing activities	
Payment for master plan update	(8,328)
Grant revenues received	187,279
Payments to grant subrecipient	(206,500)
Net cash used by non-capital financing activities	**(27,549)**
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(4,626,442)
Sale of assets	1,050
Principal paid on debt	(3,430,326)
Interest paid on debt	(518,141)
Insurance recoveries	67,608
Capital grants received	905,079
Net cash used for capital and related financing activities	**(7,601,172)**
Cash flows from investing activities	
Interest received on investments	158,189
Net cash provided by investing activities	**158,189**
Net increase in cash and cash equivalents	**2,090,156**
Cash and cash equivalents - beginning	**25,348,786**
Cash and cash equivalents - ending	**$ 27,438,942**

(Continued)

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2018
(Continued)

	2018
Cash and cash equivalents classified as:	
Unrestricted assets	$ 20,386,577
Restricted assets	7,052,365
Total cash and cash equivalents	$ 27,438,942
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	$ 4,257,288
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,779,661
Amortization expense	48,992
Change in net pension liability and related deferred amounts	251,226
(Increase) decrease in assets	
Accounts receivable	(318,906)
Prepaid expenses	(12,448)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	147,922
Customer deposits	200,000
Unearned revenue	185,239
Other postemployment benefits	21,714
Compensated absences	
Total adjustments	5,303,400
Net cash provided by operating activities	**$ 9,560,688**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity and General Overview

The Port of Palm Beach District (Port) is an independent special taxing district established in 1915 under the provisions of Chapter 7081 of the Laws of Florida, as amended; and, as such, is a political sub-division of the State of Florida. The Port's district is located in Palm Beach County, Florida and covers a land area of 971 square miles, or approximately half of the Palm Beach County land area. The Port derives the major portion of its operating revenues from wharfage, dockage, passenger charges, and rental income; it is a major modal point for the shipment of bulk sugar, molasses, containerized cargo, and break-bulk items.

The Port is a "public enterprise fund" operated through a Board of five Port Commissioners, each elected by districtwide vote, and is administrated by an Executive Director.

As required by generally accepted accounting principles, these financial statements include the Port (the primary government) and its component units. Component units are legally separate entities for which the Port is financially accountable. The Port is financially accountable if:

a) it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Port, or

b) the organization is fiscally dependent on the Port and (1) there is a potential for the organization to provide specific financial benefits to the Port or (2) impose specific financial burdens on the Port.

Organizations for which the Port is not financially accountable are also included when doing so is necessary in order to prevent the Port's financial statements from being misleading.

Based upon application of the above criteria, the Port of Palm Beach District has determined that there are no legally separate entities to consider as potential component units.

Basis of Presentation

Proprietary Fund Type

All activities of the Port are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Proprietary Fund Type (Continued)

A proprietary fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with principal ongoing operations. The Port's principal operating revenues are wharfage, dockage, and rental income. Program-specific grants (operating and capital) include revenues arising from voluntary non-exchange transactions that are restricted for use in a particular program, namely grants to repair and/or purchase, construct or renovate capital assets in association with a specific program and are recognized when earned. Grant receivable is recorded when the Port has a right to reimbursement under the related grant. Operating expenses for enterprise funds include cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Measurement Focus

The accounting and financial reporting treatment applied by the Port is determined by "measurement focus". Measurement focus is a term used to describe which transactions are recorded within the financial statements. The transactions of the Port are accounted for on a flow of economic resources measurement focus. With this measurement focus, financial activity is reported in essentially the same manner as in commercial accounting where net income and capital maintenance are measured.

Basis of Accounting

Basis of accounting refers to the timing when transactions are recognized in the accounts and reported in the financial statements. The transactions of the Port are accounted for using the accrual basis of accounting in accordance with Generally Accepted Accounting Principles. Under the accrual basis of accounting, revenues are recognized when they are earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flow. Non-capital grants and similar items are recognized as revenue when all eligibility requirements imposed by the provider are met.

Deposits and Investments

In the statement of cash flows for proprietary funds, cash is defined as currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty. Cash equivalents are short-term (i.e. original

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Continued)

maturity is three months or less), highly liquid investments that are readily convertible to known amounts of cash and are so near to their maturity that they present an insignificant risk of changes in value because of changes in interest rate.

Investments are stated at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement, not an entity-specific measurement. For some assets and liabilities, observable market transactions or market information might be available; for others, it might not be available. However, the objective of fair value measurement in both cases is the same, that is, to determine the price at which an orderly transaction to sell the asset or to transfer the liability would take place between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset or is obligated for the liability. The Port categorizes investments reported at fair value in accordance with the fair value hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*.

Restricted Assets

In accordance with the 2002, 2013, and 2016 Revenue Bond covenants and resolutions of the Board of Commissioners, certain resources (consisting of cash and investments) are to be used only for specified purposes**.** When both restricted and unrestricted resources are available for use, it is the Port's policy to use restricted resources first, then unrestricted resources as they are needed. Certain equity balances are to be restricted as follows:

Renewal and replacement **-** net position reserved for renewal and replacement represent the excess of restricted assets required for renewal or replacement of capital assets over the related liabilities payable from restricted assets.

Business development **-** net position reserved to pay the expenses of promoting trade and commerce represent the excess of restricted assets required to pay the expenses of promoting trade and commerce over the related liabilities payable from restricted assets.

Bond sinking funds **-** net position reserved for revenue bond debt service represent the excess of restricted assets required for debt service under bond covenants over the related liabilities payable from restricted assets.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Port records accounts receivable at estimated net realizable value. Accordingly, accounts receivable at September 30, 2018 are shown net of allowances for doubtful accounts. The Port maintains an allowance for uncollectible accounts at a level which management believes is sufficient to cover potential credit losses.

Prepaid Items

Payments made to vendors for services that will benefit future periods are reported as prepaid items using the consumption method by recording an asset for the prepaid amount and reflecting an expense in the year in which the services are consumed.

Property and Equipment

Property and equipment are carried at cost, if purchased and at estimated fair value for assets contributed, less accumulated depreciation. The Port defines capital assets as assets with an initial individual cost of more than $1,000 and an estimated useful life in excess of two years.

Costs for maintenance, repairs, minor renewals and betterments are expensed as incurred. Major renewals and betterments are treated as property additions. When property is disposed, the cost and related accumulated depreciation are eliminated from the accounts and any gain or loss on the disposition is reflected in the Statement of Revenue, Expenses and Changes in Net Position. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed. Depreciation is computed on a straight-line basis and the useful lives range from five to fifty years on the buildings and improvements and from three to twenty years on machinery, equipment and furniture. Land and related land rights are not depreciated.

Deferred Outflow of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for Deferred Outflows of Resources. Deferred Outflows of Resources represent the usage of net position applicable to future periods and will not be recognized as an expense until the future period to which it applies. The Port only has two items that qualify for reporting in this category. The deferred amount on bond refunding and pension related items. The deferred loss on current and advance refunding of bonds is being amortized, using the straight-line method, and reported as a component of interest expense through the year 2024. The amortization period of deferred losses on refunding of debt is the remaining life of the old debt or the life of the new debt, whichever is shorter.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for Deferred Inflows of Resources. Deferred Inflows of Resources represent the acquisition of net position applicable to future periods and will not be recognized as revenue until the future period to which it applies. The Port has only pension related items that qualify for reporting as Deferred Inflows of Resources.

Unearned Revenue

Resources that do not meet revenue recognition requirements are recorded as unearned revenue. Unearned revenue consists primarily of unearned lease revenue.

Compensated Absences

The Port accrues a liability for compensated absences, as well as certain other salary costs associated with the payment of compensated absences. Paid Time Off (PTO) leave is an inclusive time off program for regular, full time employees intended for use in connection with holidays, vacations, sickness, personal business, family care, bereavement and other needs that may require time off from work. PTO is accrued as a liability as the benefits are earned by the employees.

Unamortized Bond Discount

Unamortized Bond Discount is amortized to non-operations through interest expense using the straight-line method over the life of the bonds. The unamortized bond discount is reported as a component of the debt liability and deducted from long-term bonds payable.

Net Position

Net position is the residual of all other elements presented in a statement of net position. It is the difference between (a) assets plus deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net position is reported in the following three components:

Net investment in capital assets - This component of net position consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position - Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or are imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This component of net position consists of net position that does not meet the definition of “restricted” or “net investment in capital assets”.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

Wharfage, rentals, dockage, parking, switching, passenger charges, and other revenues for the use of, and privileges at the Port's facilities are reported as operating revenues. Receipts from operating grants, investment earnings, gains resulting from disposition of assets, and any revenue item not earned in the ordinary course of business are reported as non-operating revenues.

Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenue and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from those estimates.

Budgetary Accounting

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

Budgetary Information

The budget is prepared and controlled at the departmental level. The budget and any amendments which require a change in total appropriations of any department are approved by the Port's Board. The Executive Director is authorized to transfer budgeted amounts within the departments. Budget amounts have been adjusted for legally authorized revisions of the annual budgets approved during the year. The Port's schedule of revenues, expenses and income before capital contributions compared with the legally adopted budget is presented as supplementary information on page 77.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Obligation Bonds and Taxes

The Port shall have the power, and is authorized to issue general obligation bonds to finance the cost or part of the cost of the construction, acquisition, reconstruction, extension, repair or improvement of any works, projects, properties, improvements, or other purposes, except for the payment of current expenses, which the Port has statutory authority to construct, acquire or undertake. The Port is also authorized and empowered to levy upon all the real and personal taxable property of said Port's district a special tax sufficient in amount to pay the interest becoming due and payable annually upon any bonds issued, or money borrowed or to be borrowed by the said Port, for which the full faith and credit of the Port is pledged (general obligation bonds), and in addition, a special tax not exceeding two (2) mills on the dollar of the assessed valuation of taxable property in the Port's district or two hundred thousand ($200,000.00) dollars, whichever is smaller, in each year to pay the costs of operation, maintenance and other purposes of the Port under statutory authority. The Port does not have any general obligation bonds outstanding and has not levied property taxes since the fiscal year ended 1975 and does not expect to do so in the foreseeable future.

Determination of Operating versus Non-Operating Revenues and Expenses

The Port derives the largest portion of its operating revenues from vessel traffic and cargo moving through the port and across its docks. Additionally, the Port is considered a landlord port in that it leases its properties to various cargo operations in return for rental payments and financial guarantees from those operators.

The expense associated with operating revenue generation is recorded in eight major categories: general expenses, engineering and maintenance, security, administration, business development, operations, depreciation, and amortization.

The Port receives certain other revenue such as interest income and grant revenue that it categorizes as non-operating revenues. These types of revenue are not a direct result of vessel traffic or cargo movement. Additionally, non-operating expenses include, among others, the interest portion of debt service payments, amortization of deferred loss on refundings and amortization of bond discounts.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements

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

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

In March 2016 the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement.* This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. Implementation of this Statement did not impact the Port's financial statements.

In March 2017 the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits).

In May 2017 the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. Implementation of this Statement did not impact the Port's financial statements.

Recent Accounting Pronouncements

A brief description of new accounting pronouncements that might have a significant impact on the Port's financial statements is presented below. Management is currently evaluating the impact of the adoption of these statements on the Port's financial statements.

In November 2016 the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for an asset retirement obligation. This Statement is effective for the fiscal year ending September 30, 2019.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In January 2017 the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2020.

In May 2017 the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring 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. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

In March 2018 the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement will improve the information that is disclosed in notes to the government financial statements related to debt, including direct borrowings and direct placements. It will also clarify which liabilities governments should include when disclosing information related to debt. This Statement is effective for the fiscal year ending September 30, 2019.

In June 2018 the GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for the fiscal year ending September 30, 2021.

