



Annual Comprehensive Financial Report



Fiscal Year Ended September 30, 2022

PORT OF PALM BEACH DISTRICT

Annual Comprehensive Financial Report

FISCAL YEAR ENDED SEPTEMBER 30, 2022



Prepared by

PORT OF PALM BEACH FINANCE DEPARTMENT

Michael Williams, Director of Finance

Daniel Kirchman, CPA, CGMA[®], CPE[™], Controller

**PORT OF PALM BEACH DISTRICT
Annual Comprehensive Financial Report
September 30, 2022**

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PORT OF PALM BEACH DISTRICT
Principal Officials
As of September 30, 2022

PORT BOARD MEMBERS

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

PORT STAFF

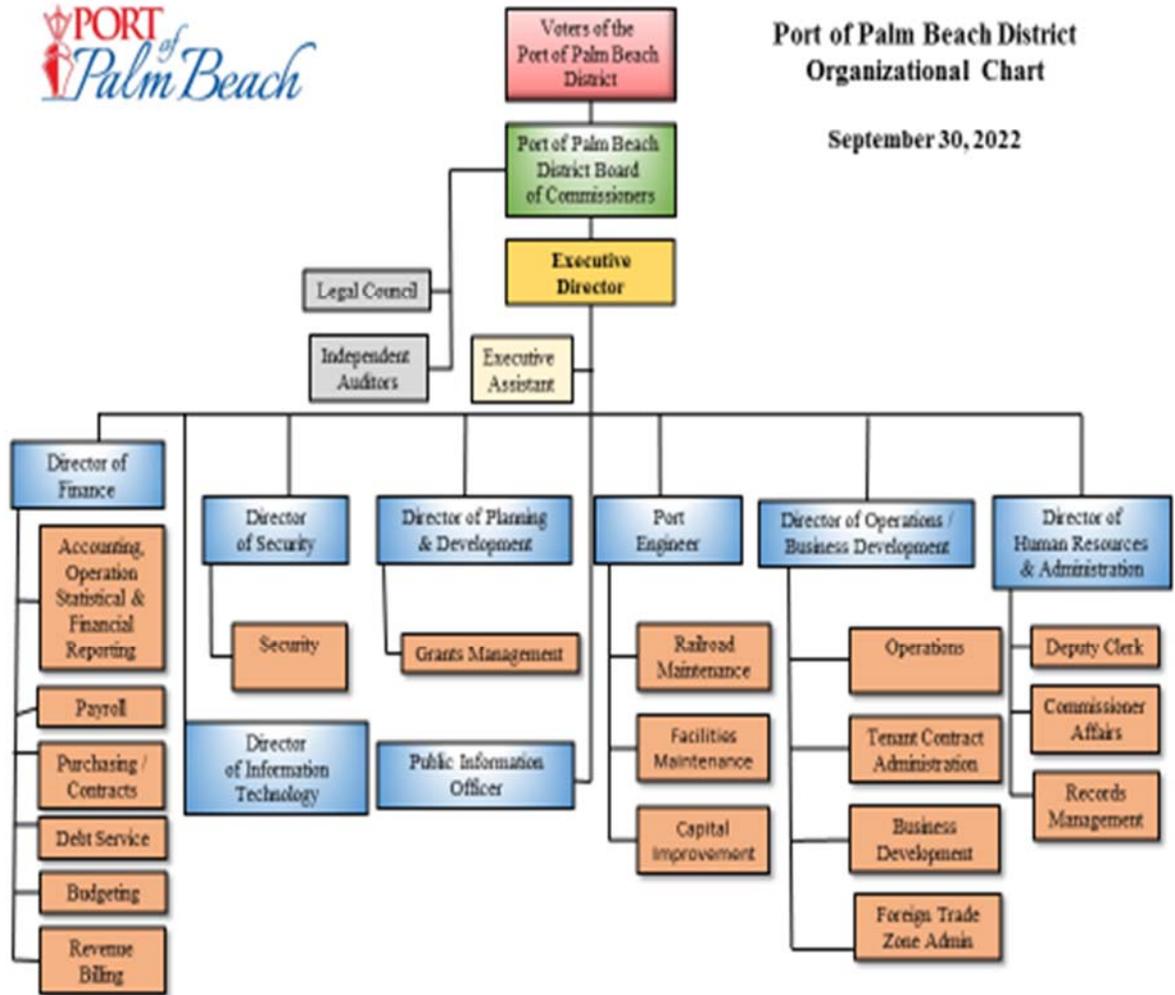
Manuel Almira, PPM [®]	Executive Director
Michael Williams	Director of Finance
Ronald Coddington, P.E.	Port Engineer
Michael Meekins	Director of Business Development and Operations (1)
Rick Placeres	Director of Security
Carl Baker	Director of Planning and Development
Daniel Kirchman, CPA, CGMA [®] , CPE [™]	Controller
Richard Laird	Director of Information Systems
Beatrice Greffin	Director of Human Resources Administration and District Clerk

(1) New Executive Director, effective on March 20, 2023.



