

PORT OF PALM BEACH DISTRICT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2019

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COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2019



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, 2019

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PORT OF PALM BEACH DISTRICT

**PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2019**

PORT BOARD MEMBERS

Katherine M. Waldron	Chairwoman
Wayne M. Richards	Vice-Chairman
Joseph D. Anderson	Secretary/Treasurer
Blair J. Ciklin	Commissioner
Jean I. Enright	Commissioner

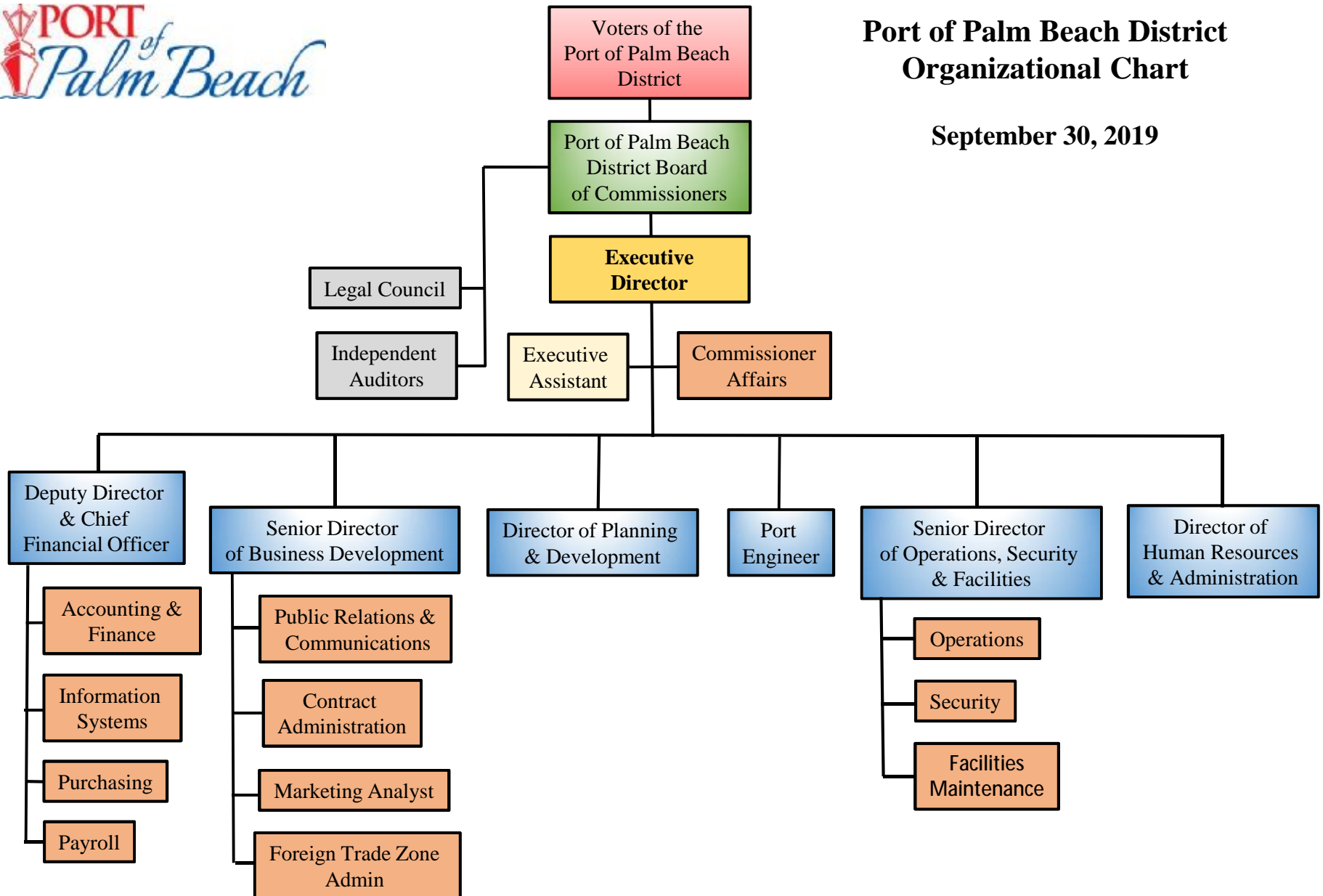
PORT STAFF

Manuel Almira, PPM [®]	Executive Director
Paul J. Zielinski	Deputy Director / Chief Financial Officer
Jose R. Soler-Martinez, P.E.	Port Engineer
Jarra Kaczwarra	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 District Organizational Chart

September 30, 2019





NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

INDEPENDENT AUDITOR'S REPORT

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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, 2019, 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, 2019, 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.

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 65, and the pension schedules on pages 66 through 69, 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 70 through 79, 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 2018 basic financial statements and, in our report dated April 10, 2019 we expressed an unqualified opinion on those financial statements. The schedule of expenditures of state financial assistance on page 96 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 70 through 78 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 June 2, 2020, 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
June 2, 2020

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, 2019 and 2018. 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 \$125,542,480 (*net position*). Of this amount, \$15,269,620 (*unrestricted net position*) may be used to meet the Port's ongoing obligations to creditors.
- The Port's total net position increased by \$6,115,466. This increase consists of \$2,052,797 of income before contributions, and \$4,062,669 of capital contributions.
- At the end of the current fiscal year, unrestricted net position was 141% of cash operating expenses and the return on unrestricted net position was 13%.

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 that 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 are on pages 19 - 23 of this report.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements is on pages 24 - 64 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 is on pages 65 - 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, 2019 and 2018 by \$125,542,480 and \$119,427,014 respectively.

The following table reflects the condensed statement of net position:

Port of Palm Beach District's Net Position

	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 32,962,325	\$ 31,050,396
Capital assets, net	124,099,895	122,250,582
Total assets	<u>157,062,220</u>	<u>153,300,978</u>
 Total deferred outflows of resources	 <u>1,565,898</u>	 <u>1,863,385</u>
 Current liabilities	 7,759,402	 7,744,235
Noncurrent liabilities	25,019,627	27,630,339
Total liabilities	<u>32,779,029</u>	<u>35,374,574</u>
 Total deferred inflows of resources	 <u>306,609</u>	 <u>362,775</u>
 Net investment in capital assets	 107,626,748	 102,315,957
Restricted	2,646,112	1,671,605
Unrestricted	15,269,620	15,439,452
Total net position	<u>\$ 125,542,480</u>	<u>\$ 119,427,014</u>

Current and other assets increased by approximately \$1.91 million. This was primarily because of an increase in cash and cash equivalents of \$2.43 million, provided by operating activities of approximately \$8.86 million, and operating grants and interest on investments of approximately \$0.63 million, and offset by total uses of approximately \$7.06 million for capital asset purchases and debt service payments on the revenue bonds. Both trade, grant and accrued interest receivables and prepaid items had a combined decrease of \$0.52 million primarily due to timing of receipts and payments.

Current liabilities remained relatively unchanged with an increase of approximately \$0.02 million. Increases in payables, accrued expenses, compensated absences and customer deposits offset decreases in unearned revenues primarily because of the timing of vendor payments and recognition of earned revenue. Accrued interest and the current portion of long-term debt remained relatively unchanged.

Deferred outflows of resources decreased approximately \$0.30 million and deferred inflows of resources decreased approximately \$0.06 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 are in Note 8, in the accompanying notes to the financial statements.

The decrease in Noncurrent liabilities of approximately \$2.61 million is primarily the result of a decrease in the long-term debt (revenue bonds) of \$3.68 million from principal bond payments. Capital appreciation interest payable increased by \$0.66 million from additional deferred interest on the Series 2002 revenue bonds. Net pension liability had an increase of approximately \$0.37 million. Compensated absences, other postemployment benefits and bond issue discount had an insignificant increase of \$0.04 million.

The Port has recorded a liability for the fiscal years ending September 30, 2019 and 2018 of \$3,889,504 and \$3,513,846 respectively, for its proportionate share of the FRS and HIS pension plan's net pension liability because of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in FY 2015. Additional information on the Port's net pension liability are 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, 2019 and 2018 (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, 2019 and 2018 (2% and 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 2019, the Port's unrestricted net position was \$15,269,620 (12% of net position), a decrease of \$169,832 or 1% from FY 2018.

The Port's total net position increased by \$6,115,466 or over 5% in FY 2019. Of this amount, \$2,052,797 represents net income before capital contributions and \$4,062,669 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

	<u>2019</u>	<u>2018</u>
Operating revenues:		
Fees and charges for services	\$ 18,382,377	\$ 18,942,144
Non-operating revenues:		
Investment earnings	399,541	158,189
Other	4,944	67,608
Grant revenue	179,249	230,249
Total non-operating revenues	<u>583,734</u>	<u>456,046</u>
Total revenues	<u>18,966,111</u>	<u>19,398,190</u>
Operating expenses:		
General expenses	2,622,378	2,012,394
Engineering and maintenance	2,995,644	2,931,289
Security	2,174,002	2,071,052
Administration	2,032,611	1,847,377
Business development	688,383	684,139
Operations	321,467	309,952
Depreciation and amortization	4,504,988	4,828,653
Total operating expenses	<u>15,339,473</u>	<u>14,684,856</u>
Non-operating expenses:		
Grant and related expenses	203,607	206,500
Loss on disposition of assets	274,780	1,088,109
Interest	1,095,454	996,704
Total non-operating expenses	<u>1,573,841</u>	<u>2,291,313</u>
Total expenses	<u>16,913,314</u>	<u>16,976,169</u>
Income before contributions	2,052,797	2,422,021
Capital contributions	<u>4,062,669</u>	<u>1,526,342</u>
Change in net position	6,115,466	3,948,363
Net position – beginning	<u>119,427,014</u>	<u>115,478,651</u>
Net position - ending	<u>\$ 125,542,480</u>	<u>\$ 119,427,014</u>

Key elements of the increase in net position for the fiscal year ended September 30, 2019 are as follows.

- Operating Revenues (Fees and charges for services) decreased by approximately \$0.56 million or 3%. This was primarily due to decreases in wharfage and related cargo, net passenger charges and parking, as discussed below. In addition, on September 1, 2019, Hurricane Dorian, a category 5 storm, hit Grand Bahamas and had catastrophic effects, which negatively affected the Port's cargo and cruise business for the entire month. 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 over 90% each year.

The Port's operating revenues have achieved a compound annual growth rate of approximately 6% 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, which has resulted in attracting new business and growing current business.

Bahamas Paradise Cruise Line (the cruise vessels and their owners) began their tenth year of operations (ninth fiscal year) as a multi-day cruise line to the Bahamas. Under the terms of the current 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 cruise ships based upon their passenger counts. Passenger charges were approximately \$7.42 million from 449 thousand passengers and the Port's contribution to the Cruise Lines sales and marketing effort was approximately \$4.99 million, which resulted in net passenger charges of \$2.43 million for FY 2019. The Port's multiday net-passenger revenue decreased by approximately \$0.83 million or 25%, and passenger counts were down approximately 13 thousand or 3%. The decrease in net revenue was primarily due to a significant amount of missed sailings from the owners chartering the cruise ships and additional missed sailings from the damages to Grand Bahamas (Freeport) from Hurricane Dorian in September 2019. However, the Port receives a charge for each missed sailing due to being chartered out, which is classified as miscellaneous income. (*see miscellaneous income below for additional information*)

Wharfage and cargo related revenue decreased by approximately \$0.34 million or 7%, primarily due to decreases in breakbulk (vehicles and steel rebar), diesel, utility fuel oil and molasses. Cargo tonnage and TEU's decreased by approximately 10% and 4%, respectively. Container, asphalt, sugar tonnage and TEU's were down slightly, however, recyclable steel/scrap metal tonnage increased by approximately 68%. Over the last four fiscal years, the Port has seen cargo volumes return to previous levels before the Great Recession, when factoring out the utility fuel oil shipments that mostly ended in FY 2010 when the FP&L power plant was replaced by a natural gas powered plant.