In August 2018 the GASB issued Statement No. 90, *Major Equity Interests*. This Statement will improve consistency and comparability 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. This Statement is effective for the fiscal year ending September 30, 2020.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2018, the Port's book balance for deposits in "Qualified Public Depositories" was $22,654,242 and the related bank balance totaled $23,519,953.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

In addition to insurance provided by the Federal Depository Insurance Corporation, deposits are held in banking institutions approved by the State Treasurer of the State of Florida to hold public funds. Under Florida Statutes Chapter 280, Florida Security for Public Deposits Act, the State Treasurer requires all Florida qualified public depositories to deposit with the Treasurer or other banking institution eligible collateral. In the event of failure of a qualified public depository, the remaining public depositories would be responsible for covering any resulting losses.

Custodial credit risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Port 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 Port requires all deposits to be in Qualified Public Depositories to control custodial credit risk. As of September 30, 2018, the Port's deposits are considered insured for custodial credit risk purposes.

Investments

The Port has adopted an investment policy in accordance Florida Statutes 218.415 (17). The policy authorizes investments in direct obligations of the U.S. Treasury, interest-bearing time deposits or savings accounts in qualified public depositories, the Local Government Surplus Funds Trust Fund, or any intergovernmental investment pool authorized pursuant to the Florida Interlocal Cooperation Act, as provided in Florida Statutes 163.01 and Securities and Exchange Commission registered money market funds with the highest credit rating from a nationally recognized rating agency.

The Port is authorized to invest Revenue, Renewal and Replacement and Port Development account deposits with institutions participating in the State's security program under Chapter 280 of the Florida Statutes, and obligations of, or guaranteed by, the United States Government.

The Port is authorized to invest the bond proceeds and the sinking fund account deposits in the following: (1) U.S. obligations; (2) obligations fully and unconditionally secured by the full faith and credit of the United States of America; (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the non-full faith and credit of U.S. governmental agencies; (4) mortgaged-backed securities and senior debt obligations; (5) certificates of deposit secured by collateral in (1) or (2) above; (6) certificates of deposit, savings accounts, deposit account or money market deposits fully insured by FDIC; (7) commercial paper rated in the single highest classification; (8) money market funds registered under the Federal Investment Company Act; (9) pre-refunded municipal bonds rated in the single highest classification; (10) investment agreements; (11) bonds or notes issued by any state or municipality rated in the two highest long-term categories; (12) units of participation in the Local Government Surplus Funds Trust Fund; (13) federal funds or bankers acceptances; (14) repurchase agreements; (15) other forms of investments approved in writing by the Credit Facility Issuer.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

GASB Statement No. 72, *Fair Value Measurement and Application,* requires governments to disclose the fair value hierarchy for each type of asset or liability measured at fair value in the notes to the financial statements. The standard also requires governments to disclose a description of the valuation techniques used in the fair value measurement and any significant changes in valuation techniques. GASB 72 establishes a three-tier fair value hierarchy. The hierarchy is based on valuation inputs used to measure the fair value as follows:

Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.

Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.

Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

The level in which an asset is assigned is not indicative of its quality but an indication of the source of valuation inputs.

Money market funds are exempt from reporting under the fair value hierarchy, and the fair value is measured at amortized cost. As of September 30, 2018, the Port held the following investments in money market funds, which are reported as cash and cash equivalents in the statement of net position:

Investments Measured at Amortized Cost	Moody's Standard & Poor's Credit Rating	Fair Value	Weighted Average Maturity
Wells Fargo Institutional Government Money Market Fund	Aaa-mf AAAm	$4,417,473	27 days
Morgan Stanley Institutional Liquidity Funds Portfolio	Aaa-mf AAAm	365,677	34 days
		$4,783,150	

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

The Wells Fargo Government Money Market Fund (Institutional Class Shares) is a money market fund registered with the Securities and Exchange Commission. The Fund seeks current income, while preserving capital and liquidity. The Fund invests in high-quality, short-term money market instruments that consist of U.S. Government obligations and repurchase agreements collateralized by U.S. Government obligations. An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The shares are measured at amortized cost.

The Morgan Stanley Institutional Liquidity Fund Treasury Portfolio (Institutional Share Class) is a money market fund registered with the Securities and Exchange Commission. The Portfolio seeks preservation of capital, daily liquidity, and maximum current income. The Portfolio invests in liquid, high-quality debt securities issued by the U.S. Treasury. The management team follows an investment process that seeks to select maturities based on the shape of the money market yield curve and on expectations as to future shifts in the level and shape of the curve, taking into consideration such factors as current short-term interest rates, Federal Reserve policy regarding interest rates, and U.S. economic activity. An investment in the Portfolio is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. The shares are measured at amortized cost.

Interest rate risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Port does not have a formal investment policy that limits investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

Credit risk – Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The Port's investment policies limit its investments to high quality investments to control credit risk.

Concentrations of credit risk – Concentration of credit risk is defined as the risk of loss attributed to the magnitude of an investment in a single user. The Port places no limit on the amount they may invest in any one issuer.

Custodial credit risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At September 30, 2018, the Port's investments consisted of open-end money market mutual funds which are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

A reconciliation of deposits and investments at September 30, 2018, is as follows:

By Category:	
Deposits	$ 22,654,242
Petty cash	1,550
Investments	4,783,150
Total deposits and investments	$ 27,438,942
Presented in the statement of net position	
Cash and cash equivalents	$20,386,577
Restricted cash and cash equivalents	7,052,365
Total statement of net position	$ 27,438,942

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended September 30, 2018, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	$ 28,119,220	$	$	$ 28,119,220
Construction in process	10,418,473	5,183,988	(1,619,209)	13,983,252
Total capital assets, not being depreciated	38,537,693	5,183,988	(1,619,209)	42,102,472
Capital assets, being depreciated:				
Building and improvements	60,800,237	893,221	(7,464,146)	54,229,312
Slips and improvements	49,895,448	80,275	(233,433)	49,742,290
Other improvements	35,856,431	244,943	(2,650,702)	33,450,672
Wharf and loading ramps	7,798,154			7,798,154
Machinery and equipment	2,500,145	177,107	(44,983)	2,632,269
Computer equipment	1,449,542	116,495	(201,631)	1,364,406
Autos and trucks	441,832	60,884	(38,872)	463,844
Furniture and fixtures	333,437	46,284	(8,277)	371,444
Total capital assets, being depreciated	159,075,226	1,619,209	(10,642,044)	150,052,391
Less: accumulated depreciation	(74,677,505)	(4,779,661)	9,552,885	(69,904,281)
Total capital assets, being depreciated, net	84,397,721	(3,160,452)	(1,089,159)	80,148,110
Total capital assets, net	$122,935,414	$2,023,536	$(2,708,368)	$122,250,582

NOTE 4 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2018, is as follows:

	Beginning Balance As Restated	Additions	Reductions	Ending Balance	Due Within One year
Revenue bonds payable	$23,916,746	$	$(3,430,326)	$20,486,420	$3,593,268
Issuance discounts	(47,949)		5,378	(42,571)	
Total bonds payable	23,868,797		(3,424,948)	20,443,849	3,593,268
Compensated absences	454,554	461,665	(461,665)	454,554	227,277
Net pension liability (1)	3,527,037	4,910	(18,101)	3,513,846	
Other postemployment benefits (1)	233,741	44,493	(22,779)	255,455	
Capital appreciation interest payable	6,161,633	621,547		6,783,180	
Total long-term liabilities	$34,245,762	$ 1,132,615	$(3,927,493)	$31,450,884	$3,820,545

(1) Restated due to the implementation of GASB Statement No. 75

Interest Expense

Total interest costs incurred during the year ended September 30, 2018, was $1,289,704. Interest in the amount of $293,000 was capitalized as part of the cost of construction in progress during the year. Total interest paid during the year was $518,141

Revenue Bonds

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. At September 30, 2018, the following Revenue Bonds were outstanding:

- $ 9,576,835 Revenue Refunding Bonds, Series 2002
- $14,301,991 Revenue Refunding Bonds, Series 2013
- $ 9,077,666 Revenue Refunding Bonds, Series 2016

These bonds are payable from and secured by a first lien upon and a pledge of the gross revenues derived from the operation of the Port facilities on parity with the parity bonds and any pari passu additional bonds hereafter issued. Principal and interest paid for the year ended September 30, 2018 totaled $3,948,467 and pledged gross revenues were $18,942,144. At September 30, 2018, principal and interest to maturity in September 2026 to be paid from pledged future revenues totaled $33,219,090.

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

The pledge of the gross revenues derived from the operation of the Port facilities will not constitute a lien upon the Port facilities, or any part thereof, or any other property of the Port. The revenue bonds will not constitute an indebtedness of the Port, payable by general or special taxation, and the holders of the bonds shall not have the right to require or compel the exercise of the ad valorem taxing power of the Port, or the taxation of real estate of the Port for the payment of the principal of or interest on the bonds. Payment of the principal and interest on the bonds will be insured by a municipal or financial guaranty insurance policy issued by an insurer simultaneously with the issuance of the bonds.

The Revenue Bond indentures require that monthly deposits be made to restricted accounts for the payment of bond principal and interest, and that certain reserve accounts be maintained. The Bond indentures also require the Port to fix, establish, maintain and collect rates, fees, rents or other charges for the services and facilities of the Port which will be sufficient at all times to (a) pay the cost of maintaining, repairing and operating the Port property; (b) provide reserves for replacement of property and equipment; (c) provide for Business Development; and (d) pay debt service, sinking fund and reserve requirements, and additionally requires that rates be maintained and revised so that Net Revenues are at least 125% of the maximum annual debt service requirements for all the Port’s Revenue Bonds. Notwithstanding the foregoing, Net Revenues, less all Supplemental Revenues, shall always be adequate to pay, in each year, at least 110% of the maximum annual debt service requirements for all the Port’s Revenue Bonds. The Port’s bond counsel is of the opinion that the 125% test would not apply if the Port had no Supplemental Revenues. Net revenues are gross revenues, after deduction only of operating expenses plus supplemental revenues. Supplemental Revenues are all revenues received by the Port pursuant to Section 320.20(3) Florida Statutes, as amended and supplemented and any other moneys received or accrued to the Port including but not limited to recurring grants (either federal or state) or State sharing revenues. For the fiscal year ended September 30, 2018, the Port had no supplemental revenues. At September 30, 2018, the Port was in compliance with the bond covenants.

Revenue Refunding and Improvement Bonds, Series 2002

On December 18, 2002, the Port issued $9,576,835 of Revenue Refunding and Improvement Bonds, Series 2002. The issue includes $4,535,000 of current interest bonds, with interest rates of 3.00% to 4.00%, and $5,041,835 of capital appreciation bonds, with approximate yield to maturity of 5.40% to 5.51%. Interest on the current interest bonds is paid semiannually on March 1 and September 1. Interest on the capital appreciation bonds bear interest only at maturity, which maturity amount includes both the original principal amount and interest compounded semi-annually on each March 1 and September 1, commencing March 1, 2003 maturing September 1, 2022 through September 1, 2026. Principal payments on the current

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding and Improvement Bonds, Series 2002 (Continued)

interest are due each September 1 through 2012 and the capital appreciation bonds each September 1 beginning 2022 through 2026. The proceeds were used to refund the outstanding Port Revenue Refunding Bonds, Series 1992 on a current refunding basis, pay and defease a portion of the Revenue Improvement Bonds, Series 1996A on an advance refunding basis, to finance all or a portion of the costs of additions, extensions, improvements to the Port Facilities of the Port designated as the 2002 project, and to pay the costs of issuing the 2002 Bonds, including the cost of obtaining a bond insurance policy. The 2002 bonds are not subject to redemption prior to their stated maturity dates. The remaining current interest bonds and all the capital appreciation bonds are tax exempt. The tax-exempt bonds are not subject to alternative minimum tax.