**Port of Palm Beach District
Organizational Chart**

September 30, 2022



FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of commissioners
Port of Palm Beach District
Riviera Beach, Florida

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the Port of Palm Beach District as of and for the year ended September 30, 2022, 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.

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, 2022, and the respective changes in financial position, and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Port of Palm Beach District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 1 and 3 to the basic financial statements, the Port of Palm Beach District adopted the provisions of Governmental Accounting Standards Board Statement No. 87, Leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Palm Beach District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

INDEPENDENT AUDITOR'S REPORT – Continued

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Port of Palm Beach District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Port of Palm Beach District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 15, the schedule of changes in the total OPEB liability on page 60, and the pension schedules on pages 61 through 63, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

INDEPENDENT AUDITOR'S REPORT – Continued

Supplementary 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 accompanying schedule of expenditures of federal awards, and state financial assistance as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and Chapter 10.550, Rules of the Auditor General on pages 88 through 91 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and state projects are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section on pages 1 and 2, accompanying schedules listed as other supplementary information on pages 64 through 71 and statistical sections on pages 72 through 82, but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 15, 2023 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.



West Palm Beach, Florida
June 15, 2023

PORT OF PALM BEACH DISTRICT 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, 2022. The information presented should be read in conjunction with the financial statements, notes and supplemental schedules found in this report.

INTRODUCTION

The Port consists of approximately 165 acres and is primarily a landlord port serving Palm Beach County, the South Florida region, the United States, and the Caribbean. The Port is a self-supporting organization and generates revenues from port users to fund all operating expenses, debt service requirements and a portion of its capital projects. Capital projects are also funded by external financing including the issuance of municipal revenue bonds, awards of federal and state grants, and surplus operating funds above those needed to cover operating expenses and debt service.

The Port publishes a uniform tariff, which contains standardized rates for conducting various port activities on port-owned facilities including wharfage, dockage, transit, storage, warehousing and handling of cargo to and from vessels. In addition to the revenue generated from these activities, the Port leases its properties to various maritime and other businesses for which it collects rents and negotiated commodity rates, and in many instances receives certain guaranteed revenue streams.

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 \$139,955,637 (*net position*). Of this amount, \$20,001,064 (*unrestricted net position*) may be used to meet the Port's ongoing obligations to creditors.
- The Port's total net position increased by \$4,568,264, before the prior period error restatement. This increase consists of \$2,800,004 of income before contributions, and \$1,768,260 of capital contributions.
- At the end of the current fiscal year, unrestricted net position was 121% of total expenses and the return on unrestricted net position was 14%.

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).

PORT OF PALM BEACH DISTRICT
Management's Discussion and Analysis - Continued

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 to 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*** presents 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 16-20 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 are on pages 21 - 59 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 60 - 82 of this report.

PORT OF PALM BEACH DISTRICT
Management's Discussion and Analysis - Continued

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, 2022 and 2021 by \$139,955,637 and \$135,434,468, respectively.

The following table reflects the condensed statement of net position:

Port of Palm Beach District's Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>	
			<u>Amount</u>	<u>%</u>
Current and other assets	\$ 65,624,770	\$ 36,080,923	\$ 29,543,847	81.9%
Capital and right to use leased assets, net	124,386,356	123,602,419	783,937	6.63%
Total assets	190,011,126	159,683,342	30,327,784	19.0%
Total deferred outflows of resources	1,599,007	1,255,030	343,977	27.4%
Current liabilities	6,794,036	5,636,498	1,157,539	20.5%
Noncurrent liabilities	16,711,437	17,357,588	(646,151)	(3.7%)
Total liabilities	23,505,473	22,994,086	511,387	2.2%
Total deferred inflows of resources	28,149,023	2,509,818	25,639,205	1021.6%
Net investment in capital assets	117,053,432	113,954,887	3,098,545	2.7%
Restricted	2,901,141	3,204,087	(302,946)	(9.5%)
Unrestricted	20,001,064	18,275,494	1,725,570	9.4%
Total net position	<u>\$139,955,637</u>	<u>\$135,434,468</u>	<u>\$ 4,521,169</u>	<u>3.3%</u>

Current and other assets increased by approximately \$29.5 million. This was primarily due to an increase of \$4.1 million in operating grant receipts from the American Rescue Act, a return to full cruise operations and the significant implementation of GASB Statement No. 87, *Leases*, lease receivable and deferred inflows increased by \$27.9 million.