Dockage and related revenue had a modest increase of approximately \$0.06 million or 2%. Increased water charges for the cruise line, tariff rate increases and fixed contractual dockage rates to the Port's largest customer offset overall reduced cargo vessel shipments. Rent and related storage increased by approximately \$0.25 million or 5% primarily due to additional space assignments for land to several tenants, and annual contractual inflationary increases.

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

Miscellaneous income increased by approximately \$0.39 million or 52% primarily due to missed sailing charges from the owners chartering out the Grand Celebration and Grand Classica cruise ships periodically throughout FY 2019.

The remaining operating revenues which consist of switching, licenses, permits, and identification badging decreased slightly by approximately \$0.01 million or 2%, primarily due to a decrease in rail car switching volume.

The Schedule of Port Facilities Revenues can be found on page 74 of this report.

- Investment Earnings increased by approximately \$0.24 million, as the target range for the federal funds interest rate increased and the Port opened a money market mutual fund sweep account to take advantage of the increased rates.
- Other non-operating revenues of approximately \$0.01 million consist of insurance recoveries various property and equipment damages.
- Operating Grant revenue decreased by approximately \$0.05 million. The Port recognized approximately \$0.18 million in operating grant revenue from reimbursed security equipment purchases under the U.S. Department of Homeland Security FY 2016 Port Security Grant and reimbursed hurricane repair and maintenance expenses under the FEMA Public Assistance Grant Programs, both matching grants.
- Operating Expenses increased approximately \$0.65 million or 4%, and operating expenses before depreciation and amortization increased approximately \$0.98 million or 10%. The most significant increases were primarily employee retirement (mandated by the State of Florida), health insurance benefits, and bad debt 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 3%. 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 \$0.48 million or 10%. Salaries and payroll taxes increased by \$0.12 million or 3%, primarily due to approved salary increases. Group health insurance costs increased approximately \$0.09 million or 10%, primarily from continued increases in premiums. Retirement costs increased approximately \$0.27 million primarily from the annual adjustment in actuarial assumptions, experience, earnings and proportion by the FRS because of GASB Statement No. 68; see Note 8, in the accompanying notes to the financial statements.

General expense (excluding employee benefits) increased by approximately \$0.25 million or 47%, primarily due to bad debt expenses from a Board approved write-off of a portion of missed sailing charges by the passenger cruise ships while on charter. The extensive damages in the Bahamas from Hurricane Dorian on September 1, 2019, caused financial stress from the inability of the cruise line to not only continue regularly scheduled sailings but also with fewer passengers. In addition, the allowance for bad debt expense was increased at the end of FY 2019 by management to cover possible future delinquencies.

Security expense (excluding employee costs) increased by approximately \$0.07 million or 6%. This was due primarily to increases in contracted security costs from the addition of the second cruise ship (Grand Classica) for all of FY 2019.

Engineering and maintenance expense (excluding employee costs) increased by approximately \$0.06 million or 3%, primarily from additional water usage from the addition of the second cruise ship (Grand Classica) for all of FY 2019; which was partially offset by decreases in port-wide repairs and maintenance costs.

Administration expense (excluding employee costs) increased by approximately \$0.09 million or 24%, primarily due to increases in information technology systems maintenance and consulting and legal fees from litigation see Note 11 – Risk Management, in the accompanying notes to the financial statements.

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

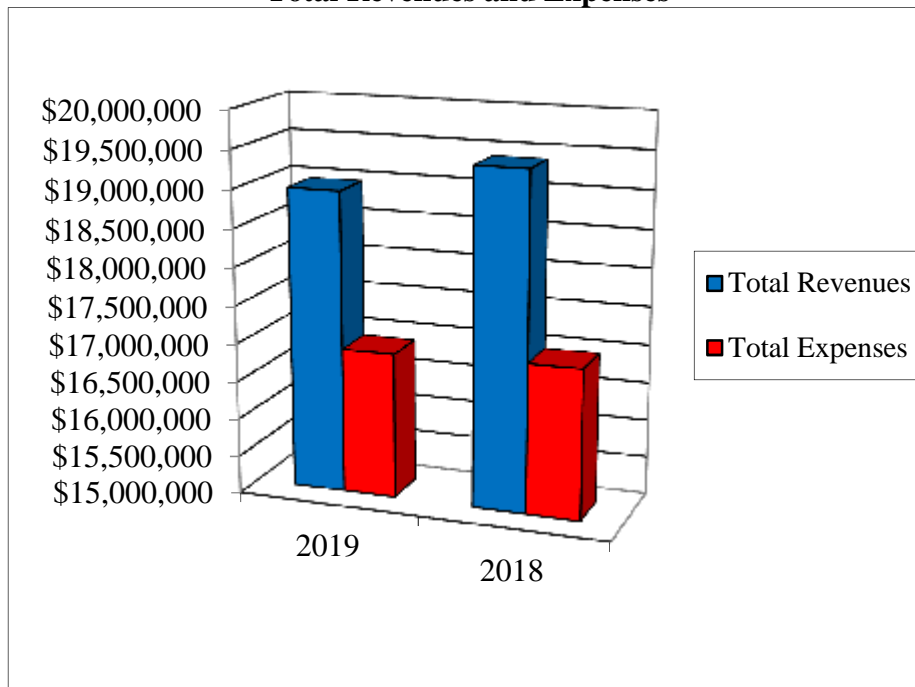
Operations expense (excluding employee costs) increased by approximately \$0.02 million or 12%, primarily due to repairs and maintenance to the Port's aging railroad tracks.

Depreciation and amortization expense decreased by approximately \$0.33 million or 7% as various capital assets reached the end of their depreciable lives and there were no major capital projects completed during FY 2019, as the Berth 17 project remains incomplete due to the lawsuit, as noted below under Capital Assets.

The Schedule of Operating Expenses can be found on pages 75 and 76 of this report.

- The largest non-operating expense is interest, which decreased by approximately \$0.10 million or 10%, primarily because of the significant decrease in capitalized interest on the Berth 17 Project, and the Revenue Refunding Bond, Series 2007 that was paid off in FY 2018.
- Non-operating Grant and related expenses remained relatively flat at \$0.20 million and were primarily from various security equipment purchases by the Riviera Beach Police Department through an 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 in addition, there were administrative fees for FDOT grant funding.
- The loss on disposition of assets of approximately \$0.27 million was from the discovery of a previously demolished turning lane during the construction of the Skypass Bridge.
- Capital contributions increased by approximately \$2.54 million, primarily because of the Berth 1 Expansion and MOB Demolition and Container Yard Expansion projects. The total capital contributions of \$4.06 million consisted of approximately \$3.63 million from the Florida Department of Transportation Seaport matching grants for the major capital projects listed in the Capital Asset section below. The remaining \$0.43 million is from DHS - FEMA Port Security Grant matching program for security equipment, and hurricane related costs.

Total Revenues and Expenses



CAPITAL ASSETS

Capital assets: The Port's capital assets as of September 30, 2019 amounted to approximately \$124.10 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 increase in the Port's investment in capital assets after accumulated depreciation for FY 2019 was \$1.85 million. This was attributable to \$6.57 million for the acquisition and construction of Capital Assets, of which the majority were additions for the construction of Berth 1, and MOB Demolition/Container Yard Expansion projects and the remainder for other projects, improvements, machinery and equipment and computers, which were offset by depreciation of \$4.45 million and loss on disposition of assets of \$0.27 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. This project is still incomplete because of the lawsuit described in Note 11, in the accompanying notes to the financial statements.

Berth 1 Refurbishment, which began concept study, design, and permitting in FY 2015, began construction in the 3rd quarter of FY 2019 and was substantially 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 \$5.8 million, which includes engineering, design and permitting. An additional shore power utility infrastructure replacement was approved in the 2nd quarter of FY 2020 and is estimated to be completed by the end of FY 2020 at a cost of approximately \$1.25 million.

On Port Rail Facility Expansion, began construction in FY 2017, to start replacing the Port's aging rail system. Phase 1 of the project was completed in the 4th quarter of FY 2019, which replaced approximately 1,700 feet of aging and obsolete rail tracks (spur #1), switches, turnouts, crossing arms, paving and utility infrastructure west of U.S. Highway 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 Demolition & Container Yard Improvements, which began concept study, design, and permitting in FY 2017, and began construction at the beginning of FY 2019, is estimated to be completed at the end of FY 2020. The project is redeveloping approximately 3.5 acres of upland property by demolishing the previous existing and obsolete Maritime Office Building and adjacent parking lot and replacing it with a refrigerated container paved laydown area, which will include, electrical utility (including reefer plugs), 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 \$4.89 million, which includes engineering, design and permitting.

Construction-in-progress projects total approximately \$18.99 million as of September 30, 2019 and include the following projects:

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

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)

	<u>2019</u>	<u>2018</u>
Land	\$ 28,119,220	\$ 28,119,220
Buildings and improvements	29,309,744	30,705,884
Slips and improvements	35,400,158	36,472,315
Other improvements	7,611,239	7,987,094
Wharf and loading ramps	3,447,341	3,612,601
Machinery and equipment	789,125	740,842
Computer equipment	262,114	407,435
Autos and trucks	66,478	97,025
Furniture and fixtures	99,787	124,914
Construction in progress	18,994,689	13,983,252
Total capital assets, net	\$ 124,099,895	\$ 122,250,582

DEBT ADMINISTRATION

Long-term debt: The Port had outstanding revenue bonds of approximately \$16.9 million as of September 30, 2019. Of this amount, approximately \$3.7 million is current and will mature by September 1, 2020. 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 to maintain a minimum ratio of 110% to the debt service requirement for that year. In FY 2019 and 2018, the Port met this requirement.

The Port’s outstanding revenue bonds maintain a rating of “Baa2” with a stable outlook by Moody’s Investors Service.

**Port of Palm Beach District’s Outstanding Debt
Revenue Bonds**

	<u>2019</u>	<u>2018</u>
Revenue bonds payable	\$ 16,893,153	\$ 20,486,420
Less deferred amounts:		
For issuance discounts	(37,194)	(42,571)
Total revenue bonds payable	\$ 16,855,959	\$ 20,443,849

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. 83, *Certain Asset Retirement Obligations*; and GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; during the fiscal year ended September 30, 2019.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The FY 2020 Budget was based upon the following assumptions:

- Net operating revenues are budgeted to increase by approximately 3.8% for FY 2020 as a result of the increases in tariff rates, volume and contractual increases which offset decreases in cruise passengers and parking (due to the hurricane damages). Operating expenses are budgeted to increase approximately 8.6% primarily due to salary, payroll taxes and benefit increases, and significant repairs and maintenance projects.
- Income before capital contributions is budgeted at approximately \$2.17 million. This represents a budgeted increase of approximately 1.0% over FY 2019.