Debt service requirements to maturity are as follows at September 30, 2018:

	Principal	Interest	Total Debt Service
2019	$	$	$
2020			
2021			
2022	911,724	1,693,276	2,605,000
2023	855,742	1,749,258	2,605,000
2024-2026	3,274,369	8,030,631	11,305,000
	$ 5,041,835	$ 11,473,165	$ 16,515,000

Revenue Refunding Bonds, Series 2013

On September 20, 2013 the Port issued $14,301,991 of Revenue Refunding Bonds, Series 2013, with an interest rate of 3.30%. The bonds were used to refinance all of the outstanding Revenue Improvement Bonds, Series 1999A; and pay the costs of issuing the 2013 Bonds, including the cost of obtaining a bond insurance policy. The remaining principle balance of $14,115,000 of the 1999A Bonds were placed in escrow and were retired on October 21, 2013. The tax-exempt bonds are subject to alternative minimum tax. Principal and interest are payable semiannually on March 1 and September 1, with interest payments beginning March 1, 2013 and principal payments beginning on September 1, 2013. The bonds mature on September 1, 2024. The 2013 bonds are subject to optional redemption, in whole, but not in part, on any payment date prior to the maturity date at a redemption price equal to 101% of the principal amount of the bond to be optionally redeemed, plus accrued interest to the optional redemption date.

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding Bonds, Series 2013 (Continued)

Debt service requirements to maturity are as follows at September 30, 2018:

	Principal	Interest	Total Debt Service
2019	$ 1,292,355	$ 277,680	$ 1,570,035
2020	1,335,428	235,032	1,570,460
2021	1,376,072	190,963	1,567,035
2022	1,424,208	145,553	1,569,761
2023	1,469,531	98,554	1,568,085
2024	1,516,950	50,059	1,567,010
	$ 8,414,544	$ 997,841	$ 9,412,386

Revenue Refunding Bonds, Series 2016

On July 7, 2016 the Port issued $9,077,666 of Revenue Refunding Bonds, Series 2016. The Bonds bear interest at the rate of 1.85%. The Bonds were issued to pay and defease all of the outstanding Revenue Refunding Bonds, Series 2005; and pay the costs of issuing the Bonds. The tax-exempt bonds are subject to alternative minimum tax. Interest on the Bonds is due semiannually on March 1 and September 1, beginning in 2017. Principal payments are due each September 1, beginning in 2017. The Bonds mature on September 1, 2021.

Debt service requirements to maturity are as follows at September 30, 2018:

	Principal	Interest	Total Debt Service
2019	$ 2,300,913	$ 130,056	$ 2,430,969
2020	2,344,279	87,489	2,431,768
2021	2,384,849	44,119	2,428,969
	$ 7,030,041	$ 261,664	$ 7,291,705

Bond Insurers

The Revenue Refunding and Improvement Bonds, Series 2002 issued by the Port in prior years are insured by Syncora Guarantee, Inc., (formerly XL Capital Assurance). Fitch Ratings, Moody’s Investors Service, and Standard & Poor’s Rating Service have all withdrawn ratings on Syncora Guarantee, Inc.

NOTE 5 – CONTRACTS AND CONTINGENCIES

Contingencies

The Port is involved in various litigations and claims arising in the course of operations. In the opinion of the Port's management, the ultimate resolution of these claims would not be material to the financial position of the Port. Accordingly, no provision for any liability that may result has been made in the accompanying financial statements.

Contractual Commitments

As of September 30, 2018, the Port had significant contractual commitments for the following projects:

Project	Contract Balance
MOB Demolition & Container Yard Expansion	$ 3,624,599
Berth #17 Improvements	2,329,534
On Port Rail Improvements	44,886
Berth #1 Improvements	8,822
	$ 6,007,841

Collective Bargaining Agreement

The Port's workforce is made up of approximately 47 staff and 5 Commissioners. The majority of the Port's non-management maintenance, railroad and security employees are union employees, which represents approximately 36% of the total. The Port renewed its collective bargaining agreement with the National Association of Government Employees, effective as of October 1, 2016, for a three-year period ending September 30, 2019. The agreement is automatically renewed for an additional year unless either party gives notice of termination. The agreement defines both employee and management rights, including: holidays, leaves of absence, work assignments, schedule, performance evaluation, wages, overtime, pension and health insurance benefits. The union is prohibited by law from going on strike and has also agreed not to strike, but to settle any questions or disputes through collective bargaining, grievance and arbitration procedures, or the Public Employees Relations Commissions or other appropriate governmental agency and the courts in the event of alleged unfair labor practices or other improper conduct.

NOTE 5 – CONTRACTS AND CONTINGENCIES (Continued)

Security Services Agreement

On April 19, 2017, the Port entered into an agreement with a security company to provide professional security services for all areas of the Port twenty-four hours a day seven days a week. Such services include without limitation the control of access to the Port, coordinated with Port security, police and fire personnel for the benefit of the Port and such other security services and activities as are generally provided for similar areas and as may be agreed between the parties and contained in a procedural manual written by the security company and approved by the Port. The term of this contract is for three (3) years and is renewable for up to three (3) additional one-year terms based on mutual agreements of both parties. The security company bills the Port weekly at the contract hourly rates for services provided. For the fiscal year ended September 30, 2018, the Port incurred costs of $866,289 pursuant to the agreement.

NOTE 6 – LEASING ACTIVITIES

The Port has entered into operating leases with tenants for the use of space at various Port facilities including vacant land, buildings, terminals, offices and commercial space for periods up to approximately 30 years. Generally, the leases are long-term leases that provide for minimum annual rentals and/or wharfage guarantees. (See also Note 10). Most leases contain a provision for periodic rental increases based on the Consumer Price Index. Total revenues from long-term leases for the period ended September 30, 2018 was $4,348,726. Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. As of September 30, 2018, the cost of the land, buildings, and improvements under operating leases was $67,184,330 and accumulated depreciation on these facilities was $19,994,914.

Minimum future rentals under non-cancelable operating leases having an initial term in excess of one year as of September 30, 2018 are as follows:

2019	$ 3,986,870
2020	3,581,881
2021	3,580,736
2022	3,458,806
2023	2,152,969
Thereafter	10,209,307
Total minimum future rentals	$ 26,970,569

NOTE 7 – DEFERRED COMPENSATION PLAN

Employees of the Port may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 - Deferred Compensation Plans with Respect to Service for State and Local Governments.

The deferred compensation plan is available to all employees of the Port. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. A third party administers the deferred compensation plan.

In 1999, the Port Adopted GASB-32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans.* The Port modified its Deferred Compensation Plan to conform with the changes in the Internal Revenue Code brought about by the Small Business Job Protection Act of 1996 (the "Act"). The Act requires that eligible deferred compensation plans established and maintained by governmental employers be amended to provide that all assets of the plan be held in trust, or under one or more appropriate annuity contracts or custodial accounts, for the exclusive benefit of plan participants and their beneficiaries. As a result of this change, these plan assets are no longer property of the Port and will no longer be subject to the claims of the Port's general creditors. Because the Port has little administrative involvement and does not perform the investing function for funds in the Plan, the Port's activities do not meet the criteria for inclusion in the fiduciary funds of a government.

NOTE 8 – FLORIDA RETIREMENT SYSTEM

General Information

All full-time employees participate in the Florida Retirement System (FRS). The FRS was created in Chapter 121, Florida Statutes, to provide a defined benefit pension plan for participating public employees. The FRS was amended in 1998 to add the Deferred Retirement Option Program (DROP) under the defined benefit plan and amended in 2000 to provide a defined contribution plan alternative to the defined benefit plan for FRS members effective July 1, 2002. This integrated defined contribution pension plan is the Florida Retirement System Investment Plan. Chapter 112, Florida Statutes, established the Retiree Health Insurance Subsidy (HIS) Program, a cost sharing multiple-employer defined benefit pension plan, to assist retired members of any state administered retirement system in paying the costs of health insurance.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

General Information (Continued)

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and escribed in detail. Such provisions may be amended at any time by further action from the Florida Legislature. The FRS is single retirement system administered by the Florida Department of Management Services, Division of Retirement, and consists of the two cost-sharing, multiple-employer defined benefit plans and other nonintegrated programs.

The State of Florida annually issues a publicly available financial report that includes financial statements and required supplementary information for the FRS. The latest available report may be obtained by writing to the State of Florida Division of Retirement, Department of Management Services, P.O. Box 9000, Tallahassee, Florida 32315-9000 or calling toll free at 877-377-1737. The report is also available at the Florida Department of Management Services web site www.dms.myflorida.com.

Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Florida Retirement System Pension Plan (FRSP) and the Florida Retirment System Health Insurance Subsidy Program and additions to/deduction from the FRSP and HIS fiduciary net position have been determined on the same basis as they are reported by FRSP and HIS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN

Plan Description

The FRS 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 are as follows:

Regular Class
Special Risk Class
Elected Officials Class
Senior Management Service Class

Employees enrolled in the Plan prior to July 1, 2011, vest at six years of creditable service and employees enrolled in the Plan on or after July 1, 2011, vest at eight years of creditable service. All vested members, enrolled prior to July 1, 2011, are eligible for normal retirement benefits at age 62 or at any age after 30 years of service.

Section 121.091, Florida Statutes, permits employees eligible for normal retirement under the Plan to defer receipt of monthly benefit payments while continuing employment with an FRS employer. An employee may participate in DROP for a period not to exceed 60 months after electing to participate, except that certain instructional personnel may participate for up to 96 months. During the period of DROP participation, deferred monthly benefits are held in the FRS Trust Fund and accrue interest. The net pension liability does not include amounts for DROP participants, as these members are considered retired and are not accruing additional pension benefits.

Benefits Provided

Benefits under the 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 class to which the member belonged when the service credit was earned. Members are eligible for in-line-of-duty or regular disability and survivors' benefits.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Benefits Provided (Continued)

The following table shows the percentage value for each year of service credit earned:

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%
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00%
Service on or after October 1, 1974	3.00%
Elected Officials Class	3.00%
Senior Management Service Class	2.00%

As provided in Section 121.101, Florida Statutes, if the member is initially enrolled in the FRS before July 1, 2011, and all service credit was accrued before July 1, 2011, the annual cost-of-living adjustment is 3 percent per year. If the member is initially enrolled before July 1, 2011, and has service credit on or after July 1, 2011, there is an individually calculated cost-of-living adjustment. The annual cost-of-living adjustment is a proportion of 3 percent determined by dividing the sum of the pre-July 2011 service credit by the total service credit at retirement multiplied by 3 percent. Plan members initially enrolled on or after July 1, 2011 will not have a cost-of-living adjustment after retirement.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Contributions

Effective July 1, 2011, all enrolled members of the FRS, other than DROP participants, are required to contribute three percent of their salary to the FRS. In addition to member contributions, governmental employers are required to make contributions to the FRS 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 fiscal year ended September 30, 2018 were as follows:

Class	10/01/17 through 06/30/18	07/01/18 through 09/30/18
Regular Class	7.92%	8.26%
Senior Management Service Class	22.71%	24.06%
Special Risk Class	23.27%	24.50%
Elected Officials Class	45.50%	48.70%
DROP	13.26%	14.03%

The employer contribution rates include a 1.66% HIS Plan subsidy. Except for the DROP, the rates also include 0.06% for administrative costs of the Public Employee Optional Retirement Program.