Current liabilities increased by approximately \$1.2 million primarily from increases in accounts payable due to the timing of payments. Noncurrent liabilities decreased by approximately \$0.6 million as normal debt (revenue bonds) payments offset the increase in the FRS and HIS pension plan's net pension liability.

Pension related items of both deferred outflows increased approximately \$0.4 million, and deferred inflows decreased by approximately \$2.3 million 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*

PORT OF PALM BEACH DISTRICT
Management’s Discussion and Analysis - Continued

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 Port’s net pension liability of \$4.7 million as of September 30, 2022, for its proportionate share of the FRS and HIS pension plan’s net pension liability is due to implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in FY 2015. Additional information on the Port’s net pension liability is 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, 2022 and 2021 (117.1 million or 83.6% and 113.9 million or 84%) 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, 2022, 2.9 million or (2.1 %) 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 2022, the Port’s unrestricted net position was \$20.0 million or (14.3% of net position), an increase of approximately \$2.1 million or 11.3% from FY 2021.

The Port's total net position increased by approximately \$4.5 million or 3.3% in FY 2022. Of this amount, approximately \$2.8 million represents net income before capital contributions and approximately \$1.7 million 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.

PORT OF PALM BEACH DISTRICT
Management's Discussion and Analysis - Continued

The following table reflects the condensed revenue and expense data:

Port of Palm Beach District's Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Change</u>	
			<u>Amount</u>	<u>%</u>
Operating revenues:				
Fees and charges for services	\$ 18,408,322	\$ 16,092,493	\$2,315,829	14.4%
Non-operating revenues:				
Investment earnings	110,752	8,541	102,211	1197%
Other	1,346	29,684	(28,338)	(95.5%)
Grant revenue	813,742	3,352,633	(2,538,891)	(75.7%)
Total non-operating revenues	<u>925,840</u>	<u>3,390,858</u>	<u>(2465,018)</u>	<u>(72.7%)</u>
Total revenues	<u>19,334,162</u>	<u>19,483,351</u>	<u>(149,189)</u>	<u>(0.8)</u>
Operating expenses:				
General expenses	3,251,480	1,704,244	1,547,236	90.8%
Engineering and maintenance	2,455,397	2,404,063	51,334	2.1%
Security	1,680,535	1,526,991	153,544	10.1%
Administration	2,285,262	2,344,921	(59,659)	(2.5%)
Business development	655,106	764,368	(109,262)	(14.3%)
Operations	621,459	343,197	278,262	81.1%
Depreciation and amortization	4,564,508	4,671,824	(107,316)	(2.3%)
Total operating expenses	<u>15,513,747</u>	<u>13,759,608</u>	<u>1,754,139</u>	<u>12.7%</u>
Non-operating expenses:				
Grant and related expenses	64,372	36,359	28,013	77.0%
Loss on disposition of assets	12,316	12,104	212	1.8%
Interest	943,723	1,146,812	(203,089)	(17.7%)
Total non-operating expenses	<u>1,020,411</u>	<u>1,195,275</u>	<u>(174,864)</u>	<u>(14.6%)</u>
Total expenses	<u>16,534,158</u>	<u>14,954,883</u>	<u>1,579,275</u>	<u>10.6%</u>
Income before contributions	2,800,004	4,528,468	(1,728,464)	(38.2%)
Capital contributions	1,768,260	2,415,349	(647,089)	(26.8%)
Change in net position	<u>4,568,264</u>	<u>6,943,817</u>	<u>(2,375,553)</u>	<u>(34.2%)</u>
Net position – beginning	135,434,468	128,490,651	6,943,817	5.4%
Prior adjustment	(47,095)	-	(47,095)	100%
Net position – beginning restated	<u>135,387,373</u>	<u>128,490,651</u>	<u>6,896,722</u>	<u>5.4%</u>
Net position - ending	<u>\$139,955,637</u>	<u>\$135,434,468</u>	<u>\$4,521,169</u>	<u>3.3%</u>

PORT OF PALM BEACH DISTRICT
Management's Discussion and Analysis - Continued

Key elements of the increase in net position for the fiscal year ended September 30, 2021 are as follows.