- The Port's operating revenues maybe negatively affected, which may cause the FY 2020 final actual results, when compared to the budget, to be adversely different, because of the COVID-19 or coronavirus pandemic. This may have a profound impact on the business activity for the final seven months of the fiscal year. The primary impact to the Port could be possible significant reductions in parking, net passenger charges and cargo volumes from the cruise industry, which effects all of the Caribbean economy the Port serves. The future developments in the cruise industry and the coronavirus are highly uncertain and cannot be predicted.

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, 2019

ASSETS

	2019
Current assets:	
Cash and cash equivalents	\$ 21,809,221
Accounts receivable (net of allowance for uncollectables of \$100,000)	1,195,950
Grants receivable	1,496,712
Accrued interest receivable	19,381
Prepaid items	380,770
Restricted assets:	
Cash and cash equivalents	8,060,291
Total current assets	32,962,325
 Noncurrent assets:	
Capital assets:	
Land and land rights	28,119,220
Buildings and improvements	54,273,814
Slips and improvements	49,742,290
Other improvements	34,074,526
Wharf and loading ramps	7,798,154
Machinery and equipment	2,834,166
Computer equipment	1,412,877
Autos and trucks	463,844
Furniture and fixtures	376,467
Construction in progress	18,994,689
Less accumulated depreciation	(73,990,152)
Total capital assets (net of accumulated depreciation)	124,099,895
Total noncurrent assets	124,099,895
Total assets	157,062,220

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources:	
Pension related items	1,183,086
Deferred loss on bond refunding, net	382,812
Total deferred outflows of resources	1,565,898

(Continued)

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2019
(Continued)

LIABILITIES

	2019
Current liabilities	
Accounts payable and accrued expenses	\$ 1,133,460
Contracts payable	1,912,655
Unearned revenue	220,722
Compensated absences payable	229,414
Payable from restricted assets:	
Customer deposits	375,000
Accounts payable and accrued expenses	181,567
Accrued interest payable	26,877
Current portion of long-term debt	3,679,707
Total current liabilities	7,759,402
 Noncurrent liabilities	
Compensated absences payable	229,414
Other postemployment benefits	285,247
Net pension liability	3,889,504
Capital appreciation interest payable from restricted assets	7,439,210
Revenue bonds payable (less unamortized bond discount)	16,855,959
Less: current portion	(3,679,707)
Total noncurrent liabilities	25,019,627
 Total liabilities	32,779,029

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources:	
Pension related items	306,609

NET POSITION

Net investment in capital assets	107,626,748
Restricted for renewal and replacement	1,588,124
Restricted for business development	1,057,988
Unrestricted	15,269,620
 Total net position	\$ 125,542,480

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended September 30, 2019

	2019
Operating revenue	
Port facilities	\$ 23,377,316
Less: Direct marketing support	(4,994,939)
Net operating revenue	18,382,377
Operating expenses	
General expenses	2,622,378
Engineering and maintenance	2,995,644
Security	2,174,002
Administration	2,032,611
Business development	688,383
Operations	321,467
Operating expenses before depreciation and amortization	10,834,485
Operating income before depreciation and amortization	7,547,892
Depreciation and amortization expense	4,504,988
Operating income	3,042,904
Non-operating revenues (expenses)	
Investment earnings	399,541
Grant revenue	179,249
Grant expense	(203,607)
Insurance recoveries	4,944
Gain (loss) on disposition of assets	(274,780)
Interest expense	(1,095,454)
Total nonoperating revenue (expenses)	(990,107)
Income before contributions	2,052,797
Capital contributions	4,062,669
Change in net position	6,115,466
Total net position - beginning	119,427,014
Total net position - ending	\$ 125,542,480

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2019

	2019
Cash flows from operating activities:	
Receipts from customers and users	\$ 18,441,650
Payments to suppliers for goods and services	(4,579,235)
Payments to or on behalf of employees	(4,996,800)
Net cash provided by operating activities	8,865,615
Cash flows from non-capital financing activities	
Grant revenues received	461,177
Payments to grant subrecipient	(203,607)
Net cash provided by non-capital financing activities	257,570
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(6,491,182)
Principal paid on debt	(3,593,267)
Interest paid on debt	(407,737)
Insurance recoveries	4,944
Capital grants received	3,414,467
Net cash used for capital and related financing activities	(7,072,775)
Cash flows from investing activities	
Interest received on investments	380,160
Net cash provided by investing activities	380,160
Net increase in cash and cash equivalents	2,430,570
Cash and cash equivalents - beginning	27,438,942
Cash and cash equivalents - ending	\$ 29,869,512

(Continued)

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2019
(Continued)

	2019
Cash and cash equivalents classified as:	
Unrestricted assets	\$ 21,809,221
Restricted assets	8,060,291
Total cash and cash equivalents	\$ 29,869,512
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 3,042,904
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,452,963
Amortization expense	52,025
Change in net pension liability and related deferred amounts	490,567
(Increase) decrease in assets	
Accounts receivable	401,421
Prepaid expenses	565,467
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	168,350
Unearned revenue	(342,148)
Other postemployment benefits	29,792
Compensated absences	4,274
Total adjustments	5,822,711
 Net cash provided by operating activities	\$ 8,865,615

See notes to the financial statements

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019 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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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”.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 78.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019:

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. Implementation of this Statement did not impact the Port's financial statements.

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.

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 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, 2021.

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, 2022.

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, 2022.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

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, 2021.

In May 2019 the GASB issued Statement No. 91, *Conduit Debt Obligation*. This Statement will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. This Statement is effective for the fiscal year ending September 30, 2023.

In January 2020 the GASB issued Statement No. 92, *Omnibus 2020*. This Statement will enhance comparability in accounting and financial reporting and improve the consistency of authoritative literature by addressing practice issues that have been identified during the implementation and application of certain GASB Statements. This Statement addresses a variety of topics. The requirements of this Statement related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments are effective upon issuance. The remaining requirements are effective for the fiscal year ending September 30, 2022.

In March 2020 the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates*. This Statement addresses the accounting and financial reporting effects that result from the replacement of interbank offered rates with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. This Statement is effective for the fiscal year ending September 30, 2022.

In March 2020 the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. This Statement will improve financial reporting by addressing issues related to public-private and public-public arrangements. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements. This Statement is effective for the fiscal year ending September 30, 2023.

In May 2020 the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. This Statement is effective immediately and postpones the effective dates of various standards and implementation guides, including Statements No. 84, 87, 89, 90, 91, 92, and 93 discussed above. The effective dates presented above are the extended effective dates in accordance with Statement No. 95.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2019, the Port's book balance for deposits in Qualified Public Depositories was \$13,080,019 and the related bank balance totaled \$13,526,039.

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, 2019, 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-

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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.

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2019, 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	\$16,295,013	27 days
Morgan Stanley Institutional Liquidity Funds Portfolio	Aaa-mf AAAm	<u>492,930</u>	20 days
		<u>\$16,787,943</u>	

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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, 2019, 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.

A reconciliation of deposits and investments at September 30, 2019, is as follows:

By Category:	
Deposits	\$13,080,019
Petty cash	1,550
Investments	16,787,943
Total deposits and investments	<u>\$29,869,512</u>
Presented in the statement of net position	
Cash and cash equivalents	\$21,809,221
Restricted cash and cash equivalents	8,060,291
Total statement of net position	<u>\$29,869,512</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended September 30, 2019, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 28,119,220	\$	\$	\$ 28,119,220
Construction in process	13,983,252	6,577,056	(1,565,619)	18,994,689
Total capital assets, not being depreciated	<u>42,102,472</u>	<u>6,577,056</u>	<u>(1,565,619)</u>	<u>47,113,909</u>
Capital assets, being depreciated:				
Building and improvements	54,229,312	44,502		54,273,814
Slips and improvements	49,742,290			49,742,290
Other improvements	33,450,672	1,263,071	(639,217)	34,074,526
Wharf and loading ramps	7,798,154			7,798,154
Machinery and equipment	2,632,269	204,552	(2,655)	2,834,166
Computer equipment	1,364,406	48,471		1,412,877
Autos and trucks	463,844			463,844
Furniture and fixtures	371,444	5,023		376,467
Total capital assets, being depreciated	<u>150,052,391</u>	<u>1,565,619</u>	<u>(641,872)</u>	<u>150,976,138</u>
Less: accumulated depreciation	<u>(69,904,281)</u>	<u>(4,452,963)</u>	<u>367,092</u>	<u>(73,990,152)</u>
Total capital assets, being depreciated, net	<u>80,148,110</u>	<u>(2,887,344)</u>	<u>(274,780)</u>	<u>76,985,986</u>
Total capital assets, net	<u>\$122,250,582</u>	<u>\$3,689,712</u>	<u>\$(1,840,399)</u>	<u>\$124,099,895</u>

NOTE 4 – LONG-TERM LIABILITIES

Revenue Bonds

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. At September 30, 2019, 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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

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, 2019 totaled \$4,001,004 and pledged gross revenues were \$18,382,377. At September 30, 2019, principal and interest to maturity in September 2026 to be paid from pledged future revenues totaled \$29,218,088.

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, 2019, the Port had no supplemental revenues. At September 30, 2019, the Port was in compliance with the bond covenants.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

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 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, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
	\$	\$	\$
2020			
2021			
2022	911,724	1,693,276	2,605,000
2023	855,742	1,749,258	2,605,000
2024	805,831	1,799,169	2,605,000
2025-2026	2,468,538	6,231,462	8,700,000
	<u>\$5,041,835</u>	<u>\$11,473,165</u>	<u>\$16,515,000</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

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.

Debt service requirements to maturity are as follows at September 30, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
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	1,516,951	50,059	1,567,010
	<u>\$7,122,190</u>	<u>\$720,161</u>	<u>\$7,842,351</u>

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding Bonds, Series 2016 (Continued)

Debt service requirements to maturity are as follows at September 30, 2019:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2020	\$2,344,279	\$ 87,489	\$2,431,768
2021	2,384,849	44,120	2,428,969
	<u>\$4,729,128</u>	<u>\$131,609</u>	<u>\$4,860,737</u>

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.

Events of Default

In the event of a default in the payment of the principal of or interest on the Revenue Bonds, the bondholders shall be entitled to the appointment of a receiver of the port facilities by any court of competent jurisdiction. The receiver is authorized and empowered to take over, operate and manage and control such port facilities and to collect the revenues derived from the use of such port facilities to the same extent and in all the same manner as the District is authorized to do. The receiver shall operate and manage and control such port facilities only under the supervision and direction of the appropriate circuit court of the State of Florida, and such operation, management and control shall be in the name of the district and such port facilities shall be deemed to be in the district’s control and management through such court and its duly appointed receiver for the joint protection of the district and the bondholders.