For the fiscal year ended September 30, 2018, the Port made contributions of $222,139 to the Pension Plan and the Port’s employees made contributions of $85,747, for total contributions of $307,886.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the Port reported a liability of $2,464,745 for its proportionate share of the Pension Plan’s net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Port’s proportionate share of the net pension liability was based on the Port’s 2017-2018 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members. At June 30, 2018, the Port's proportionate share was 0.008182944 percent, which was a decrease of 0.000130263 percent from its proportionate share measured as of June 30, 2017.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the fiscal year ended September 30, 2018, the Port recognized pension expense of $451,702 related to the Plan. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expeccted and actual experience	$ 208,801	$ 7,578
Change of assumptions	805,359	
Net diffference between projected and actual earnings on Pension Plan assets		190,432
Change in proportions and differences between Pension Plan contributions and proportionate share of contributions	81,572	38,057
Port Pension Plan contribtuions subsequent to the measurement date	56,044	
Total	$ 1,151,776	$ 236,067

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The deferred outflows of resources related to the Pension Plan, totaling $56,044 resulting from Port contributions to the Plan subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the fiscal year ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2019	$ 345,209
2020	229,685
2021	31,182
2022	145,340
2023	95,432
Thereafter	12,817
	$ 859,665

Actuarial Assumptions

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.40%, net of pension plan investment expense, including inflation
Mortality	Generational RP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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:

Asset Class	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	2.9%	2.9%
Fixed Income	18.0%	4.4%	4.3%
Global Equity	54.0%	4.6%	6.3%
Real Estate (Property)	11.0%	6.6%	6.0%
Private Equity	10.0%	10.7%	7.8%
Strategic Investments	6.0%	6.0%	5.7%
Total	100.0%		
Assumed Inflation - Mean			2.6%

(1) As outlined in the Pension Plan's investment policy

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. 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 calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Port's 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 using the discount rate of 7.00%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.00%) or one percentage point higher (8.00%) than the current rate:

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
Port's proportionate share of the net pension liability	$ 4,498,263	$ 2,464,745	$ 775,788

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At September 30, 2018, the Port reported a payable in the amount of $23,933 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2018.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Plan Description

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

Benefits Provided

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

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2018, the HIS contribution rate was 1.66%. The Port contributed 100% of its statutorily required contributions for the current and preceding three years. 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.

The Port’s contributions to the HIS Plan totaled $53,253 for the fiscal year ended September 30, 2018.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2018, the Port reported a liability of $1,049,101 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2018. The Port's proportionate share of the net pension liability was based on the Port's 2017-2018 fiscal year contributions relative to the 2017-2018 fiscal year contributions of all participating members. At June 30, 2018, the Port's proportionate share was 0.008812036 percent, which was a decrease of 0.000068846 percent from its proportionate share measured as of June 30, 2017.

For the fiscal year ended September 30, 2018, the Port recognized pension expense of $86,543. In addition, the Port reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expeccted and actual experience	$ 16,061	$ 1,782
Change of assumptions	116,673	110,920
Net diffference between projected and actual earnings on Pension Plan assets	633	190,432
Change in proportions and differences between Pension Plan contributions and proportionate share of contributions	56,801	14,006
Port Pension Plan contribtuions subsequent to the measurement date	12,217	
Total	$ 202,385	$ 317,140

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The deferred outflows of resources related to the HIS Plan, totaling $12,217 resulting from Port 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 ended September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS

Fiscal Year Ending September 30	Amount
2019	$ 22,914
2020	22,861
2021	18,248
2022	12,360
2023	(6,796)
Thereafter	(6,127)
	$ 63,460

Actuarial Assumptions

The total pension liability in the July 1, 2018, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2018
Measurement date	June 30, 2018
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.87%
Investment rate of return	N/A
Mortality	GenerationalRP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2018, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.87%. 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 HIS Plan sponsor. The Bond Buyer General Obligation 20-Bond Municipal Bond Index was adopted as the applicable municipal bond index.

Sensitivity of the Port's 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 using the discount rate of 3.87%, as well as what the Port's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (2.87%) or one percentage point higher (4.87%) than the current rate:

	1% Decrease 2.87%	Current Discount Rate 3.87%	1% Increase 4.87%
Port's proportionate share of the net pension liability	$ 1,194,865	$ 1,049,101	$ 927,599

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 Pension Plan

At September 30, 2018, the Port reported a payable in the amount of $4,016 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2018.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (CONTINUED)

INVESTMENT PLAN

Plan Description

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida. 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 FRS defined benefit plan. Port 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 Legislature.

Funding Policy

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the defined benefit 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 0.06 percent of payroll and by forfeited benefits of plan members.

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

INVESTMENT PLAN (Continued)

Funding Policy (Continued)

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Port's employees for the fiscal year ended September 30, 2018, are as follows:

Class	10/01/17 through 06/30/18	07/01/18 through 09/30/18
Regular Class	7.92%	8.26%
Senior Management Service Class	22.71%	24.06%
Special Risk Class	23.27%	24.50%
Elected Officials Class	45.50%	48.70%
DROP	13.26%	14.03%

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

INVESTMENT PLAN (Continued)

Funding Policy (Continued)

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 Port's Investment Plan pension expense totaled $25,204 for the fiscal year ended September 30, 2018, and as of the fiscal year end, the Port reported a payable in the amount of $2,800 for outstanding contributions to the Investment Plan.

SUMMARY DATA

The following table provides a summary of significant information related to the Florida Retirement System defined benefit plans for the year ended September 30, 2018.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	$ 15,655,395	$ 1,072,143	$ 16,727,538
Proportionate share of plan fiduciary net position	13,190,650	23,042	13,213,692
Proportionate share of net pension liability	2,464,745	1,049,101	3,513,846
Proportionate share of deferred outflows of resources	1,151,776	202,385	1,354,161
Proportionate share of deferred inflows of resources	236,067	126,708	362,775
Pension expense	451,702	86,543	538,245

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

The Port provides a single employer defined benefit health care plan to all of its employees. The plan allows its employees and their beneficiaries, at their own cost, to continue to obtain health, dental and other insurance benefits upon retirement. The benefits of the plan are in accordance with Florida Statutes, which are the legal authority for the plan. The plan has no assets and does not issue a separate financial report.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Contributions

The Port does not directly make a contribution to the plan on behalf of retirees. Retirees and their beneficiaries pay the same group rates as are charged to the Port for active employees by its healthcare provider. However, the Port's actuaries, in their actuarial valuation, calculate an offset to the cost of these benefits as an Employer Contribution, based upon an implicit rate subsidy. This offset equals the total age-adjusted costs paid by the Port or its active employees for coverage of the retirees and their dependents for the year net of the retiree's own payments for the year.

Plan Membership

The following table provides a summary of the participants in the plan as of September 30, 2018:

Active plan members	51
Inactive plan members or beneficiaries currently receiving benefits	7
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	
	58

The inactive plan members receiving benefits include two receiving health insurance, four receiving vision insurance, and seven receiving dental insurance.

Discount Rate

The Port does not have a dedicated trust to pay retiree healthcare benefits. For plans that do not have assets held in a dedicated trust, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. As of the measurement date of September 30, 2018, the municipal bond rate was 3.50% based on the daily rate of Fidelity's 20-Year Municipal General Obligation AA Index closest to but not later than the measurement date. The discount rate as of the beginning of the measurement year was 3.50%.

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

At September 30, 2018, the Port reported a total OPEB liability of $255,455. For the fiscal year ended September 30, 2018, the Port recognized OPEB expense of $44,493. As of September 30, 2018, the Port did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions

The total OPEB liability was calculated using the Alternative Measurement Method in accordance with the GASB Statement No. 75 methodology.

Significant methods and assumptions were as follows:

Valuation date	September 30, 2018
Measurement date	September 30, 2018
Actuarial cost method	Entry Age Normal
Discount rate	3.50%
Retirement age	62
Mortality Tables	RP2000 Mortality Table for Males and Females Projected 18 years
Healthcare cost trend rates	Medical – 4.60% initially trending to 4.70% in 10 years Pharmacy – 7.60% initially trending to 4.70% in 10 years Dental – 3.50% initially trending to 3.00% in 10 years Vision – 3.00%
Percentage participation	5.00%
Age adjustment factor	1.57673

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2018 were as follows:

Description	Total OPEB Liability
Balance September 30, 2017, as restated	$ 233,741
Changes due to:	
Service cost	16,117
Interest on the total OPEB liability	8,350
Changeof assumptions and other inputs	20,026
Benefit payments	(22,779)
Total changes	21,714
Balance September 30, 2018	$ 255,455

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the Port calculated using the single discount rate of 3.50% as well as what the Port's total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

Discount Rate Sensitivity	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Total OPEB liability	$ 285,002	$ 255,455	$ 230,518

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Trend Rates

The following table presents the total OPEB liability of the Port calculated using the assumed trend rates as well as what the Port's total OPEB liability would be if it were calculated using trend rates that are one percentage point lower or one percentage point higher than the assumed trend rates.

Healthcare Trend Rate Sensitivity	1% Decrease	Current Healthcare Trend Rate Assumtion	1% Increase
Total OPEB liability	$ 227,264	$ 255,455	$ 289,034

NOTE 10 – MAJOR CUSTOMERS

The Port had revenue from two major customers providing more than 10% each of the Port facilities revenue during the fiscal year ended September 30, 2018. The Port facilities total revenue from these customers were as follows:

Tropical Shipping USA, LLC/Birdsall, Inc.		$ 6,500,896
Paradise Cruise Line(Multi-day Cruise):		
Revenue	$ 8,019,583	
Less Direct Marketing Support	(4,287,038)	
Net		$ 3,732,545

NOTE 11 – RISK MANAGEMENT

The Port is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Port manages the exposure to these risks through the purchase of commercial insurance with high limits of coverage. The Port has not significantly reduced insurance coverage from the prior year nor did the amount of settlement exceed the insurance coverage for each of the past three fiscal years.

Florida Statutes limit the Port's maximum loss for most liability claims to $200,000 per person and $300,000 per occurrence under the Doctrine of Sovereign Immunity. However, under certain circumstances, a plaintiff can seek to recover damages in excess of statutory limits by introducing a claims bill to the Florida Legislature. The limits addressed in Florida Statutes do not apply to claims filed in Federal courts.

The Port is a defendant in a lawsuit with respect to construction of Berth 17 for breach of contract. The plaintiff in the suit is seeking significant damages. The Port has claims for liquidated damages that could offset or exceed the claims. The project is not yet completed and counsel for the Port and counsel for the plaintiff have agreed to attempt to amicably resolve the claims, and any claims which have since arisen, when the project is complete. Within limits of a Joint Participation Agreement with the Florida Department of Transportation (FDOT), the project is funded 50% by FDOT and 50% by the Port. However, the demands exceed the amount for which FDOT would be responsible for a 50% share. The outcome of the claims can't be determined at this time.

NOTE 12 – CHANGE IN ACCOUNTING PRINCIPLE

As discussed in Note 1, the Port implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, during the current fiscal year. This Statement requires employers participating in a single employer defined other postemployment benefit plan (OPEB) to report the total OPEB liability and related OPEB amounts of the plan. The cumulative effect of applying this Statement has been reported as a restatement of the beginning net position of the Governmental Activities on the entity-wide financial statements. A reconciliation of the prior period ending net position to the current period beginning net position is as follows:

Balance at September 30, 2017, as reported	$ 115,505,902
Adjustment for adoption of GASB 75	(27,251)
Balance at September 30, 2017, as restated	$ 115,478,651

PORT OF PALM BEACH DISTRICT
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
For the Fiscal Year Ended September 30, 2018

Total OPEB Liability		**2018**
Service cost	$	16,117
Interest on total OPEB liability		8,350
Effect of plan changes		
Effect of economic/demographic gains or losses		20,026
Effect of assumption changes or inputs		
Benefit payments		(22,779)
Net change in total OPEB liability		**21,714**
Total OPEB liability - beginning, as restated		**233,741**
Total OPEB liability - ending	**$**	**255,455**

This schedule is intended to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for those years for which information is available.

PORT OF PALM BEACH DISTRICT
Required Supplementary Information (RSI)
Schedule of Employer Contributions
Florida Retirement System
Pension Plan
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
Contractually required FRS contribution	$ 175,044	$ 184,968	$ 191,710	$ 206,378	$ 222,139
FRS contributions in relation to the contractually required contribution	175,044	184,968	191,710	206,378	222,139
FRS contribution deficiency (excess)	$	$	$	$	$
Port's covered payroll	$ 2,441,446	$ 2,428,447	$ 2,673,155	$ 2,790,575	$ 2,867,752
FRS contributions as a percentage of covered payroll	7.17%	7.62%	7.17%	7.40%	7.75%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available.