- Overall operating revenues (fees and charges for services) increased by approximately \$2.32 million or 14.4%. This was primarily due to significant increases in passenger and parking revenues, which increased by approximately \$2.05 million, as a result of a full year of cruise operations. Additional operating revenues for cargo related items increased 2.9% and leases/rents increased 3.3%, respectively. The remaining operating revenues, which consist of licenses, permits, identification badging, and other miscellaneous items decreased by approximately 32.8%. Wharfage, dockage and related revenues, passenger and parking charges, and rent and related storage are the largest portion of the Ports operating revenues, accounting for over 94%.

The Port's operating revenues, for most of the fiscal year, still suffered from the lingering effects of the COVID-19 or coronavirus pandemic and impacted the cruise and tourism industry in the Caribbean, which the Port's customers and tenants primarily serve. However, the CDC did drop its cruise health travel notice on March 30, 2022, and the cruise line operator rebranded its ship under the name "Margaritaville at Sea", which enabled operating revenues to start recovering significantly in late spring

- Investment Earnings increased significantly by approximately \$0.10 million, or 1,197% as the target range for the federal funds interest rate and the Port's money market mutual fund and bank managed earnings rate increased significantly. The federal funds rate target continues to increase and is expected to do so through all of FY 2023.

Non-operating grant revenue was from a grant awarded from the State of Florida through the Coronavirus State and Local Fiscal Recovery Fund established under the American Rescue Plan Act of 2021 to offset the negative economic impacts of COVID-19, of approximately \$4.05 million. This was allocated between FY 2022 and FY 2021 for approximately \$0.81 million and \$3.24 million, respectively.

- Operating Expenses increased approximately \$1.75 million or 12.7%. The most significant increases were the Teeters Agency & Stevedoring and Monarch Shipping Company, a top five revenue producer, who were evicted for unpaid accounts receivable which led to their lease and operating agreement being canceled and the filing of legal actions. The Port incurred expenses of approximately \$1.43 million for bad debt allowance, legal fees, costs associated with the seizure and arrest of their vessel, removal of customer cargoes, and maintenance of lease properties. In addition, the cruise line related costs for contracted security, janitorial and utility usage from a full year of cruise operations, were approximately \$0.33 million.

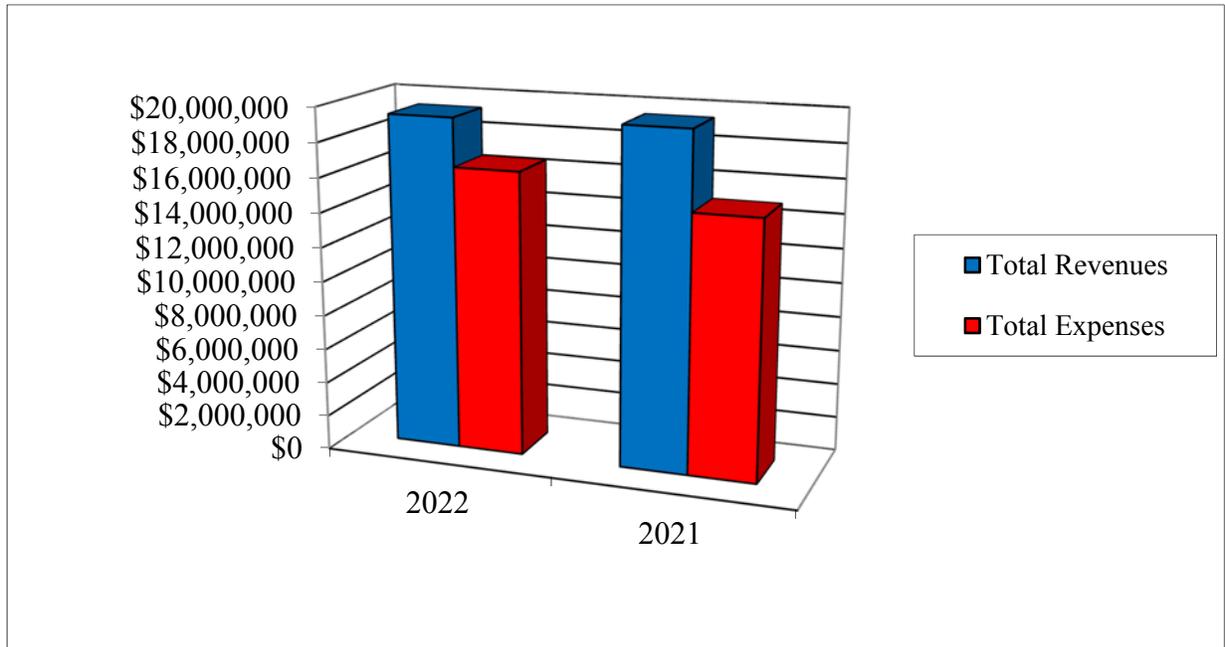
Salaries, payroll taxes and benefits (employee costs) represent the largest portion of the Port's operating expenses before depreciation and amortization, at approximately 53% and increased by approximately \$0.63 million or 12%. Salaries and payroll tax increases offset reductions in group health insurance costs, however both changes were insignificant. Retirement costs increased significantly by approximately \$0.52 million primarily from the increase in net pension liability caused by the annual adjustments in actuarial assumptions, experience, earnings and proportions by the FRS because of GASB Statement No. 68, whereas in FY 21, there was a significant decrease in the net pension liability; see Note 8, in the accompanying notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Management’s Discussion and Analysis - Continued