Interest Expense

Total interest costs incurred during the year ended September 30, 2019, was \$1,188,454. Interest in the amount of \$93,000 was capitalized as part of the cost of construction in progress during the year. Total interest paid during the year was \$407,736.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2019, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Direct Borrowings & Placements:					
Series 2013 Revenue Bonds	\$8,414,544	\$	\$(1,292,354)	\$7,122,190	\$1,335,428
Series 2016 Revenue Bonds	7,030,041		(2,300,913)	4,729,128	2,344,279
Total Direct Borrowings & Placements	<u>15,444,585</u>		<u>(3,593,267)</u>	<u>11,851,318</u>	<u>3,679,707</u>
Other Bonds:					
Series 2002 Revenue Bonds	5,041,835			5,041,835	
Issuance discount	(42,571)		5,377	(37,194)	
Total Other Bonds	<u>4,999,264</u>		<u>5,377</u>	<u>5,004,641</u>	
Total Bonds Payable	20,443,849		(3,587,890)	16,855,959	3,679,707
Compensated absences	454,554	478,078	(473,804)	458,828	229,414
Net pension liability	3,513,846	375,658		3,889,504	
Other postemployment benefits	255,455	34,188	(4,396)	285,247	
Capital appreciation interest payable	<u>6,783,180</u>	<u>656,030</u>		<u>7,439,210</u>	
Total long-term liabilities	<u>\$31,450,884</u>	<u>\$1,543,954</u>	<u>\$(4,066,090)</u>	<u>\$28,928,748</u>	<u>\$3,909,121</u>

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 5 – CONTRACTS AND CONTINGENCIES (Continued)

Contractual Commitments

As of September 30, 2019, the Port had significant contractual commitments for the following projects:

Project	Contract Balance
Berth #1 Improvements	\$ 3,707,296
Berth #17 Improvements	1,958,324
MOB Demolition & Container Yard Expansion	527,718
	\$ 6,193,338

Collective Bargaining Agreement

The Port’s workforce is made up of approximately 49 staff and 5 Commissioners. The majority of the Port’s non-management maintenance, railroad and security employees are union employees, which represents approximately 35% of the total. The Port renewed its collective bargaining agreement with the National Association of Government Employees, effective as of October 1, 2019, for a three-year period ending September 30, 2021. 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.

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, 2019, the Port incurred costs of \$946,986 pursuant to the agreement.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019 was \$4,691,222. Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. As of September 30, 2019, the cost of the land, buildings, and improvements under operating leases was \$64,410,235 and accumulated depreciation on these facilities was \$21,219,460. Minimum future rentals under non-cancelable operating leases having an initial term in excess of one year as of September 30, 2019 are as follows:

2020	\$ 4,160,341
2021	4,063,708
2022	3,906,058
2023	2,772,925
2024	2,237,759
Thereafter	<u>13,145,451</u>
Total minimum future rentals	<u>\$30,286,242</u>

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

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 Retirement 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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019 were as follows:

Class	10/01/18 through 06/30/19	07/01/19 through 09/30/19
Regular Class	8.26%	8.47%
Senior Management Service Class	24.06%	25.41%
Special Risk Class	24.50%	25.48%
Elected Officials Class	48.70%	48.82%
DROP	14.03%	14.60%

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, 2019, the Port made contributions of \$235,897 to the Pension Plan and the Port's employees made contributions of \$85,555, for total contributions of \$321,452.

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

At September 30, 2019, the Port reported a liability of \$2,778,652 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2019. The Port's proportionate share of the net pension liability was based on the Port's 2018-2019 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members. At June 30, 2019, the Port's proportionate share was 0.008068421 percent, which was a decrease of 0.000749873 percent from its proportionate share measured as of June 30, 2018.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, the Port recognized pension expense of \$705,669 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:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 164,810	\$ (1,724)
Change of assumptions	713,678	
Net difference between projected and actual earnings on Pension Plan assets		(153,730)
Change in proportions and differences between Pension Plan contributions and proportionate share of contributions	43,514	(48,466)
Port Pension Plan contributions subsequent to the measurement date	<u>59,330</u>	
Total	<u>\$ 981,332</u>	<u>\$ (203,920)</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 \$59,330 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
2020	\$ 272,494
2021	76,590
2022	189,158
2023	139,917
2024	32,123
Thereafter	<u>7,800</u>
	<u>\$ 718,082</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined using the following actuarial assumptions:

Valuation date	July 1, 2019
Measurement date	June 30, 2019
Actuarial cost method	Individual Entry Age
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.9%, net of pension plan investment expense, including inflation
Mortality	PUB2010 base table varies by member category and sex, projected generationally with Scale MP-2018

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2019, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

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:

<u>Asset Class</u>	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return	Standard Deviation
Cash	1.0%	3.3%	3.3%	1.2%
Fixed Income	18.0%	4.1%	4.1%	3.5%
Global Equity	54.0%	8.0%	6.8%	16.5%
Real Estate (Property)	10.0%	6.7%	6.1%	11.7%
Private Equity	11.0%	11.2%	8.4%	25.8%
Strategic Investments	<u>6.0%</u>	5.9%	5.7%	6.7%
Total	<u><u>100.0%</u></u>			
Assumed Inflation - Mean			2.6%	1.7%

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. 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 6.90%, 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 (5.90%) or one percentage point higher (7.90%) than the current rate:

	1% Decrease 5.90%	Current Discount Rate 6.90%	1% Increase 7.90%
Port's proportionate share of the net pension liability	\$ 4,803,364	\$ 2,778,652	\$ 1,087,675

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At September 30, 2019, the Port reported a payable in the amount of \$18,367 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2019.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

Contributions

The HIS Plan is funded by required contributions from FRS participating employers as set by the Florida Legislature. Employer contributions are a percentage of gross compensation for all active FRS members. For the fiscal year ended September 30, 2019, 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 \$55,536 for the fiscal year ended September 30, 2019.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, the Port reported a liability of \$1,110,852 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2019, 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 2018-2019 fiscal year contributions relative to the 2018-2019 fiscal year contributions of all participating members. At June 30, 2019, the Port's proportionate share was 0.008812036 percent, which was an increase of 0.001116034 percent from its proportionate share measured as of June 30, 2018.

For the fiscal year ended September 30, 2019, the Port recognized pension expense of \$93,911. In addition, the Port reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 13,493	\$ (1,360)
Change of assumptions	128,623	(90,792)
Net difference between projected and actual earnings on Pension Plan assets	717	
Change in proportions and differences between Pension Plan contributions and proportionate share of contributions	46,286	(10,537)
Port Pension Plan contributions subsequent to the measurement date	<u>12,635</u>	
Total	<u>\$ 201,754</u>	<u>\$ (102,689)</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 \$12,635 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS.

Fiscal Year Ending	Amount
<u>September 30</u>	<u>Amount</u>
2020	\$ 30,311
2021	25,692
2022	19,791
2023	609
2024	1,985
Thereafter	<u>8,042</u>
	<u>\$ 86,430</u>

Actuarial Assumptions

The total pension liability as of June 30, 2019 was determined using the following actuarial assumptions:

Valuation date	July 1, 2018
Measurement date	June 30, 2019
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.50%
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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 3.50%. 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 3.50%, 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 (2.50%) or one percentage point higher (4.50%) than the current rate:

	1% Decrease 2.50%	Current Discount Rate 3.50%	1% Increase 4.50%
Port's proportionate share of the net pension liability	\$ 1,268,094	\$ 1,110,852	\$ 979,887

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, 2019, the Port reported a payable in the amount of \$4,239 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2019.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019, are as follows:

Class	10/01/18 through 06/30/19	07/01/19 through 09/30/19
Regular Class	8.26%	8.47%
Senior Management Service Class	24.06%	25.41%
Special Risk Class	24.50%	25.48%
Elected Officials Class	48.70%	48.82%
DROP	14.03%	14.60%

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, 2019, 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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 \$36,045 for the fiscal year ended September 30, 2019, and as of the fiscal year end, the Port reported a payable in the amount of \$2,959 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, 2019.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 15,976,469	\$ 1,140,839	\$ 17,117,308
Proportionate share of plan fiduciary net position	13,197,817	29,987	13,227,804
Proportionate share of net pension liability	2,778,652	1,110,852	3,889,504
Proportionate share of deferred outflows of resources	981,332	201,754	1,183,086
Proportionate share of deferred inflows of resources	203,920	102,689	306,609
Pension expense	705,669	93,911	799,580

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

Contributions

The Port does not directly make contributions 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
	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, 2019, the municipal bond rate was 3.58% 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, 2019, the Port reported a total OPEB liability of \$285,247. For the fiscal year ended September 30, 2019, the Port recognized OPEB expense of \$34,188. As of September 30, 2019, the Port did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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, 2019
Actuarial cost method	Entry Age Normal
Discount rate	3.58%
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	8.00%
Age adjustment factor	1.502659

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2019 were as follows:

Description	Total OPEB Liability
Balance September 30, 2018	\$255,455
Changes due to:	
Service cost	15,897
Interest on the total OPEB liability	9,421
Economic/demographic gains or losses	11,398
Change of assumptions and other inputs	(2,529)
Benefit payments	(4,395)
Total changes	29,792
Balance September 30, 2019	\$285,247

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 3.58% 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 2.58%	Current Discount Rate 3.58%	1% Increase 4.58%
Total OPEB liability	\$319,561	\$285,247	\$256,396

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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.

<u>Healthcare Trend Rate Sensitivity</u>	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate Assumption</u>	<u>1% Increase</u>
Total OPEB liability	\$249,771	\$285,247	\$327,997

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, 2019. The Port facilities total revenue from these customers were as follows:

Tropical Shipping USA, LLC/Birdsall, Inc.	<u>\$ 6,451,549</u>
Paradise Cruise Line(Multi-day Cruise):	
Revenue	\$ 8,516,133
Less Direct Marketing Support	<u>(4,994,939)</u>
Net	<u>\$ 3,521,194</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2019**

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 – SUBSEQUENT EVENT

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

PORT OF PALM BEACH DISTRICT
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
For the Fiscal Year Ended September 30, 2019

	<u>2018</u>	<u>2019</u>
Service cost	\$ 16,117	\$ 15,897
Interest on total OPEB liability	8,350	9,421
Effect of plan changes		
Effect of economic/demographic gains or losses	20,026	11,398
Effect of assumption changes or inputs		(2,529)
Benefit payments	<u>(22,779)</u>	<u>(4,395)</u>
Net change in total OPEB liability	21,714	29,792
Total OPEB liability - beginning	<u>233,741</u>	<u>255,455</u>
Total OPEB liability - ending	<u><u>\$ 255,455</u></u>	<u><u>\$ 285,247</u></u>
Covered-employee payroll	\$ 3,298,312	\$ 3,404,291
Total OPEB liability as a percentage of covered-employee payroll	7.75%	8.38%
 <u>Changes in Assumptions</u>		
<u>Measurement date</u>	<u>9/30/2018</u>	<u>9/30/2019</u>
Discount rate	3.50%	3.58%
Percentage participation	5.00%	8.00%
Age adjustment factor	1.57673	1.502659

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required FRS contribution	\$ 175,044	\$ 184,968	\$ 191,710
FRS contributions in relation to the contractually required contribution	<u>175,044</u>	<u>184,968</u>	<u>191,710</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Port's covered payroll	\$ 2,441,446	\$ 2,428,447	\$ 2,673,155
FRS contributions as a percentage of covered payroll	7.17%	7.62%	7.17%
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required FRS contribution	\$ 206,378	\$ 222,139	\$ 235,897
FRS contributions in relation to the contractually required contribution	<u>206,378</u>	<u>222,139</u>	<u>235,897</u>
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Port's covered payroll	\$ 2,790,575	\$ 2,867,752	\$ 2,861,309
FRS contributions as a percentage of covered payroll	7.40%	7.75%	8.24%

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
Proportion of the FRS net pension liability	0.007888215%	0.008252378%	0.008005711%
Proportionate share of the FRS net pension liability	\$ 481,297	\$ 1,065,905	\$ 2,021,448
Port's covered payroll	\$ 2,376,687	\$ 2,425,471	\$ 2,599,590
Port's proportionate share of the FRS net pension liability as a percentage of covered payroll	20.25%	43.95%	77.76%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%
	2017	2018	2019
Proportion of the FRS net pension liability	0.008313207%	0.008182944%	0.008068421%
Proportionate share of the FRS net pension liability	\$ 2,459,835	\$ 2,464,745	\$ 2,778,652
Port's covered payroll	\$ 2,842,134	\$ 2,893,846	\$ 2,875,427
Port's proportionate share of the FRS net pension liability as a percentage of covered payroll	86.55%	85.17%	96.63%
FRS Plan fiduciary net position as a percentage of the total pension liability	83.89%	84.26%	82.61%

Changes in Assumptions

The discount rate changed as follows:

2014	7.65%
2015	7.65%
2016	7.60%
2017	7.10%
2018	7.00%
2019	6.90%

For 2019, the mortality assumption changed from Generational RP-2000 with Projection Scale BB to PUB2010 base table projected generationally with Scale MP-2018.