PORT OF PALM BEACH DISTRICT
Required Supplementary Information (RSI)
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System
Pension Plan
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
Proportion of the FRS net pension liability	0.007888215%	0.008252378%	0.008005711%	0.008313207%	0.008182944%
Proportionate share of the FRS net pension liability	$ 481,297	$ 1,065,905	$ 2,021,448	$ 2,459,835	$ 2,464,745
Port's covered payroll	$ 2,376,687	$ 2,425,471	$ 2,599,590	$ 2,842,134	$ 2,893,846
Port's proportionate share of the FRS net pension liability as a percentage of covered payroll	20.25%	43.95%	77.76%	86.55%	85.17%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%	84.26%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year are as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 7.65% in 2015 to 7.60% in 2016 to 7.10% in 2017 to 7.00% in 2018.

PORT OF PALM BEACH DISTRICT
Required Supplementary Information (RSI)
Schedule of Employer Contributions
Florida Retirment System
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Years

	2014	2015	2016	2017	2018
Contractually required HIS contribution	$ 34,758	$ 37,844	$ 49,491	$ 51,922	$ 53,253
HIS contributions in relation to the contractually required contribution	34,758	37,844	49,491	51,922	53,253
HIS contribution deficiency (excess)	$	$	$	$	$
Port's covered payroll	$ 2,836,296	$ 2,764,755	$ 2,981,376	$ 3,127,843	$ 3,208,018
HIS contributions as a percentage of covered payroll	1.23%	1.37%	1.66%	1.66%	1.66%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available.

PORT OF PALM BEACH DISTRICT
Required Supplementary Information (RSI)
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System
Retiree Health Insurance Subsidy Program
Last Ten Fiscal Year

	2014	2015	2016	2017	2018
Proportion of the HIS net pension liability	0.009320020%	0.009120310%	0.009441180%	0.009980882%	0.009912036%
Proportionate share of the HIS net pension liability	$ 871,445	$ 930,128	$ 1,100,330	$ 1,067,202	$ 1,049,101
Port's covered payroll	$ 2,777,231	$ 2,766,916	$ 2,914,569	$ 3,181,401	$ 3,237,451
Port's proportionate share of the HIS net pension liability as a percentage of it covered payroll	31.38%	33.62%	37.75%	33.55%	32.41%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%	1.64%	2.15%

This schedule is intended to present data for 10 years. For years prior to 2014 data are unavailable. Additional years will be presented as they become available. The amounts presented for each fiscal year are as of the June 30 measurement date. The Plan's fiduciary net position as a percentage of the total pension liability is published in the Plan's Comprehensive Annual Financial Report. The discount rate decreased from 4.29% in 2014 to 3.80% in 2015 to 2.85% in 2016 increased to 3.58% in 2017 and increased to 3.87% in 2018..

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
$9,576,835 Revenue Refunding Bonds - Series 2002
September 30, 2018

Year Ending September 30	Interest	Retirement of Bonds	Total
2019	$	$	$
2020			
2021			
2022	1,693,276	911,724	2,605,000
2023	1,749,258	855,742	2,605,000
2024	1,799,169	805,831	2,605,000
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	$ 11,473,165	$ 5,041,835	$ 16,515,000

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
$14,301,991 Revenue Refunding Bonds - Series 2013
September 30, 2018

Year Ending September 30	Interest	Retirement of Bonds	Total
2019	$ 277,680	$ 1,292,355	$ 1,570,035
2020	235,032	1,335,428	1,570,460
2021	190,963	1,376,072	1,567,035
2022	145,553	1,424,208	1,569,761
2023	98,554	1,469,531	1,568,085
2024	50,059	1,516,950	1,567,009
	$ 997,841	$ 8,414,544	$ 9,412,385

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
$9,077,966 Revenue Refunding Bonds - Series 2016
September 30, 2018

Year Ending September 30	Interest	Retirement of Bonds	Total
2019	$ 130,056	$ 2,300,913	$ 2,430,969
2020	87,489	2,344,279	2,431,768
2021	44,119	2,384,849	2,428,968
	$ 261,664	$ 7,030,041	$ 7,291,705

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
Combined Revenue Bonds
September 30, 2018

Year Ending September 30	Interest	Retirement of Bonds	Total
2019	$ 407,736	$ 3,593,268	$ 4,001,004
2020	322,521	3,679,707	4,002,228
2021	235,082	3,760,921	3,996,003
2022	1,838,829	2,335,932	4,174,761
2023	1,847,812	2,325,273	4,173,085
2024	1,849,228	2,322,781	4,172,009
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	$ 12,732,670	$ 20,486,420	$ 33,219,090

PORT OF PALM BEACH DISTRICT
Schedule of Port Facilities Revenues
For the Fiscal Years Ended
September 30, 2018 and 2017

	2018	2017
Wharfage	$ 3,954,805	$ 3,586,472
Rent	4,383,957	4,239,509
Dockage	2,235,834	2,214,939
Parking	1,372,946	1,440,349
Passenger wharfage	1,410	
Net passenger charges	3,261,832	2,533,252
Storage	232,482	71,384
Water	133,902	95,249
Line handling	127,704	127,600
Miscellaneous	737,307	577,194
Switching	703,025	628,742
Licenses	118,600	108,900
Identification badging	27,561	28,857
Security fee	625,546	589,043
Cargo terminal fee	768,863	688,159
Harbor master fee	202,872	181,962
Vessel bunkers	53,498	53,711
Total Port Facilities Revenue	**$ 18,942,144**	**$ 17,165,322**

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses
For the Fiscal Years Ended
September 30, 2018 and 2017

	2018	2017
General expenses		
Insurance and surety bonds	$ 376,750	$ 515,543
Retirement	513,728	511,313
Group insurance	968,951	886,612
State and local taxes	38	30,632
Audit and other accounting services	82,446	69,882
Bad debt expense		126,279
Trustee fees	5,662	6,947
Consulting	36,045	37,559
Miscellaneous	28,774	29,226
Total general expenses	**2,012,394**	**2,213,993**
Engineering and maintenance		
Salaries	545,006	497,985
Payroll taxes	39,993	36,062
Maintenance and repairs - buildings and grounds	764,419	492,411
Electricity	412,884	396,782
Water	708,935	640,544
Janitorial and trash removal	269,218	188,422
Maintenance and repairs - equipment	24,744	38,140
Engineering fees	50,105	25,211
Surveys and maps	1,486	2,494
Fuel and oil - port vehicles	33,662	33,215
Telephone	36,335	36,309
Uniforms	18,139	14,823
Shop maintenance and supplies	26,363	16,198
Miscellaneous	-	729
Total engineering and maintenance	**2,931,289**	**2,419,325**
Security		
Salaries	820,172	774,754
Payroll taxes	59,469	56,448
Contract services	1,026,096	871,843
Security equipment	57,197	31,145
Identification badges	7,270	3,567
Uniforms	14,661	6,825
Telephone	11,216	10,731
Maintenance and repairs - radios	34,377	23,665
Miscellaneous	40,594	5,347
Total security	**2,071,052**	**1,784,325**

(Continued)

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses (Continued)
For the Fiscal Years Ended
September 30, 2018 and 2017

	2018	2017
Administration		
Salaries	$ 1,357,271	$ 1,349,874
Payroll taxes	91,572	93,007
Telephone	78,344	78,135
Maintenance and repairs	9,785	9,456
Information Systems	103,685	111,471
Supplies, stationary and printing	34,466	28,797
Postage	4,140	3,361
Dues and subscriptions	2,385	2,152
Publications	7,083	14,184
Legal fees and other professional fees	141,360	96,424
Miscellaneous	17,286	27,624
Total administration	**1,847,377**	**1,814,485**
Business development		
Salaries	405,123	377,688
Payroll taxes	27,579	25,832
Retirement	41,699	37,574
Advertising and promotion	44,384	34,038
Trade development	42,807	56,101
Community relations	17,379	16,668
Travel	18,497	23,816
Anniversary Celebration		-
Dues and subscriptions	60,294	61,883
Publications	13,511	9,536
Miscellaneous	12,866	12,604
Total business development	**684,139**	**655,740**
Operations		
Salaries	170,740	145,572
Payroll taxes	12,663	10,689
Customer & Tenant Operation	19,978	269
Telephone	1,237	995
Maintenance and repairs - train	32,488	29,770
Maintenance and repairs - track	30,569	42,252
Fuel and oil - train	35,408	27,790
Miscellaneous	6,869	222
Total operations	**309,952**	**257,559**
Amortization	**48,992**	**28,817**
Depreciation	**4,779,661**	**4,757,631**
Total operating expenses	**$ 14,684,856**	**$ 13,931,875**

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses
For the Fiscal Years Ended
September 30, 2018 and 2017

	2018	2017
Revenue		
Port facilities	$ 23,229,182	$ 21,540,235
Less: Direct marketing support	(4,287,038)	(4,374,913)
Net operating revenue	**18,942,144**	**17,165,322**
Expenses		
General expenses	2,012,394	2,213,993
Engineering and maintenance	2,931,289	2,419,325
Security	2,071,052	1,784,325
Administration	1,847,377	1,814,485
Business development	684,139	655,740
Operations	309,952	257,559
Operating expenses	**9,856,203**	**9,145,427**
Operating income before depreciation and amortization	**9,085,941**	**8,019,895**
Depreciation and amortization expense	**4,828,653**	**4,786,448**
Operating income after depreciation and amortization	**4,257,288**	**3,233,447**
Non-operating revenues (expenses)		
Investment earnings	158,189	46,191
Grant revenue	230,249	55,772
Grant expense	(206,500)	(28,690)
Insurance recoveries	67,608	60,721
Gain (loss) on disposition of assets	(1,088,109)	2,500
Debt issue cost	-	(97)
Interest expense	(996,704)	(1,363,288)
Total non-operating revenues (expenses)	**(1,835,267)**	**(1,226,891)**
Income before contributions	**2,422,021**	**2,006,556**
Capital contributions	**1,526,342**	**2,855,381**
Change in net position	**$ 3,948,363**	**$ 4,861,937**

PORT OF PALM BEACH DISTRICT
Budgetary Comparison Schedule
For the Fiscal Year Ended
September 30, 2018

	Actual	Budget	Variance Over (Under)
Operating revenues			
Wharfage	$ 3,954,805	$ 3,885,867	$ 68,938
Dockage	2,235,834	2,285,008	(49,174)
Parking	1,372,946	1,578,718	(205,772)
Passengers	1,410		1,410
Passenger charges	7,548,870	7,314,328	234,542
Storage	232,482	110,067	122,415
Water	133,902	90,336	43,566
Line handling	127,704	130,802	(3,098)
Switching	703,025	665,214	37,811
Identification badging	27,561	30,675	(3,114)
Cargo terminal fee	768,863	760,527	8,336
Harbor master fees	202,872	193,991	8,881
Security fee	625,546	640,263	(14,717)
Licenses and permits	118,600	105,300	13,300
Miscellaneous income	737,307	668,961	68,346
Rent	4,383,957	4,067,154	316,803
Vessel bunkers	53,498	57,439	(3,941)
Total operating revenues	23,229,182	22,584,650	644,532
Less: Direct marketing support	(4,287,038)	(4,138,289)	(148,749)
Net operating revenues	18,942,144	18,446,361	495,783
Operating expenses			
General expenses	2,012,394	1,796,458	215,936
Engineering and maintenance	2,931,289	2,894,935	36,354
Security	2,071,052	1,931,621	139,431
Administration	1,847,377	1,794,630	52,747
Business development	684,139	749,304	(65,165)
Operations	309,952	293,466	16,486
Operating expenses before depreciation and amortization	9,856,203	9,460,414	395,789
Operating income before depreciation and amortization	9,085,941	8,985,947	99,994
Amortization	48,992	48,817	175
Depreciation	4,779,661	4,760,694	18,967
Operating income	4,257,288	4,176,436	80,852
Non-operating revenue (expenses)			
Investment earnings	158,189	138,000	20,189
Grant revenue	230,249	75,000	155,249
Grant expense	(206,500)		(206,500)
Insurance recoveries	67,608		67,608
Gain (loss) on disposition of assets	(1,088,109)	(1,215,000)	126,891
Interest expense	(996,704)	(1,289,705)	293,001
Total non-operating revenue (expenses)	(1,835,267)	(2,291,705)	456,438
Income before capital contributions	$ 2,422,021	$ 1,884,731	$ 537,290