The remaining changes in the expense categories were net reductions but were insignificant.

- Capital contributions from FDOT Seaport grants for capitalized projects decreased in FY 2022 by approximately \$0.65 million, as several large projects were completed in FY 2021 and reduced project activity in FY 2022.

Total Revenues and Expenses



CAPITAL ASSETS

Capital assets: The Port’s capital assets as of September 30, 2021 amounted to approximately \$124.36 and 123.62 million, respectively (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.

Additions for the fiscal year ended September 30, 2022, were offset by depreciation expense of \$4.51 million.

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

Annex Property Site Improvement, which began in the 1st quarter of FY 2021 and is scheduled to be completed in FY 2023, at a cost of approximately \$1.5 million. The project is developing a 5.2 acre parcel that was deeded to the Port by the State of Florida, as surplus land. Site improvements include landscaping, irrigation, drainage, paving, utility, lighting and fencing, which were required, so the property can be re-zoned and leased out as an upland cargo yard. The \$1.5 million project is being funded by the Florida Department of Transportation (FDOT) Seaport 50/50 matching grant.

PORT OF PALM BEACH DISTRICT
Management’s Discussion and Analysis - Continued

The On Port Rail Facility Expansion project 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 project is being funded by FDOT Seaport 50/50 matching grants of \$12.2 million. In addition, the Port was awarded a Federal Maritime Administration Port Infrastructure Development Program (MARAD) for \$26.5 million with a 50/50 required match. Both grants will allow for the redevelopment of the Port’s intermodal rail yard and other significant infrastructure improvements on the west side of the Port. Design and permitting began in the 2nd quarter of FY 2021, and rail supplies of \$2.3 million were purchased this fiscal year. The project phases will be completed over the next several fiscal years.

The Port purchased six parcels (1.17 acres) for \$1.19 million in FY 2022, next to additional land owned by the Port, across from its northern boundary. This is the start of an expansion project to purchase additional lots as they become available. The Port needs additional land for cargo laydown area for its current and future tenants. FDOT has provided a 50/50 matching grant of \$2.3 million and is working with the Port to provide additional grant funding.

The Port started a drainage and paving project on the northwest area for approximately \$792 thousand and a \$872 thousand phase 1 rehabilitation to the chiller plant, both are scheduled to be completed in FY 2023 and are funded by the renewal and replacement fund.

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 Transportation MARAD 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>2022</u>	<u>2021</u>	Change	
			<u>Amount</u>	<u>%</u>
Land	\$ 29,304,281	\$ 28,119,220	\$ 1,185,061	4.2%
Buildings and improvements	25,426,341	26,769,112	(1,342,771)	(5.0%)
Slips and improvements	44,067,261	45,519,406	(1,452,145)	(3.2%)
Other improvements	10,720,355	11,740,518	(1,020,163)	(8.7%)
Wharf and loading ramps	8,783,690	9,060,765	(277,075)	(3.1%)
Machinery and equipment	651,713	728,423	(76,710)	(10.5%)
Computer equipment	239,910	200,798	39,112	19.5%
Autos and trucks	49,321	52,757	(3,436)	(6.5%)
Furniture and fixtures	35,255	49,610	(14,355)	(28.9%)
Construction in progress	5,086,433	1,361,810	3,724,623	273.5%
Total capital assets, net	<u>\$124,364,560</u>	<u>\$123,602,419</u>	<u>\$ 762,141</u>	<u>0.06%</u>