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 were determined 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.

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Contractually required HIS contribution	\$ 34,758	\$ 37,844	\$ 49,491
HIS contributions in relation to the contractually required contribution	<u>34,758</u>	<u>37,844</u>	<u>49,491</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Port's covered payroll	\$ 2,836,296	\$ 2,764,755	\$ 2,981,376
HIS contributions as a percentage of covered payroll	1.23%	1.37%	1.66%
	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required HIS contribution	\$ 51,922	\$ 53,253	\$ 55,536
HIS contributions in relation to the contractually required contribution	<u>51,922</u>	<u>53,253</u>	<u>55,536</u>
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>
Port's covered payroll	\$ 3,127,843	\$ 3,208,018	\$ 3,345,543
HIS contributions as a percentage of covered payroll	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
Proportion of the HIS net pension liability	0.009320020%	0.009120310%	0.009441180%
Proportionate share of the HIS net pension liability	\$ 871,445	\$ 930,128	\$ 1,100,330
Port's covered payroll	\$ 2,777,231	\$ 2,766,916	\$ 2,914,569
Port's proportionate share of the HIS net pension liability as a percentage of it covered payroll	31.38%	33.62%	37.75%
HIS Plan fiduciary net position as a percentage of the total pension liability	0.99%	0.50%	0.97%
	2017	2018	2019
Proportion of the HIS net pension liability	0.009980882%	0.009912036%	0.009928070%
Proportionate share of the HIS net pension liability	\$ 1,067,202	\$ 1,049,101	\$ 1,110,852
Port's covered payroll	\$ 3,181,401	\$ 3,237,451	\$ 3,320,372
Port's proportionate share of the HIS net pension liability as a percentage of it covered payroll	33.55%	32.41%	33.46%
HIS Plan fiduciary net position as a percentage of the total pension liability	1.64%	2.15%	2.63%

Changes in Assumptions

The discount rate changed as follows:

2014	4.29%
2015	3.80%
2016	2.85%
2017	3.58%
2018	3.87%
2019	3.50%

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 were determined 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.

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$9,576,835 Revenue Refunding Bonds - Series 2002
September 30, 2019

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
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
	<u>\$ 11,473,165</u>	<u>\$ 5,041,835</u>	<u>\$ 16,515,000</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$14,301,991 Revenue Refunding Bonds - Series 2013
September 30, 2019

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
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	1,516,951	1,567,010
	<u>\$ 720,161</u>	<u>\$ 7,122,190</u>	<u>\$ 7,842,351</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$9,077,966 Revenue Refunding Bonds - Series 2016
September 30, 2019

<u>Year Ending</u> <u>September 30</u>	<u>Interest</u>	<u>Retirement</u> <u>of Bonds</u>	<u>Total</u>
2020	\$ 87,489	\$ 2,344,279	\$ 2,431,768
2021	44,120	2,384,849	2,428,969
	<u>\$ 131,609</u>	<u>\$ 4,729,128</u>	<u>\$ 4,860,737</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
Combined Revenue Bonds
September 30, 2019

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2020	\$ 322,521	\$ 3,679,707	\$ 4,002,228
2021	235,083	3,760,921	3,996,004
2022	1,838,829	2,335,932	4,174,761
2023	1,847,812	2,325,273	4,173,085
2024	1,849,228	2,322,782	4,172,010
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	<u>\$ 12,324,935</u>	<u>\$ 16,893,153</u>	<u>\$ 29,218,088</u>

PORT OF PALM BEACH DISTRICT
Schedule of Port Facilities Revenues
For the Fiscal Years Ended
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Wharfage	\$ 3,663,759	\$ 3,954,805
Rent	4,691,222	4,383,957
Dockage	2,229,884	2,235,834
Parking	1,306,727	1,372,946
Passenger wharfage		1,410
Net passenger charges	2,430,786	3,261,832
Storage	170,296	232,482
Water	191,714	133,902
Line handling	105,881	127,704
Miscellaneous	1,124,018	737,307
Switching	667,602	703,025
Licenses	153,200	118,600
Identification badging	14,829	27,561
Security fee	642,163	625,546
Cargo terminal fee	727,511	768,863
Harbor master fee	194,202	202,872
Vessel bunkers	68,583	53,498
	<u> </u>	<u> </u>
Total Port Facilities Revenue	<u><u>\$ 18,382,377</u></u>	<u><u>\$ 18,942,144</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses
For the Fiscal Years Ended
September 30, 2019 and 2018

	2019	2018
General expenses		
Insurance and surety bonds	\$ 391,090	\$ 376,750
Retirement	778,528	513,728
Group insurance	1,064,257	968,951
State and local taxes	35	38
Audit and other accounting services	92,650	82,446
Bad debt expense	239,000	
Trustee fees	2,558	5,662
Consulting	36,045	36,045
Miscellaneous	18,215	28,774
Total general expenses	2,622,378	2,012,394
Engineering and maintenance		
Salaries	544,454	545,006
Payroll taxes	40,048	39,993
Maintenance and repairs - buildings and grounds	696,682	764,419
Electricity	343,012	412,884
Water	829,935	708,935
Janitorial and trash removal	265,223	269,218
Maintenance and repairs - equipment	54,398	24,744
Engineering fees	90,084	50,105
Surveys and maps	22,631	1,486
Fuel and oil - port vehicles	35,106	33,662
Telephone	37,708	36,335
Uniforms	3,857	18,139
Shop maintenance and supplies	32,506	26,363
Total engineering and maintenance	2,995,644	2,931,289
Security		
Salaries	846,766	820,172
Payroll taxes	61,565	59,469
Contract services	1,154,615	1,026,096
Identification badges	7,203	7,270
Security equipment	23,053	57,197
Subscriptions	37,299	
Uniforms	3,252	14,661
Telephone	11,154	11,216
Maintenance and repairs - radios	25,056	34,377
Miscellaneous	4,039	40,594
Total security	2,174,002	2,071,052

(Continued)

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses (Continued)
For the Fiscal Years Ended
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Administration		
Salaries	\$ 1,437,437	\$ 1,357,271
Payroll taxes	102,840	91,572
Telephone	81,890	78,344
Maintenance and repairs	7,545	9,785
Information Systems	170,917	103,685
Supplies, stationary and printing	30,180	34,466
Postage	3,411	4,140
Dues and subscriptions	2,270	2,385
Publications	10,923	7,083
Legal fees and other professional fees	156,297	141,360
Miscellaneous	28,901	17,286
Total administration	<u>2,032,611</u>	<u>1,847,377</u>
Business development		
Salaries	408,713	405,123
Payroll taxes	27,540	27,579
Retirement	44,720	41,699
Advertising and promotion	35,065	44,384
Trade development	31,756	42,807
Community relations	24,201	17,379
Travel	28,494	18,497
Dues and subscriptions	69,060	60,294
Publications	8,699	13,511
Miscellaneous	10,135	12,866
Total business development	<u>688,383</u>	<u>684,139</u>
Operations		
Salaries	166,921	170,740
Payroll taxes	12,382	12,663
Customer & Tenant Operation	11,040	19,978
Telephone	1,102	1,237
Maintenance and repairs - train	22,139	32,488
Maintenance and repairs - track	73,484	30,569
Fuel and oil - train	22,939	35,408
Equipment rental	11,100	
Miscellaneous	360	6,869
Total operations	<u>321,467</u>	<u>309,952</u>
Amortization	<u>52,025</u>	<u>48,992</u>
Depreciation	<u>4,452,963</u>	<u>4,779,661</u>
Total operating expenses	<u><u>\$ 15,339,473</u></u>	<u><u>\$ 14,684,856</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses
For the Fiscal Years Ended
September 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Revenue		
Port facilities	\$ 23,377,316	\$ 23,229,182
Less: Direct marketing support	(4,994,939)	(4,287,038)
Net operating revenue	<u>18,382,377</u>	<u>18,942,144</u>
Expenses		
General expenses	2,622,378	2,012,394
Engineering and maintenance	2,995,644	2,931,289
Security	2,174,002	2,071,052
Administration	2,032,611	1,847,377
Business development	688,383	684,139
Operations	321,467	309,952
Operating expenses	<u>10,834,485</u>	<u>9,856,203</u>
Operating income before depreciation and amortization	7,547,892	9,085,941
Depreciation and amortization expense	<u>4,504,988</u>	<u>4,828,653</u>
Operating income after depreciation and amortization	3,042,904	4,257,288
Non-operating revenues (expenses)		
Investment earnings	399,541	158,189
Grant revenue	179,249	230,249
Grant expense	(203,607)	(206,500)
Insurance recoveries	4,944	67,608
Gain (loss) on disposition of assets	(274,780)	(1,088,109)
Interest expense	(1,095,454)	(996,704)
Total non-operating revenues (expenses)	<u>(990,107)</u>	<u>(1,835,267)</u>
Income before contributions	<u>2,052,797</u>	<u>2,422,021</u>
Capital contributions	<u>4,062,669</u>	<u>1,526,342</u>
Change in net position	<u><u>\$ 6,115,466</u></u>	<u><u>\$ 3,948,363</u></u>

PORT OF PALM BEACH DISTRICT
Budgetary Comparison Schedule
For the Fiscal Year Ended
September 30, 2019