PORT OF PALM BEACH DISTRICT
Schedule of Operating Statistics
For the Fiscal Years Ended
September 30, 2018 and 2017
Unaudited

	2018	2017	Percent Change
CARGO TONNAGE			
General Cargo			
Container	1,358,730	1,270,625	6.93%
Break-bulk	111,965	96,530	15.99%
Relay	64,071	80,948	(20.85%)
Sub-Total	1,534,766	1,448,103	5.98%
Bulk and Dry Cargo			
Asphalt	118,191	101,023	16.99%
Diesel	142,925	122,174	16.98%
Fuel Oil	90,406		100.00%
Molasses	139,656	184,176	(24.17%)
Sugar	513,744	593,563	(13.45%)
Recyclable metal	27,705	35,618	(22.22%)
Sub-Total	1,032,627	1,036,554	(0.38%)
TOTAL ALL CARGO	2,567,393	2,484,657	3.33%
TEUs			
Inbound	141,236	135,906	3.92%
Outbound	145,468	139,632	4.18%
Trans-shipment	5,600	6,752	(17.06%)
TOTAL TEUs	292,304	282,290	3.55%
RAIL CARS (IN AND OUT BOUND)	20,048	18,885	6.16%
VESSELS	1,683	1,533	9.78%
PASSENGERS	462,674	432,585	6.96%

PORT OF PALM BEACH DISTRICT
Net Position
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited

Year Ending September 30		Net Investment in Capital Assets	Restricted	Unrestricted	Total
2009	(1)	68,128,082	8,506,428	6,618,653	83,253,163
2010	(1)	67,277,388	7,924,528	6,885,468	82,087,384
2011		66,302,448	3,012,502	11,555,399	80,870,349
2012		70,964,253	2,551,244	11,339,498	84,854,995
2013	(2) (3)	75,618,050	1,803,999	13,391,300	90,813,349
2014	(4)	88,705,163	1,222,146	10,784,688	100,711,997
2015		92,452,076	1,399,672	12,451,083	106,302,831
2016		93,240,172	1,102,486	16,301,307	110,643,965
2017	(5)	99,729,682	1,080,356	14,668,613	115,478,651
2018		102,315,957	1,671,605	15,439,452	119,427,014

(1) Prior to the implementation of GASB Statement No. 54, Restricted Assets were reserved for debt service, renewal and replacement, business development, capital improvements, compensating balances, and customer deposits, and thereafter capital improvements were no longer considered restricted.

(2) GASB Statement No. 63 was implemented in fiscal year 2013 and identifies net position as the residual of all other elements presented in a statement of financial position. It further requires the "Capital asset, net of debt" now be titled "Net investment in capital assets" and the the last line of the statements, previously called "Net assets" now be titled "Net position".

(3) Beginning net position was restated due to prior period adjustments that were made to comply with GASB Statement No. 65 that was adopted in fiscal year 2013.

(4) Ending net position was restated due to adjustments that were made to comply with GASB Statement No. 68 that was adopted in fiscal year 2015.

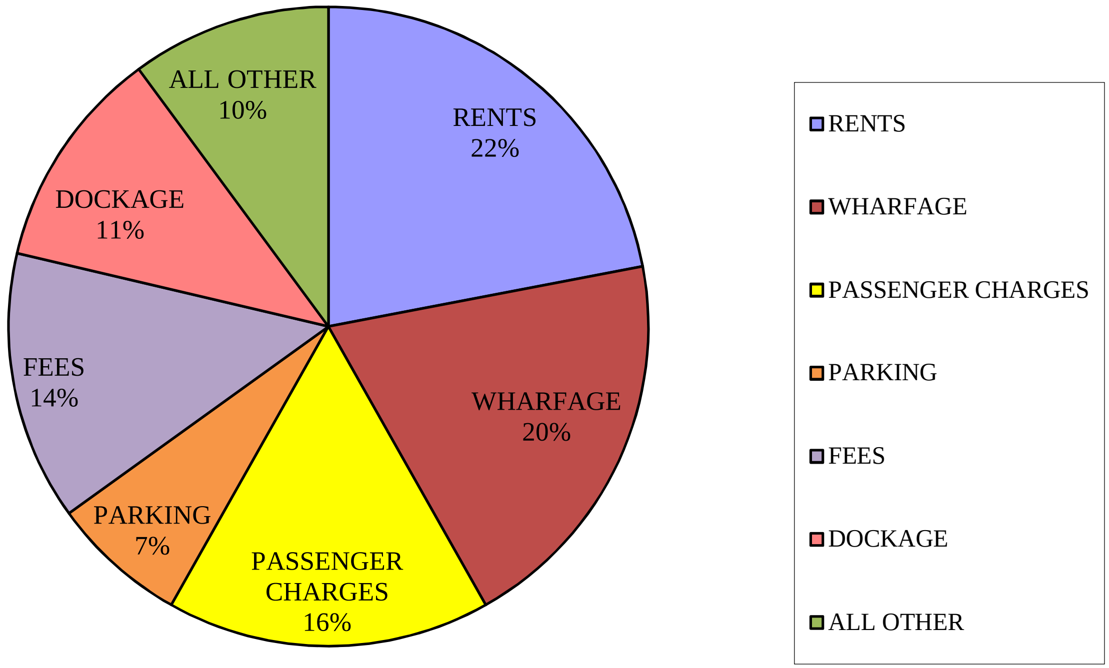
(5) Ending net position was restated due to prior period adjustments that were made to comply with GASB Statement No. 75 that was adopted in fiscal year 2018.

PORT OF PALM BEACH DISTRICT
Operating Revenues by Source
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited

	2009	2010	2011	2012	2013
Wharfage	$ 2,554,546	$ 2,983,573	$ 2,567,801	$ 3,081,238	$ 3,465,204
Rent	3,828,131	3,806,265	3,782,088	4,193,930	4,565,986
Dockage	1,276,999	1,498,641	1,474,044	1,626,476	1,680,365
Parking	260,731	631,122	838,664	969,020	987,052
Passenger wharfage	542,039	154,901			61,816
Net passenger charges		895,953	1,380,003	1,854,073	1,839,498
Storage	104,866	98,307	106,742	242,344	309,647
Water	147,423	103,889	84,258	77,519	80,050
Line handling	51,600	35,600	38,400	48,600	59,200
Miscellaneous	105,183	222,751	121,848	541,606	453,320
Switching	350,235	351,396	308,428	392,583	421,825
Licenses	87,600	114,700	125,000	118,500	115,450
Identification badging	76,928	71,800	20,708	12,827	22,337
Terminal operating fee	10,850	26,391			
Security fee	607,676	528,537	481,071	505,006	535,019
Cargo terminal fee	397,558	521,546	460,614	540,615	689,458
Harbor master fee	68,415	77,735	81,610	88,740	99,980
Vessel bunkers	27,290	37,290	44,640	45,990	44,010
Total	**$ 10,498,070**	**$ 12,160,397**	**$ 11,915,919**	**$ 14,339,067**	**$ 15,430,217**

	2014	2015	2016	2017	2018
Wharfage	$ 3,562,456	$ 3,030,665	$ 3,526,606	$ 3,586,472	$ 3,954,805
Rent	4,515,033	4,524,583	4,563,441	4,239,509	4,383,957
Dockage	1,731,439	1,602,038	2,090,756	2,214,939	2,235,834
Parking	1,186,040	1,142,624	1,493,751	1,440,349	1,372,946
Passenger wharfage	59,305	65,153	384,669		1,410
Net passenger charges	2,013,881	2,060,173	1,945,396	2,533,252	3,261,832
Storage	66,939	33,977	38,705	71,384	232,482
Water	79,888	80,050	74,842	95,249	133,902
Line handling	28,000	47,200	167,800	127,600	127,704
Miscellaneous	396,087	454,739	192,069	577,194	737,307
Switching	528,987	595,658	527,907	628,742	703,025
Licenses	111,300	108,900	100,200	108,900	118,600
Identification badging	47,496	29,760	34,826	28,857	27,561
Terminal operating fee					
Security fee	536,966	494,829	615,631	589,043	625,546
Cargo terminal fee	661,301	594,948	618,438	688,159	768,863
Harbor master fee	107,500	156,450	182,615	181,962	202,872
Vessel bunkers	45,480	48,480	82,084	53,711	53,498
Total	**$ 15,678,098**	**$ 15,070,227**	**$ 16,639,736**	**$ 17,165,322**	**$ 18,942,144**

PORT OF PALM BEACH DISTRICT
Operating Revenues By Source
For the Fiscal Year Ended September 30, 2018
Unaudited