PORT OF PALM BEACH DISTRICT
Management’s Discussion and Analysis - Continued

DEBT ADMINISTRATION

Long-term debt: The Port had outstanding revenue bonds of approximately \$7.1 million as of September 30, 2022. Of this amount, approximately \$2.3 million is current and will mature by September 1, 2023. The decrease in the total revenue bonds, noted below, was due to regular scheduled principal payments and no new issuances this fiscal year. The Port’s outstanding revenue bonds are secured by a first lien upon and a pledge of the operating revenues. The Port’s outstanding revenue bonds maintain a rating of “Baa2” with a stable outlook by Moody’s Investors Service. 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, and 2013 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 2022 and 2021, the Port met this requirement.

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

	2022	2021	Change	
			Amount	%
Revenue bonds payable	\$ 7,116,593	\$ 9,452,525	\$(2,335,932)	(24.7%)
Less deferred amounts:				
For issuance discounts	(21,061)	(26,439)	5,378	(20.3%)
Total	\$ 7,095,532	\$ 9,426,086	\$(2,330,554)	(24.7%)

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The FY 2023 Budget is based upon the following assumptions:

- Net operating revenues are budgeted to increase by approximately 5.1%, to \$18.6 million for FY 2023 as a result of the increases in tariff rates, cargo volumes and contractual rent increases. Cruise passenger counts were budgeted at the minimum contract level. The Port budgeted at a conservative level as a result of coming out of the coronavirus pandemic and the loss of revenues from Teeters Agency & Stevedoring and Monarch Shipping Company, a previous top five customer.
- Operating expenses are budgeted to increase by approximately 10.0%, to \$16.6 million (includes \$4.8 million for depreciation) primarily due to increases in salaries, payroll taxes and benefits, funding for cruise activities, and additional repairs and maintenance costs.
- Non-operating revenues (expenses) are budgeted at approximately (\$471 thousand), as revenue bond interest expense offset investment interest earnings.
- The Port’s cash reserves, diverse revenue stream and its long-standing practice of including minimum tonnage and inflation increases, and financial guarantees in many of its agreements with tenants and customers, combined with continued income before capital contributions over \$1.5 million, the Port will continue to meet all financial obligations including maintaining its debt service coverage ratio.

PORT OF PALM BEACH DISTRICT
Management's Discussion and Analysis - Continued

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
Michael Williams, Director of Finance
1 East 11th Street, Suite 600
Riviera Beach, FL 33404

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2022

	2022
ASSETS	
Current assets	
Cash, cash equivalents and equity in pooled cash	\$ 29,223,937
Account receivable, net	1,331,264
Grant receivable	216,666
Leases receivable	4,207,454
Prepaid items	280,765
Dividend and interest receivable	25,845
Restricted assets	
Cash and cash equivalents	6,719,989
Account receivable	19,023
Total Current assets	42,024,943
Noncurrent assets	
Leases receivable	23,599,826
Right-to-Use lease assets, net amortization	21,797
Total other noncurrent assets	23,621,623
Capital assets:	
Non-depreciable	34,390,713
Depreciable, net of accumulated depreciation	89,973,847
Total capital assets	124,364,560
Total noncurrent assets	147,986,183
Total assets	190,011,126
DEFERRED OUTFLOWS OF RESOURCES	
Pension related items	1,507,857
Deferred loss on bond refunding	91,150
Total deferred outflows of resources	\$ 1,599,007

(Continued)

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2022
(Continued)

	2022
LIABILITIES	
Current liabilities	
Accounts payable and accrued expenses	\$ 1,669,143
Contract payable	316,745
Unearned revenues	85,157
Compensated absences payable	224,397
Payable from restricted assets:	
Customer deposits	775,000
Accounts payable and accrued expenses	240,037
Accrued interest payable	63,128
Current portion of capital appreciation revenue bond interest payable	1,090,280
Current portion of long-term debt	2,325,274
Current portion of leases payable	4,875
Total current liabilities	6,794,036
Noncurrent liabilities	
Compensated absences payable- long-term	224,398
Lease payable in more than one year	16,922
Other post –employments benefits	158,975
Net pension liability	4,702,447
Capital appreciation revenue bond interest payable	6,838,437
Revenue bond payable (less unamortized bond discount and current portion)	4,770,258
Total noncurrent liabilities	16,711,437
Total liabilities	23,505,473
DEFERRED INFLOWS OF RESOURCES	
Lease related items	27,896,017
Pension related items	253,006
Total deferred inflows of resources	28,149,023
NET POSITION	
Net investment in capital assets	117,053,432
Restricted for renewal and replacement	2,560,760
Restricted for business development	340,381
Unrestricted	20,001,064
Total net position	\$ 139,955,637