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Operating revenues			
Wharfage	\$ 3,663,759	\$ 3,822,766	\$ (159,007)
Dockage	2,229,884	2,101,233	128,651
Parking	1,306,727	2,115,380	(808,653)
Passenger charges	7,425,725	10,243,768	(2,818,043)
Storage	170,296	210,005	(39,709)
Water	191,714	103,439	88,275
Line handling	105,881	122,488	(16,607)
Switching	667,602	706,060	(38,458)
Identification badging	14,829	23,765	(8,936)
Cargo terminal fee	727,511	782,253	(54,742)
Harbor master fees	194,202	207,350	(13,148)
Security fee	642,163	641,373	790
Licenses and permits	153,200	155,500	(2,300)
Miscellaneous income	1,124,018	361,671	762,347
Rent	4,691,222	4,455,035	236,187
Vessel bunkers	68,583	30,000	38,583
Total operating revenues	<u>23,377,316</u>	<u>26,082,086</u>	<u>(2,704,770)</u>
Less: Direct marketing support	(4,994,939)	(7,039,696)	2,044,757
Net operating revenues	<u>18,382,377</u>	<u>19,042,390</u>	<u>(660,013)</u>
Operating expenses			
General expenses	2,622,378	1,989,630	632,748
Engineering and maintenance	2,995,644	3,027,310	(31,666)
Security	2,174,002	2,343,545	(169,543)
Administration	2,032,611	2,324,493	(291,882)
Business development	688,383	820,225	(131,842)
Operations	321,467	379,310	(57,843)
Operating expenses before depreciation and amortization	<u>10,834,485</u>	<u>10,884,513</u>	<u>(50,028)</u>
Operating income before depreciation and amortization	7,547,892	8,157,877	(609,985)
Amortization	52,025	52,025	
Depreciation	4,452,963	5,104,000	(651,037)
Operating income	<u>3,042,904</u>	<u>3,001,852</u>	<u>41,052</u>
Non-operating revenue (expenses)			
Investment earnings	399,541	262,000	137,541
Grant revenue	179,249	75,000	104,249
Grant expense	(203,607)		(203,607)
Insurance recoveries	4,944		4,944
Gain (loss) on disposition of assets	(274,780)		(274,780)
Interest expense	(1,095,454)	(1,188,500)	93,046
Total non-operating revenue (expenses)	<u>(990,107)</u>	<u>(851,500)</u>	<u>(138,607)</u>
Income before capital contributions	<u>\$ 2,052,797</u>	<u>\$ 2,150,352</u>	<u>\$ (97,555)</u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Statistics
For the Fiscal Years Ended
September 30, 2019 and 2018
Unaudited

	<u>2019</u>	<u>2018</u>	<u>Percent Change</u>
CARGO TONNAGE			
General Cargo			
Container	1,278,213	1,358,730	(5.93%)
Break-bulk	91,612	111,965	(18.18%)
Relay	65,944	64,071	2.92%
Sub-Total	<u>1,435,769</u>	<u>1,534,766</u>	(6.45%)
Bulk and Dry Cargo			
Asphalt	107,034	118,191	(9.44%)
Diesel	87,048	142,925	(39.10%)
Fuel Oil	52,934	90,406	(41.45%)
Molasses	73,835	139,656	(47.13%)
Sugar	494,065	513,744	(3.83%)
Miscellaneous	11,665		100.00%
Recyclable metal	46,420	27,705	67.55%
Sub-Total	<u>873,001</u>	<u>1,032,627</u>	(15.46%)
TOTAL ALL CARGO	<u>2,308,770</u>	<u>2,567,393</u>	(10.07%)
TEUs			
Inbound	133,203	141,236	(5.69%)
Outbound	140,699	145,468	(3.28%)
Trans-shipment	5,998	5,600	7.11%
TOTAL TEUs	<u>279,900</u>	<u>292,304</u>	(4.24%)
RAIL CARS (IN AND OUT BOUND)	<u>18,682</u>	<u>20,048</u>	(6.81%)
VESSELS	<u>1,556</u>	<u>1,683</u>	(7.55%)
PASSENGERS	<u>449,457</u>	<u>462,674</u>	(2.86%)

PORT OF PALM BEACH DISTRICT
Net Position
For the Fiscal Years Ended September 30, 2010 through 2019
Unaudited

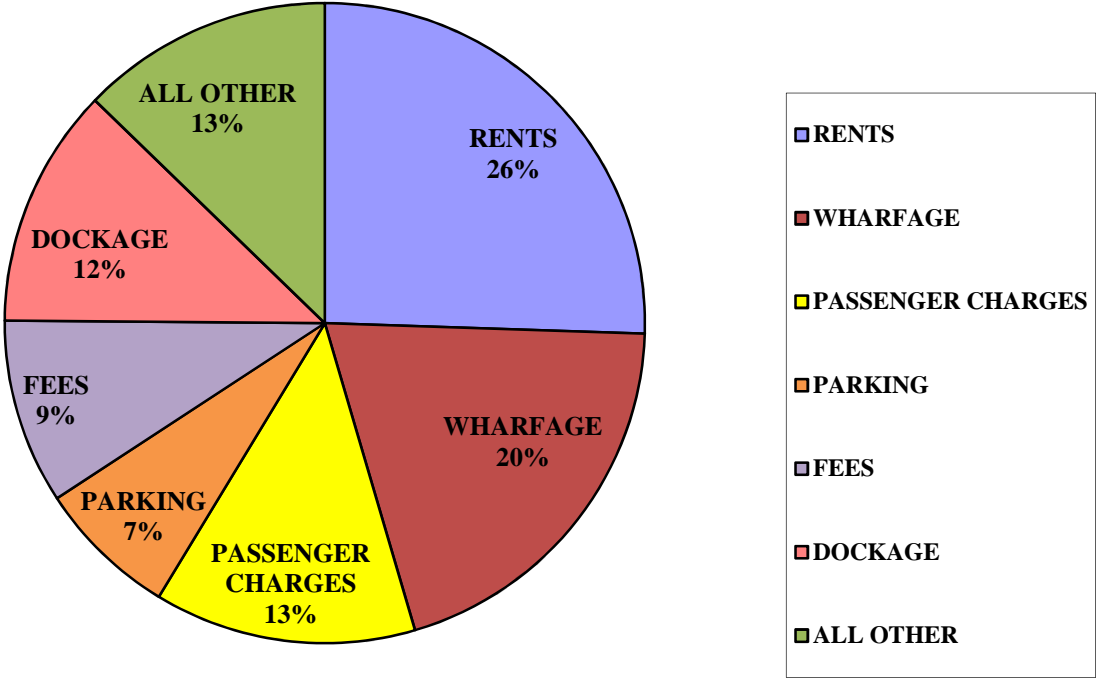
<u>Year Ending September 30</u>		<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2010	(1)	67,277,388	7,924,528	6,885,468	82,087,384
2011		66,302,448	3,012,502	11,555,399	80,870,349
2012		70,964,253	2,551,244	11,339,498	84,854,995
2013	(2) (3)	75,618,050	1,803,999	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
2019		107,626,748	2,646,112	15,269,620	125,542,480

-
- (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, 2010 through 2019
Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Wharfage	\$ 2,983,573	\$ 2,567,801	\$ 3,081,238	\$ 3,465,204	\$ 3,562,456
Rent	3,806,265	3,782,088	4,193,930	4,565,986	4,515,033
Dockage	1,498,641	1,474,044	1,626,476	1,680,365	1,731,439
Parking	631,122	838,664	969,020	987,052	1,186,040
Passenger wharfage	154,901			61,816	59,305
Net passenger charges	895,953	1,380,003	1,854,073	1,839,498	2,013,881
Storage	98,307	106,742	242,344	309,647	66,939
Water	103,889	84,258	77,519	80,050	79,888
Line handling	35,600	38,400	48,600	59,200	28,000
Miscellaneous	222,751	121,848	541,606	453,320	396,087
Switching	351,396	308,428	392,583	421,825	528,987
Licenses	114,700	125,000	118,500	115,450	111,300
Identification badging	71,800	20,708	12,827	22,337	47,496
Terminal operating fee	26,391				
Security fee	528,537	481,071	505,006	535,019	536,966
Cargo terminal fee	521,546	460,614	540,615	689,458	661,301
Harbor master fee	77,735	81,610	88,740	99,980	107,500
Vessel bunkers	37,290	44,640	45,990	44,010	45,480
Total	<u>\$ 12,160,397</u>	<u>\$ 11,915,919</u>	<u>\$ 14,339,067</u>	<u>\$ 15,430,217</u>	<u>\$ 15,678,098</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Wharfage	\$ 3,030,665	\$ 3,526,606	\$ 3,586,472	\$ 3,954,805	\$ 3,663,759
Rent	4,524,583	4,563,441	4,239,509	4,383,957	4,691,222
Dockage	1,602,038	2,090,756	2,214,939	2,235,834	2,229,884
Parking	1,142,624	1,493,751	1,440,349	1,372,946	1,306,727
Passenger wharfage	65,153	384,669		1,410	
Net passenger charges	2,060,173	1,945,396	2,533,252	3,261,832	2,430,786
Storage	33,977	38,705	71,384	232,482	170,296
Water	80,050	74,842	95,249	133,902	191,714
Line handling	47,200	167,800	127,600	127,704	105,881
Miscellaneous	454,739	192,069	577,194	737,307	1,124,018
Switching	595,658	527,907	628,742	703,025	667,602
Licenses	108,900	100,200	108,900	118,600	153,200
Identification badging	29,760	34,826	28,857	27,561	14,829
Terminal operating fee					
Security fee	494,829	615,631	589,043	625,546	642,163
Cargo terminal fee	594,948	618,438	688,159	768,863	727,511
Harbor master fee	156,450	182,615	181,962	202,872	194,202
Vessel bunkers	48,480	82,084	53,711	53,498	68,583
Total	<u>\$ 15,070,227</u>	<u>\$ 16,639,736</u>	<u>\$ 17,165,322</u>	<u>\$ 18,942,144</u>	<u>\$ 18,382,377</u>

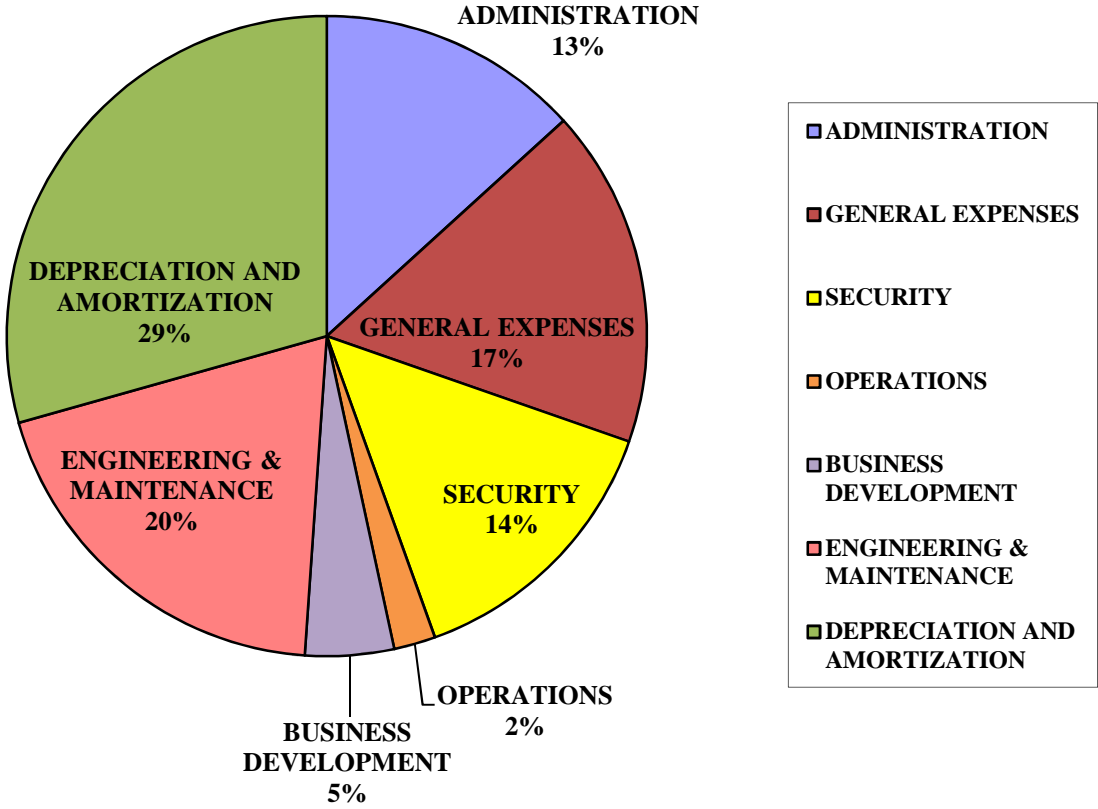
PORT OF PALM BEACH DISTRICT
Operating Revenues By Source
For the Fiscal Year Ended September 30, 2019
Unaudited