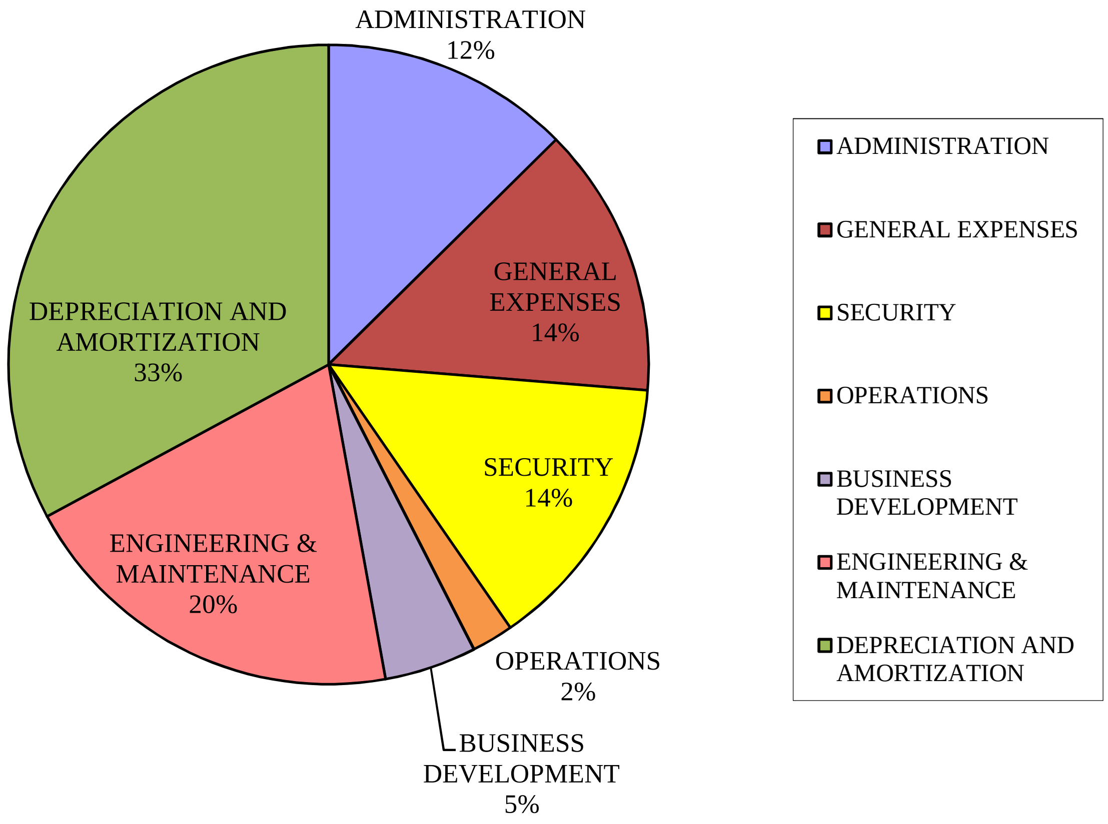


PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited

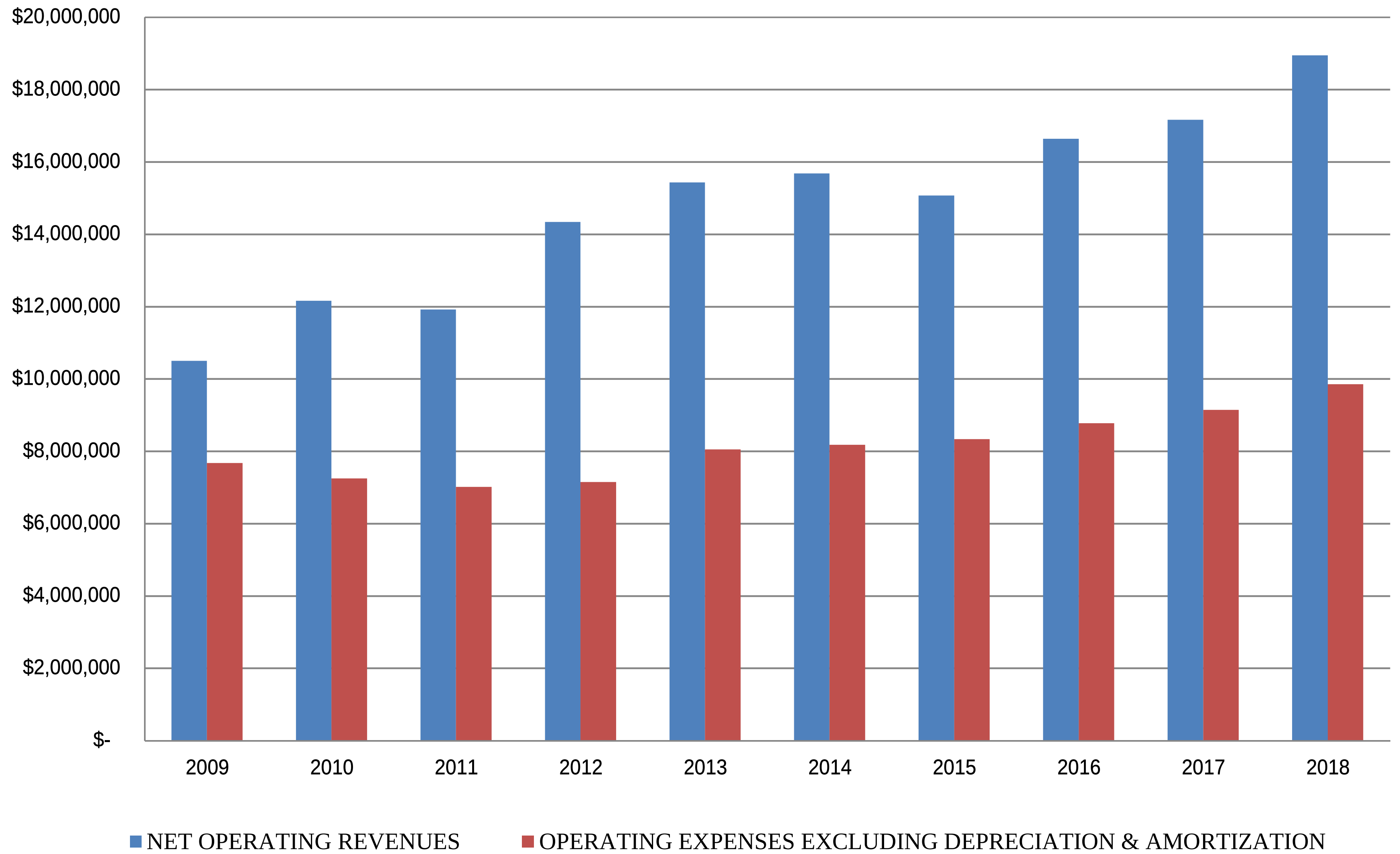
	2009	2010	2011	2012	2013
General expenses	$ 1,828,148	$ 1,891,125	$ 1,505,593	$ 1,479,517	$ 1,632,400
Engineering and maintenance	1,964,388	1,872,638	1,859,962	1,774,571	2,401,307
Security	1,707,248	1,658,608	1,698,797	1,657,090	1,853,418
Administration	1,213,234	1,136,359	1,277,805	1,492,557	1,440,193
Business development	428,996	373,230	376,386	380,648	501,629
Operations	530,527	319,788	293,916	365,400	222,348
Subtotal	7,672,541	7,251,748	7,012,459	7,149,783	8,051,295
Amortization	89,535	92,245	108,473	91,018	31,809
Depreciation	4,181,306	4,233,539	4,297,853	4,161,428	4,178,485
Subtotal	4,270,841	4,325,784	4,406,326	4,252,446	4,210,294
Total	**$ 11,943,382**	**$ 11,577,532**	**$ 11,418,785**	**$ 11,402,229**	**$ 12,261,589**

	2014	2015	2016	2017	2018
General expenses	$ 1,771,389	$ 1,590,821	$ 1,865,103	$ 2,213,993	$ 2,012,394
Engineering and maintenance	1,989,431	2,269,742	2,408,293	2,419,325	2,931,289
Security	1,879,762	1,776,390	2,000,425	1,784,325	2,071,052
Administration	1,677,101	1,631,993	1,611,402	1,814,485	1,847,377
Business development	524,075	747,789	624,175	655,740	684,139
Operations	337,109	315,485	262,996	257,559	309,952
Subtotal	8,178,867	8,332,220	8,772,394	9,145,427	9,856,203
Amortization	28,817	28,817	28,817	28,817	48,992
Depreciation	4,159,615	4,218,874	4,509,802	4,757,631	4,779,661
Subtotal	4,188,432	4,247,691	4,538,619	4,786,448	4,828,653
Total	**$ 12,367,299**	**$ 12,579,911**	**$ 13,311,013**	**$ 13,931,875**	**$ 14,684,856**

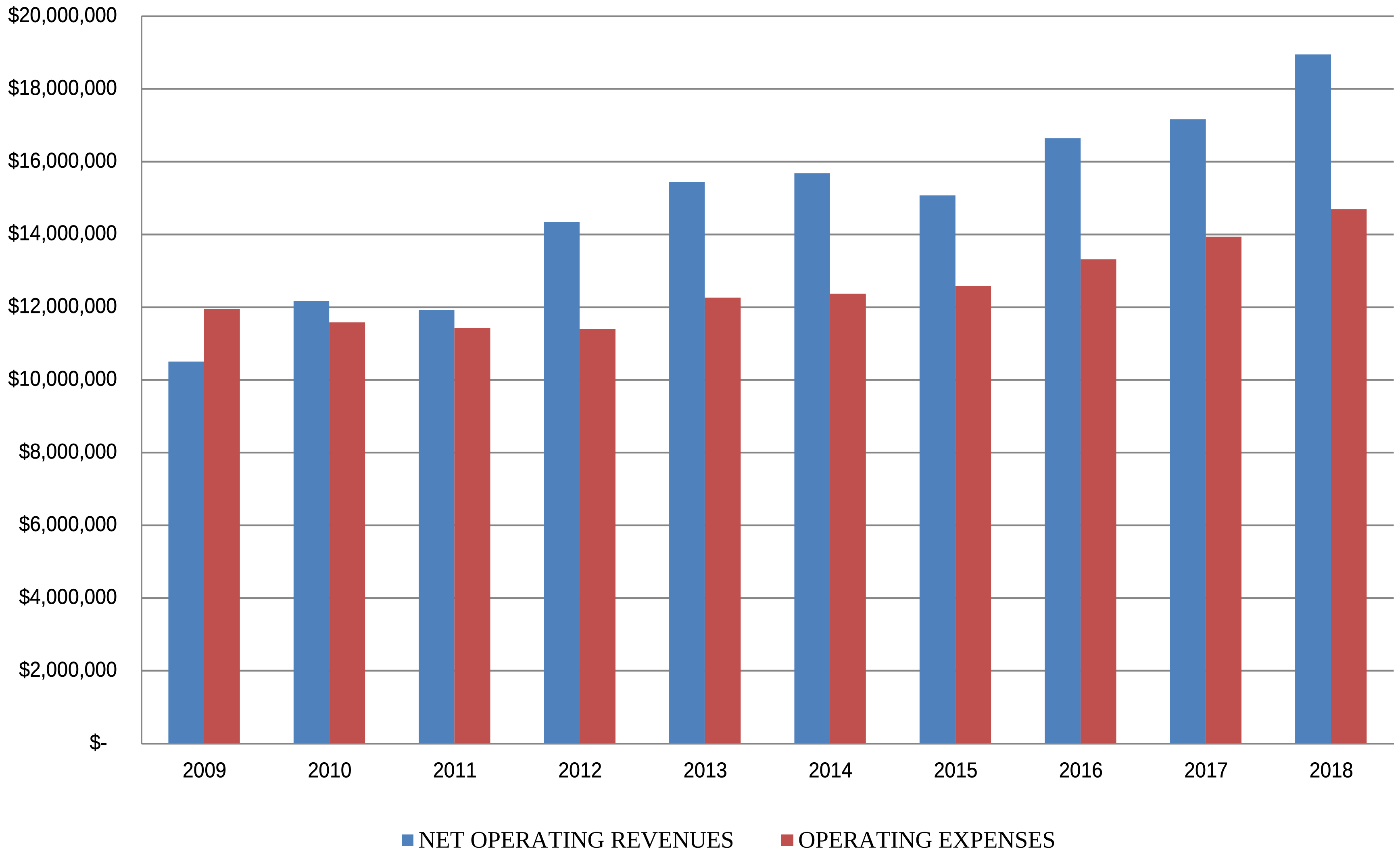
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Year Ended September 30, 2018
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited



PORT OF PALM BEACH DISTRICT
Non-Operating Revenues (Expenses)
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited

	2009	2010	2011	2012	2013
Investment earnings	$ 98,395	$ 25,979	$ 19,579	$ 12,751	$ 13,199
Grant revenue	252,057	622,815	340,138	1,029,354	182,428
Grant expense		(517,652)	(249,055)	(915,803)	(90,982)
Gain (loss) on disposition of assets	(20,889)		(5,075)	(7,093)	4,679
Electric utility distribution line relocation					
Insurance recoveries					
Radiation portal monitor transfers	(11,500)				
Bond issue costs					
Feasibility study					(65,891)
Interest expense	(2,504,938)	(2,422,258)	(2,322,513)	(2,286,276)	(2,152,645)
Total	**$ (2,186,875)**	**$ (2,291,116)**	**$ (2,216,926)**	**$ (2,167,067)**	**$ (2,109,212)**

	2014	2015	2016	2017	2018
Investment earnings	$ 1,933	$ 9,401	$ 12,668	$ 46,191	$ 158,189
Grant revenue	146,674	754,466	1,537,154	55,772	230,249
Grant expense	(2,000)	(477,999)	(1,523,778)	(28,690)	(206,500)
Gain (loss) on disposition of assets	(562)	325,978	(6,713)	2,500	(1,088,109)
Electric utility distribution line relocation		(126,324)			-
Insurance recoveries			31,291	60,721	67,608
Radiation portal monitor transfers					
Bond issue costs			(57,050)	(97)	
Feasibility study	(230,678)	(4,266)	(5,048)		
Interest expense	(1,659,947)	(1,405,344)	(1,523,830)	(1,363,288)	(996,704)
Total	**$ (1,744,580)**	**$ (924,088)**	**$ (1,535,306)**	**$ (1,226,891)**	**$ (1,835,267)**

PORT OF PALM BEACH DISTRICT
Changes in Net Position
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited