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended September 30, 2022

	2022
Operating revenues	
Port facilities	\$ 19,823,760
Less: Direct marketing support	(1,415,438)
Net operating revenues	18,408,322
Operating expenses	
General expenses	3,251,480
Engineering and maintenance	2,455,397
Security	1,680,535
Administration	2,285,262
Business development	655,106
Operations	621,459
Operating expenses before depreciation and amortization	10,949,239
Operating income before depreciation and amortization	7,459,083
Depreciation and amortization expense	4,564,508
Operating income	2,894,575
Non-operating revenues (expenses)	
Investment earnings	110,752
Grant revenue	813,742
Grant expense	(64,372)
Insurance recoveries	1,346
Gain (loss) on disposition of assets	(12,316)
Interest expense	(943,723)
Total non-operating revenue (expenses)	(94,571)
Income before contributions	2,800,004
Capital contributions	1,768,260
Changes in net position	4,568,264
Net position - beginning	134,434,468
Prior year adjustment	(47,095)
Net position – beginning restated	135,387,373
Net position - ending	\$ 139,955,637

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Year Ended September 30, 2022

	2022
Cash flows from operating activities	
Receipts from customers and users	\$ 21,027,135
Payments to employees	(5,798,458)
Payments to suppliers of goods and services	(5,783,257)
Net cash provided by operating activities	9,445,420
Cash flows from non-capital financing activities	
Grant revenues received	4,050,839
Payments for grant	(64,372)
Net cash provided by non-capital financing activities	3,986,467
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(6,531,497)
Principal paid on debt	(2,335,931)
Interest paid on debt	(1,838,829)
Insurance recoveries	1,346
Capital grants received	2,136,950
Net cash used in capital and related financing activities	(8,567,961)
Cash flows from investing activities	
Interest earnings	110,752
Net cash provided by investing activities	110,752
Net increase in cash and cash equivalents	4,974,678
Cash and cash equivalents – beginning	30,969,248
Cash and cash equivalents – ending	\$ 35,943,926

(Continued)

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Year Ended September 30, 2022
(Continued)

	2022
Cash and cash equivalents classified as:	
Unrestricted assets	\$ 29,223,937
Restricted assets	6,719,989
Total cash and cash equivalents	<u>\$ 35,943,926</u>
Reconciliation of operating income to net cash provided by operating activities	
Operating income	\$ 2,894,575
Adjustments to reconcile operating income to net cash provided by operating activities	
Depreciation and amortization	4,564,508
Change in net pension liability and related deferred amounts	201,210
Decrease (increase) in accounts receivable	3,168,470
Decrease (increase) in prepaid	95,487
Increase (decrease) in accounts payable and accrued expenses	(1,485,457)
Increase (decrease) in unearned revenue	(222,310)
Increase (decrease) in unearned revenue (leases)	88,736
Increase (decrease) in customer deposits	250,000
Increase (decrease) in compensated absences	(109,799)
Total adjustments	<u>6,550,845</u>
Net cash provided by operating activities	<u>\$ 9,445,420</u>

See notes to the financial statements.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity and General Overview

The Port of Palm Beach District (the “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, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Basis of Presentation

Proprietary Fund Type

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.

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 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.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deposits and Investments (Continued)

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.

Accounts Receivable

The Port records accounts receivable at estimated net realizable value. Accordingly, accounts receivable at September 30, 2022 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.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

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.

Leases

The Port is a lessee for noncancellable leases of equipment. The Port recognize a lease liability and an intangible right-to-use lease assets (lease asset) in the financial statements. The Port recognizes lease assets and liability with an initial value of 24,000 or more.

At the commencement of a lease, the Port initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of the lease payment made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the Port determines 1) the discount rate it uses to discount the expected lease payments to present value, 2) lease term, and 3) lease payments.

- The Port uses the interest rate charged by the lessor as the discount rate. When the interest rate charge by the lessor is not provided, the Port generally uses its estimated incremental borrowing rate as the discount rate for leases.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Leases - (Continued)

- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Port is reasonable certain to exercise.