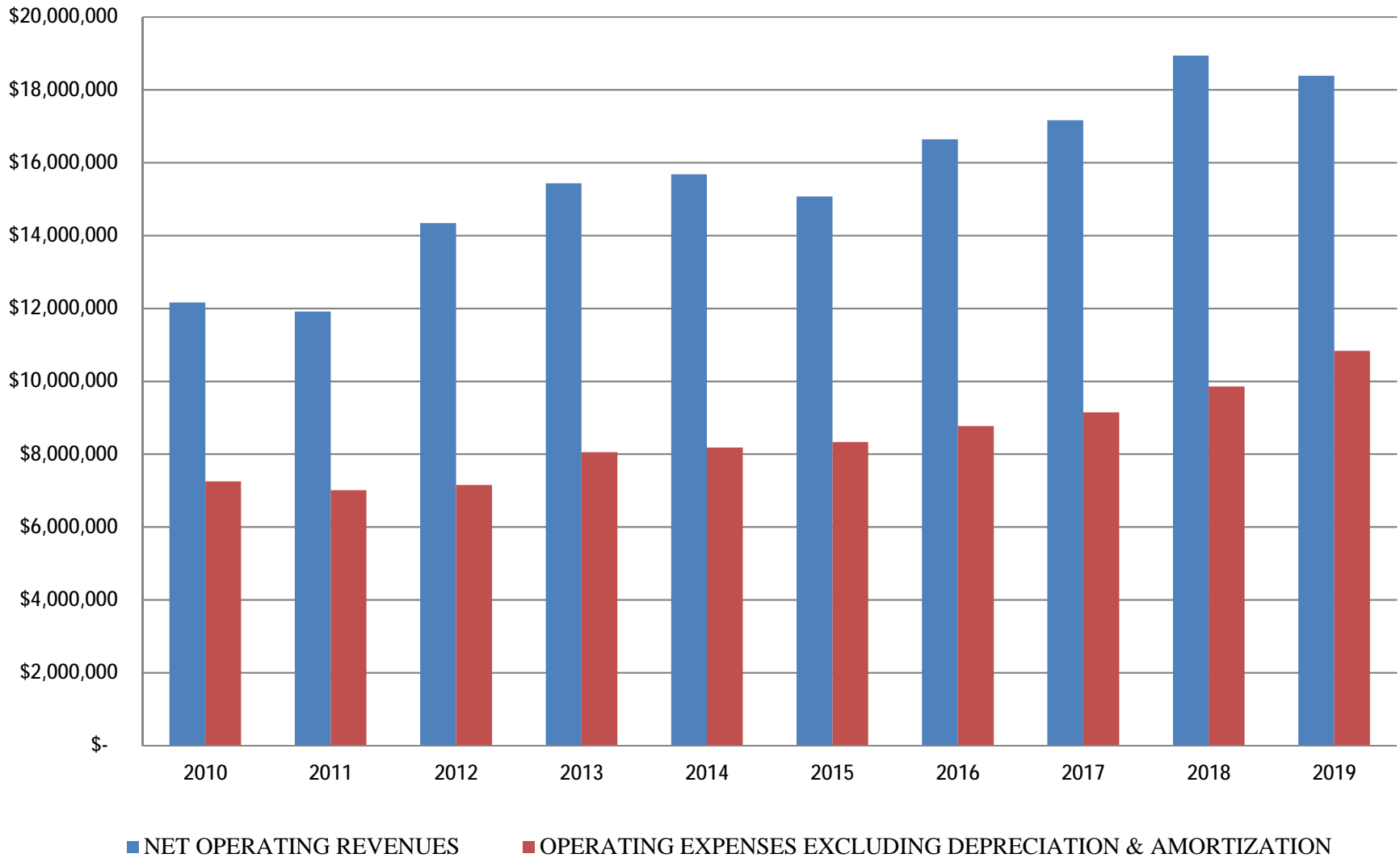
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Years Ended September 30, 2010 through 2019
Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
General expenses	\$ 1,891,125	\$ 1,505,593	\$ 1,479,517	\$ 1,632,400	\$ 1,771,389
Engineering and maintenance	1,872,638	1,859,962	1,774,571	2,401,307	1,989,431
Security	1,658,608	1,698,797	1,657,090	1,853,418	1,879,762
Administration	1,136,359	1,277,805	1,492,557	1,440,193	1,677,101
Business development	373,230	376,386	380,648	501,629	524,075
Operations	319,788	293,916	365,400	222,348	337,109
Subtotal	<u>7,251,748</u>	<u>7,012,459</u>	<u>7,149,783</u>	<u>8,051,295</u>	<u>8,178,867</u>
Amortization	92,245	108,473	91,018	31,809	28,817
Depreciation	4,233,539	4,297,853	4,161,428	4,178,485	4,159,615
Subtotal	<u>4,325,784</u>	<u>4,406,326</u>	<u>4,252,446</u>	<u>4,210,294</u>	<u>4,188,432</u>
Total	<u>\$ 11,577,532</u>	<u>\$ 11,418,785</u>	<u>\$ 11,402,229</u>	<u>\$ 12,261,589</u>	<u>\$ 12,367,299</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
General expenses	\$ 1,590,821	\$ 1,865,103	\$ 2,213,993	\$ 2,012,394	\$ 2,622,378
Engineering and maintenance	2,269,742	2,408,293	2,419,325	2,931,289	2,995,644
Security	1,776,390	2,000,425	1,784,325	2,071,052	2,174,002
Administration	1,631,993	1,611,402	1,814,485	1,847,377	2,032,611
Business development	747,789	624,175	655,740	684,139	688,383
Operations	315,485	262,996	257,559	309,952	321,467
Subtotal	<u>8,332,220</u>	<u>8,772,394</u>	<u>9,145,427</u>	<u>9,856,203</u>	<u>10,834,485</u>
Amortization	28,817	28,817	28,817	48,992	52,025
Depreciation	4,218,874	4,509,802	4,757,631	4,779,661	4,452,963
Subtotal	<u>4,247,691</u>	<u>4,538,619</u>	<u>4,786,448</u>	<u>4,828,653</u>	<u>4,504,988</u>
Total	<u>\$ 12,579,911</u>	<u>\$ 13,311,013</u>	<u>\$ 13,931,875</u>	<u>\$ 14,684,856</u>	<u>\$ 15,339,473</u>

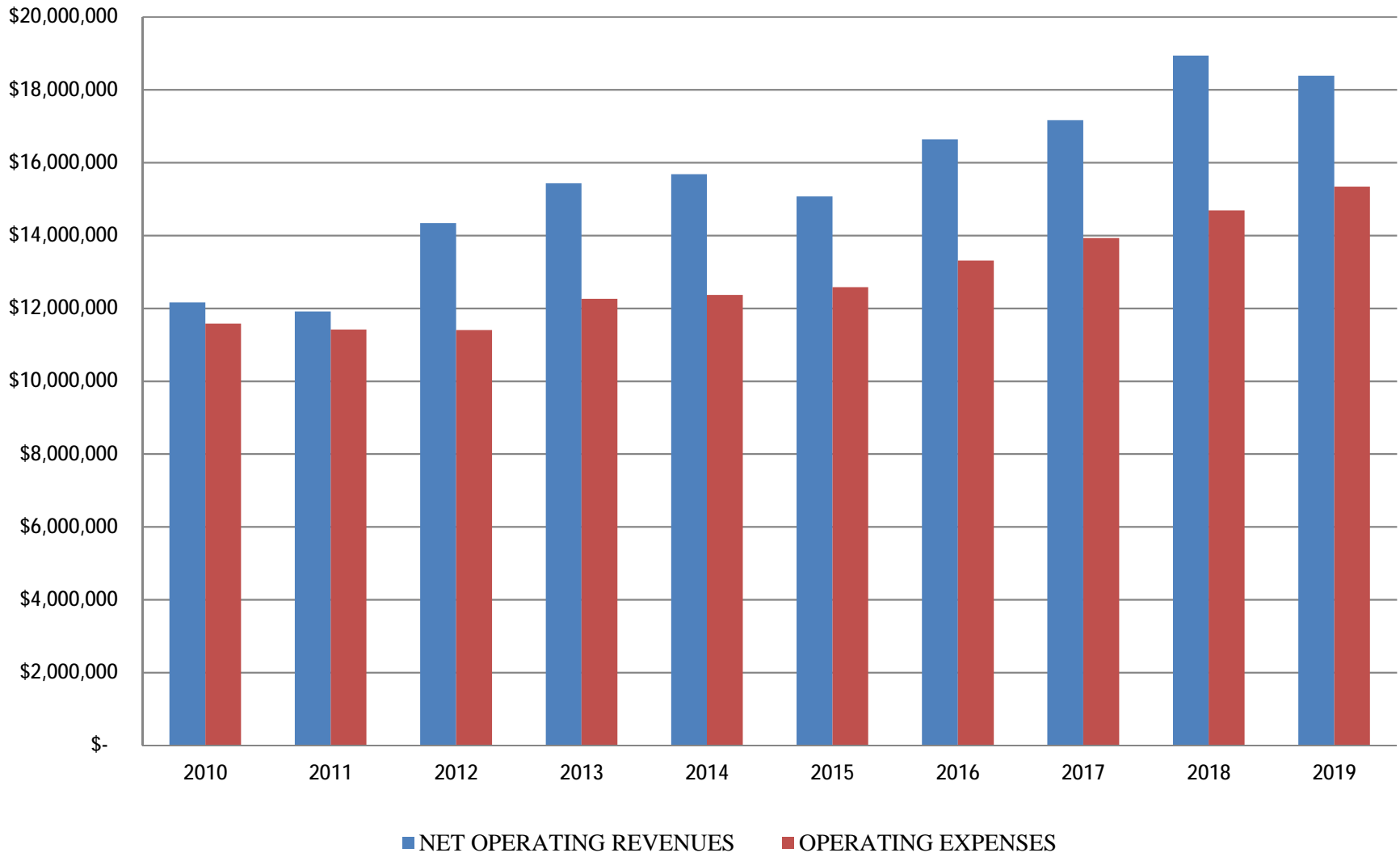
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Year Ended September 30, 2019
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization
For the Fiscal Years Ended September 30, 2010 through 2019
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses
For the Fiscal Years Ended September 30, 2010 through 2019
Unaudited