	2009	2010	2011	2012	2013
Net Operating Income (Loss)	$ (1,445,312)	$ 582,865	$ 497,134	$ 2,936,838	$ 3,168,628
Net Non-Operating Revenue (Expense)	(2,186,875)	(2,291,116)	(2,216,926)	(2,167,067)	(2,109,212)
Income (Loss) before Contributions	(3,632,187)	(1,708,251)	(1,719,792)	769,771	1,059,416
Capital Contributions	377,020	542,472	502,757	3,817,316	4,898,938
Change in Net Position	**$ (3,255,167)**	**$ (1,165,779)**	**$ (1,217,035)**	**$ 4,587,087**	**$ 5,958,354**

	2014	2015	2016	2017	2018
Net Operating Income (Loss)	$ 3,310,799	$ 2,490,316	$ 3,328,723	$ 3,233,447	$ 4,257,288
Net Non-Operating Revenue (Expense)	(1,744,580)	(924,088)	(1,535,306)	(1,226,891)	(1,835,267)
Income (Loss) before Contributions	1,566,219	1,566,228	1,793,417	2,006,556	2,422,021
Capital Contributions	10,222,352	4,024,606	2,547,717	2,855,381	1,526,342
Change in Net Position	**$ 11,788,571**	**$ 5,590,834**	**$ 4,341,134**	**$ 4,861,937**	**$ 3,948,363**

PORT OF PALM BEACH DISTRICT
Operating Statistics
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited

	2009	2010	2011	2012	2013
CARGO TONNAGE					
General Cargo					
Container	1,057,745	1,057,434	1,006,299	1,118,662	1,243,179
Break-bulk	59,990	69,174	67,341	71,043	62,162
Sub-Total	1,117,735	1,126,608	1,073,640	1,189,705	1,305,341
Bulk and Dry Cargo					
Asphalt	85,631	57,561	88,522	78,902	72,768
Cement	10,829				
Fuel Oils	385,137	513,570	187,281	120,861	63,030
Miscellaneous	10,800	18,159	61,619	4,409	11,086
Recyclable metal					
Molasses	163,040	171,456	186,432	124,859	147,550
Sugar	591,116	660,992	413,254	537,517	547,904
Sub-Total	1,246,553	1,421,738	937,108	866,548	842,338
TOTAL ALL CARGO	2,364,288	2,548,346	2,010,748	2,056,253	2,147,679
TEUs	216,403	206,585	206,537	223,463	248,211
RAIL CARS (IN AND OUT BOUND)	16,462	15,327	12,798	12,961	13,098
VESSELS	1,969	1,467	1,320	1,395	1,523
PASSENGERS	349,800	285,043	303,886	341,004	345,970

	2014	2015	2016	2017	2018
CARGO TONNAGE					
General Cargo					
Container	1,292,505	1,303,289	1,295,490	1,351,573	1,422,801
Break-bulk	64,488	53,546	98,801	96,530	111,965
Sub-Total	1,356,993	1,356,835	1,394,291	1,448,103	1,534,766
Bulk and Dry Cargo					
Asphalt	87,817	80,732	83,909	101,023	118,191
Cement					
Fuel Oils	30,284	53,045	98,354	122,174	233,331
Miscellaneous					
Recyclable metal	68,950	26,604	37,122	35,618	27,705
Molasses	110,720	100,553	121,889	184,176	139,656
Sugar	496,040	544,780	783,690	593,563	513,744
Sub-Total	793,811	805,714	1,124,964	1,036,554	1,032,627
TOTAL ALL CARGO	2,150,804	2,162,549	2,519,255	2,484,657	2,567,393
TEUs	257,252	265,245	260,324	275,538	286,704
RAIL CARS (IN AND OUT BOUND)	16,606	20,153	17,324	18,885	20,048
VESSELS	1,553	1,406	1,750	1,533	1,683
PASSENGERS	364,829	350,932	502,876	432,585	462,674

PORT OF PALM BEACH DISTRICT
Revenue Bond Coverage
For the Fiscal Years Ended September 30, 2009 through 2018
Unaudited

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Gross Revenues	(1)	$ 10,596,465	$ 12,186,376	$ 11,935,498	$ 14,351,818	$15,443,416	$15,680,031	$15,079,628	$16,652,404	$17,211,513	$19,100,333
Operating Expenses	(2)	(7,672,541)	(7,251,748)	(7,012,459)	(7,149,783)	(8,051,295)	(8,178,867)	(8,332,220)	(8,772,394)	(9,145,427)	(9,856,203)
Supplemental Revenues		-	-	-	-	-	-	-	-	-	-
Net Revenues	(3)	2,923,924	4,934,628	4,923,039	7,202,035	7,392,121	7,501,164	6,747,408	7,880,010	8,066,086	9,244,130
Maximum Annual Debt Service		4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
Required Coverage		110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
Annual Debt Service Requirement		4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000
Excess (Deficiency)		$ (1,861,076)	$ 149,628	$ 138,039	$ 2,417,035	$ 2,607,121	$ 2,716,164	$ 1,962,408	$ 3,095,010	$ 3,281,086	$ 4,459,130
Coverage	(4)	**61%**	**103%**	**103%**	**151%**	**154%**	**157%**	**141%**	**165%**	**169%**	**193%**

(1) Gross Revenues includes operating revenues and investment earnings.
(2) Operating Expenses do not include depreciation and amortization.
(3) Net revenues are gross revenues after deduction of operating expenses less supplemental revenues.
(4) Net revenues less all supplemental revenues shall always be adequate to pay, in each year, at least 110% of the annual debt service.

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INDEPENDENT AUDITOR'S 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*

Board of Commissioners
Port of Palm Beach District
Riviera Beach, 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 Port of Palm Beach District, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District's basic financial statements, and have issued our report thereon dated April 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Port of Palm Beach District'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 of Palm Beach District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Port of Palm Beach District'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 of Palm Beach District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

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.

Nowlen, Holt + Miner, P.A.

West Palm Beach, Florida
April 10, 2019

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR EACH MAJOR STATE PROJECT AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY CHAPTER 10.550,
RULES OF THE AUDITOR GENERAL

Board of Commissioners
Port of Palm Beach District
Riviera Beach, Florida

Report on Compliance for Each Major State Project

We have audited the Port of Palm Beach District's compliance with the types of compliance requirements described in the *Department of Financial Services'* State Projects Compliance Supplement that could have a direct and material effect on the Port of Palm Beach District's major state project for the year ended September 30, 2018. The Port of Palm Beach District's major State project is identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its State projects applicable to its State project.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Port of Palm Beach District's major state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General. Those standards and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major State project occurred. An audit includes examining, on a test basis, evidence about the Port of Palm Beach District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance of the major State project. However, our audit does not provide a legal determination of the Port of Palm Beach District's compliance.

Opinion on Each Major State Project

In our opinion, the Port of Palm Beach District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State project for the year ended September 30, 2018.

Report on Internal Control over Compliance

Management of the Port of Palm Beach District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Port of Palm Beach District's internal control over compliance with the types of requirements that could have a direct and material effect on the major State project to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major State project and to test and report on internal control over compliance in accordance with Chapter 10.550, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Port of Palm Beach District's internal control over compliance.

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

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

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 10, 2019

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended September 30, 2018

State Grantor/Program Title	CSFA Number	Contract Number	State Expenditures	Amount Provided to Subrecipients
Florida Department of Transportation				
Seaport Grants	55.005	ARL88	466,250	
Seaport Grants	55.005	G0995	373,256	
Seaport Grants	55.005	G0078	147,252	
Seaport Grants	55.005	G0E90	143,044	
Seaport Grants	55.005	ARS49	35,086	
Seaport Grants	55.005	G0846	7,410	
			1,172,298	
Total State Financial Assistance			**$ 1,172,298**	**$**

NOTE 1 - BASIS OF PRESENTATION

The accompanying schedule of expenditures of state financial assistance includes State grant activity of the Port of Palm Beach District and is presented in accordance with the requirements of the Florida Single Audit Act. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. Because the Schedule presents only a portion of the operations of the Port of Palm Beach District it is not intended to and does not present the financial position, changes in financial position, or cash flows of the Port of Palm Beach District.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized on the cash basis of accounting. Such expenditures are recongized following the cost principles contained in the Florida Department of Financial Services' State Projects Compliance Supplement, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Port did not have any loan programs.

NOTE 3 - CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by those agencies. Any disallowed claims, including amounts already received, might constitute a liability of the Port for the return of those funds. In the opinion of management, all grant expenditures were in compliance with the terms of the grant agreements and applicable State laws and regulations.

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2018

SECTION I—SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified Opinion
Internal control over financial reporting:	
· Material weakness identified?	No
· Reportable condition identified that is not considered to be a material weakness?	None reported
Noncompliance material to financial statements noted?	No

State Financial Assistance

Internal control over major projects:	
· Material weakness identified?	No
· Reportable condition identified that is not considered to be a material weakness?	None reported
Type of auditor's report issued on compliance for major project:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General?	No

SECTION I — SUMMARY OF AUDITOR'S RESULTS (Continued)

Identification of Major State Project

CSFA Number	Name of State Project
	Florida Department of Transportation
55.005	· Seaport Grants

Dollar threshold used to distinguish between type A and type B programs: $300,000

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III— STATE PROJECTS FINDINGS AND QUESTIONED COSTS

Major State Project

Florida Department of Transportation
Seaport Grants – CSFA 55.005

None

PORT OF PALM BEACH DISTRICT
Summary Schedule of Prior Audit Findings
September 30, 2018

STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

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MANAGEMENT LETTER IN ACCORDANCE WITH THE RULES OF THE AUDITOR GENERAL OF THE STATE OF FLORIDA

Board of Commissioners
Port of Palm Beach District
Riviera Beach, Florida

Report on the Financial Statements

We have audited the financial statements of the Port of Palm Beach District, as of and for the fiscal year ended September 30, 2018, and have issued our report thereon dated April 10, 2019.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Chapter 10.550, Rules of the Auditor General.

Other Reporting Requirements

We have issued our Independent Auditor's 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 on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated April 10, 2019, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. Corrective action have been taken to address findings and recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information was disclosed in Note 1 to the financial statements. There were no component units included in the Port of Palm Beach District's financial statements.

Financial Condition and Management

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

Pursuant to Sections 10.554(1)(i)5.b. and 10.556(8), Rules of the Auditor General, we applied financial condition assessment procedures for the Port of Palm Beach District. It is management's responsibility to monitor the Port of Palm Beach District's financial condition, and our financial condition assessment was based in part on representations made by management and review of financial information provided by same. Our assessment was done as of the fiscal year end. The results of our procedures did not disclose any matters that are required to be reported.

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

Special District Component Units

Section 10.554(1)(i)5.c, Rules of the Auditor General, requires, if appropriate, that we communicate the failure of a special district that is a component unit of a county, municipality, or special district, to provide the financial information necessary for proper reporting of the component unit within the audited financial statements of the county, municipality, or special district in accordance with Section 218.39(3)(b), Florida Statutes. In connection with our audit, we did not note any special district component units that failed to provide the necessary information for proper reporting in accordance with Section 218.39(3)(b), Florida Statues.

Additional Matters

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

Single Audits

The Port of Palm Beach District expended less than $750,000 of Federal awards and more than $750,000 of State financial assistance for the fiscal year ended September 30, 2018, and was required to have a State single audit.

Purpose of this Letter

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

Nowlen, Holt + Miner, P.A.

West Palm Beach, Florida
April 10, 2019

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INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH SECTION 218.415, FLORIDA STATUTES

Board of Commissioners
Port of Palm Beach District
Riviera Beach, Florida

We have examined the Port of Palm Beach District's compliance with Section 218.415, Florida Statutes during the year ended September 30, 2018. Management of the Port of Palm Beach District is responsible for the Port of Palm Beach District's compliance with the specified requirements. Our responsibility is to express an opinion on the Port of Palm Beach District's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Port of Palm Beach District complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the Port of Palm Beach District complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risk of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Port of Palm Beach District's compliance with the specified requirements.

In our opinion, the Port of Palm Beach District complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2018.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 10, 2019