PORT OF PALM BEACH DISTRICT
Non-Operating Revenues (Expenses)
For the Fiscal Years Ended September 30, 2010 through 2019
Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Investment earnings	\$ 25,979	\$ 19,579	\$ 12,751	\$ 13,199	\$ 1,933
Grant revenue	622,815	340,138	1,029,354	182,428	146,674
Grant expense	(517,652)	(249,055)	(915,803)	(90,982)	(2,000)
Gain (loss) on disposition of assets		(5,075)	(7,093)	4,679	(562)
Electric utility distribution line relocation					
Insurance recoveries					
Bond issue costs					
Feasibility study				(65,891)	(230,678)
Interest expense	(2,422,258)	(2,322,513)	(2,286,276)	(2,152,645)	(1,659,947)
Total	<u>\$ (2,291,116)</u>	<u>\$ (2,216,926)</u>	<u>\$ (2,167,067)</u>	<u>\$ (2,109,212)</u>	<u>\$ (1,744,580)</u>

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Investment earnings	\$ 9,401	\$ 12,668	\$ 46,191	\$ 158,189	\$ 399,541
Grant revenue	754,466	1,537,154	55,772	230,249	179,249
Grant expense	(477,999)	(1,523,778)	(28,690)	(206,500)	(203,607)
Gain (loss) on disposition of assets	325,978	(6,713)	2,500	(1,088,109)	(274,780)
Electric utility distribution line relocation	(126,324)				
Insurance recoveries		31,291	60,721	67,608	4,944
Bond issue costs		(57,050)	(97)		
Feasibility study	(4,266)	(5,048)			
Interest expense	(1,405,344)	(1,523,830)	(1,363,288)	(996,704)	(1,095,454)
Total	<u>\$ (924,088)</u>	<u>\$ (1,535,306)</u>	<u>\$ (1,226,891)</u>	<u>\$ (1,835,267)</u>	<u>\$ (990,107)</u>

PORT OF PALM BEACH DISTRICT
Changes in Net Position
For the Fiscal Years Ended September 30, 2010 through 2019
Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Net Operating Income (Loss)	\$ 582,865	\$ 497,134	\$ 2,936,838	\$ 3,168,628	\$ 3,310,799
Net Non-Operating Revenue (Expense)	(2,291,116)	(2,216,926)	(2,167,067)	(2,109,212)	(1,744,580)
Income (Loss) before Contributions	(1,708,251)	(1,719,792)	769,771	1,059,416	1,566,219
Capital Contributions	542,472	502,757	3,817,316	4,898,938	10,222,352
Change in Net Position	<u>\$ (1,165,779)</u>	<u>\$ (1,217,035)</u>	<u>\$ 4,587,087</u>	<u>\$ 5,958,354</u>	<u>\$ 11,788,571</u>

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Net Operating Income (Loss)	\$ 2,490,316	\$ 3,328,723	\$ 3,233,447	\$ 4,257,288	\$ 3,042,904
Net Non-Operating Revenue (Expense)	(924,088)	(1,535,306)	(1,226,891)	(1,835,267)	(990,107)
Income (Loss) before Contributions	1,566,228	1,793,417	2,006,556	2,422,021	2,052,797
Capital Contributions	4,024,606	2,547,717	2,855,381	1,526,342	4,062,669
Change in Net Position	<u>\$ 5,590,834</u>	<u>\$ 4,341,134</u>	<u>\$ 4,861,937</u>	<u>\$ 3,948,363</u>	<u>\$ 6,115,466</u>

PORT OF PALM BEACH DISTRICT
Operating Statistics
For the Fiscal Years Ended September 30, 2010 through 2019
Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
CARGO TONNAGE					
General Cargo					
Container	1,057,434	1,006,299	1,118,662	1,243,179	1,292,505
Break-bulk	69,174	67,341	71,043	62,162	64,488
Sub-Total	<u>1,126,608</u>	<u>1,073,640</u>	<u>1,189,705</u>	<u>1,305,341</u>	<u>1,356,993</u>
Bulk and Dry Cargo					
Asphalt	57,561	88,522	78,902	72,768	87,817
Cement					
Fuel Oils	513,570	187,281	120,861	63,030	30,284
Miscellaneous	18,159	61,619	4,409	11,086	
Recyclable metal					68,950
Molasses	171,456	186,432	124,859	147,550	110,720
Sugar	660,992	413,254	537,517	547,904	496,040
Sub-Total	<u>1,421,738</u>	<u>937,108</u>	<u>866,548</u>	<u>842,338</u>	<u>793,811</u>
TOTAL ALL CARGO	<u>2,548,346</u>	<u>2,010,748</u>	<u>2,056,253</u>	<u>2,147,679</u>	<u>2,150,804</u>
TEUs	<u>206,585</u>	<u>206,537</u>	<u>223,463</u>	<u>248,211</u>	<u>257,252</u>
RAIL CARS (IN AND OUT BOUND)	<u>15,327</u>	<u>12,798</u>	<u>12,961</u>	<u>13,098</u>	<u>16,606</u>
VESSELS	<u>1,467</u>	<u>1,320</u>	<u>1,395</u>	<u>1,523</u>	<u>1,553</u>
PASSENGERS	<u>285,043</u>	<u>303,886</u>	<u>341,004</u>	<u>345,970</u>	<u>364,829</u>
	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
CARGO TONNAGE					
General Cargo					
Container	1,303,289	1,295,490	1,351,573	1,422,801	1,344,157
Break-bulk	53,546	98,801	96,530	111,965	91,612
Sub-Total	<u>1,356,835</u>	<u>1,394,291</u>	<u>1,448,103</u>	<u>1,534,766</u>	<u>1,435,769</u>
Bulk and Dry Cargo					
Asphalt	80,732	83,909	101,023	118,191	107,034
Cement					
Fuel Oils	53,045	98,354	122,174	233,331	139,982
Miscellaneous					11,665
Recyclable metal	26,604	37,122	35,618	27,705	46,420
Molasses	100,553	121,889	184,176	139,656	73,835
Sugar	544,780	783,690	593,563	513,744	494,065
Sub-Total	<u>805,714</u>	<u>1,124,964</u>	<u>1,036,554</u>	<u>1,032,627</u>	<u>873,001</u>
TOTAL ALL CARGO	<u>2,162,549</u>	<u>2,519,255</u>	<u>2,484,657</u>	<u>2,567,393</u>	<u>2,308,770</u>
TEUs	<u>265,245</u>	<u>260,324</u>	<u>275,538</u>	<u>286,704</u>	<u>273,902</u>
RAIL CARS (IN AND OUT BOUND)	<u>20,153</u>	<u>17,324</u>	<u>18,885</u>	<u>20,048</u>	<u>18,682</u>
VESSELS	<u>1,406</u>	<u>1,750</u>	<u>1,533</u>	<u>1,683</u>	<u>1,556</u>
PASSENGERS	<u>350,932</u>	<u>502,876</u>	<u>432,585</u>	<u>462,674</u>	<u>449,457</u>

PORT OF PALM BEACH DISTRICT
Revenue Bond Coverage
For the Fiscal Years Ended September 30, 2010 through 2019
Unaudited

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Gross Revenues	(1) \$ 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	\$ 18,781,918
Operating Expenses	(2) (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)	(10,834,485)
Supplemental Revenues	-	-	-	-	-	-	-	-	-	-
Net Revenues	(3) <u>4,934,628</u>	<u>4,923,039</u>	<u>7,202,035</u>	<u>7,392,121</u>	<u>7,501,164</u>	<u>6,747,408</u>	<u>7,880,010</u>	<u>8,066,086</u>	<u>9,244,130</u>	<u>7,947,433</u>
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	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>
Excess (Deficiency)	<u>\$ 149,628</u>	<u>\$ 138,039</u>	<u>\$ 2,417,035</u>	<u>\$ 2,607,121</u>	<u>\$ 2,716,164</u>	<u>\$ 1,962,408</u>	<u>\$ 3,095,010</u>	<u>\$ 3,281,086</u>	<u>\$ 4,459,130</u>	<u>\$ 3,162,433</u>
Coverage	(4) 103%	103%	151%	154%	157%	141%	165%	169%	193%	166%

(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.



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

**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**

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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, 2019, 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 June 2, 2020.

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
June 2, 2020



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

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MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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, 2019. 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, 2019.

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 & Mimes, P.A.

West Palm Beach, Florida
June 2, 2020

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended September 30, 2019

<u>State Grantor/Program Title</u>	<u>CSFA Number</u>	<u>Contract Number</u>	<u>State Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Florida Department of Transportation</u>				
1 Seaport Grants	55.005	G0078	1,572,715	
2 Seaport Grants	55.005	ARS49	1,448,158	
3 Seaport Grants	55.005	G0995	131,465	
4 Seaport Grants	55.005	ARL88	96,342	
5 Seaport Grants	55.005	G1560	26,014	
6 Seaport Grants	55.005	G0E90	1,425	
			<u>3,276,119</u>	
Total State Financial Assistance			<u>\$ 3,276,119</u>	<u>\$</u>

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 recognized 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, 2019

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? No

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

**PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2019**

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

Identification of Major State Project

<u>CSFA Number</u>	<u>Name of State Project</u>
55.005	Florida Department of Transportation · 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, 2019**

STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None



NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

WEST PALM BEACH OFFICE
NORTHBRIDGE CENTRE
515 N. FLAGLER DRIVE, SUITE 1700
POST OFFICE BOX 347
WEST PALM BEACH, FLORIDA 33402-0347
TELEPHONE (561) 659-3060
FAX (561) 835-0628
WWW.NHMCPA.COM

EVERETT B. NOWLEN (1930-1984), CPA
EDWARD T. HOLT, CPA
WILLIAM B. MINER, RETIRED
ROBERT W. HENDRIX, JR., CPA
JANET R. BARICEVICH, RETIRED, CPA
TERRY L. MORTON, JR., CPA
N. RONALD BENNETT, CVA, ABV, CFF, CPA
ALEXIA G. VARGA, CFE, CPA
EDWARD T. HOLT, JR., PFS, CPA
BRIAN J. BRESCIA, CFP®, CPA

MARK J. BYMASTER, CFE, CPA
RYAN M. SHORE, CFP®, CPA
WEI PAN, CPA
WILLIAM C. KISKER, CPA
RICHARD E. BOTTS, CPA

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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, 2019, and have issued our report thereon dated June 2, 2020.

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 June 2, 2020, 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. No findings and recommendations were 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 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 Statutes.

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, 2019, 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
June 2, 2020



NOWLEN, HOLT & MINER, P.A.

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TELEPHONE (561) 659-3060
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WEI PAN, CPA
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RICHARD E. BOTTS, CPA

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

BELLE GLADE OFFICE
333 S.E. 2nd STREET
POST OFFICE BOX 338
BELLE GLADE, FLORIDA 33430-0338
TELEPHONE (561) 996-5612
FAX (561) 996-6248

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, 2019. 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, 2019.

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
June 2, 2020