The Port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

The Port is a lessor for noncancellable leases of land, terminals, parking space and building space. The Port recognizes a lease receivable and deferred inflow of resources in the financial statements.

At the commencement of a lease, the Port initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payment received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the Port determines the discount rate it uses to discount the expected lease receipts to present value, lease term, and lease receipts.

- The Port uses the incremental borrowing rates as discount for the leases.
- The lease term includes the noncancellable period of the lease. Lease receipts includes in the measurement of the lease receivable is composed of fixed payments from the lessee.

The Port monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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 three items that qualify for reporting in this category. The deferred amount on bond refunding, and the pension related items.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

Deferred Inflows of Resources - (Continued)

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.

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 pension related items and certain leases in accordance with GASB Statement No.87 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.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position – (Continued)

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”.

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. The budget is prepared and controlled at the departmental level.

Monthly financial statements, which compare actual performance with budget, are presented to the Commissioners for review and approval of the financial status and to measure the effectiveness of the budgetary controls.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Accounting – (Continued)

The Commissioners are not required to present a budget comparison in its financial statements.

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.

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 refunding and amortization of bond discounts.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and adopted Accounting Pronouncements

Effective October 1, 2021, the Port implemented GASB Statement No. 87, which became effective for fiscal year ending September 30, 2022. Under previous guidance, leases were classified as either operating or capital leases, depending on whether the lease met any of the four criteria. This statement outlines new guidance that establishes a single model for lease accounting based on the fundamental principle that leases are financings of the right to use an underlying assets, with the present value measurements of payments expected to be made during the lease term. Under the Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The implementation of GASB No. 87 required a remeasurement of lease liabilities and lease receivables. The adoption of GASB 87 is reflected on Notes 3, 5, and 6.

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. This standard has no impact on the Port financial statements.

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. This standard has no impact on the Port financial statements.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2022*. 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. This standard has no impact on the Port financial statements.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued and adopted Accounting Pronouncements - (Continued)

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans. This Statement is effective for the fiscal year ending September 30, 2022. This standard has no impact on the Port financial statements.

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 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. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement is effective for the fiscal year ending September 30, 2023.

In April 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*, which will become effective for fiscal year ending June 30, 2024. The primary objective of this statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. This statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*, which will become effective for the fiscal year ending June 30, 2025. The objective of this statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events

Managements has evaluated subsequent events through June 15, 2023, the date the financial statements were available, and does not believe there are any additional events or transactions other than reflected in Note 13 to be disclosed in these financial statements.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2022, the Port's book balance for deposits in Qualified Public Depositories was \$17,599,901 and the related bank balance totaled \$17,553,626.

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, 2022, 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.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments – (Continued)

The Port is authorized to invest Revenue, Renewal and Replacement and Port Development account deposits with institutions participating in the State’s security program under Chapter 280 of the Florida Statutes, and obligations of, or guaranteed by, the United States Government. The Port is authorized to invest the bond proceeds and the sinking fund account deposits in the following: (1) U.S. obligations; (2) obligations fully and unconditionally secured by the full faith and credit of the United States of America; (3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by the non-full faith and credit of U.S. governmental agencies; (4) mortgaged-backed securities and senior debt obligations; (5) certificates of deposit secured by collateral in (1) or (2) above; (6) certificates of deposit, savings accounts, deposit account or money market deposits fully insured by FDIC; (7) commercial paper rated in the single highest classification; (8) money market funds registered under the Federal Investment Company Act; (9) pre-refunded municipal bonds rated in the single highest classification; (10) investment agreements; (11) bonds or notes issued by any state or municipality rated in the two highest long term categories; (12) units of participation in the Local Government Surplus Funds Trust Fund; (13) federal funds or banker’s 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 assets or liability, either directly or indirectly. These inputs are divided from 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, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2022, the Port held the following investments in money market funds, which are reported as cash and cash equivalents in the statement of net position:

Investment Measured at Amortized Cost	Moody’s Standard & Poor’s Credit Rating	Fair Value Level	Weighted average Maturity
Wells Fargo Institutional Government Money Market Fund	Aaa-mf AAAm	\$ 17,978,601	Less than 60 days
Morgan Stanley Institutional Liquidity Funds Portfolio	Aaa-mf AAAm	363,874	Less than 60 days
		<u>\$ 18,342,475</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.

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.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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, 2022, 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 as of September 30, 2022, is as follows:

By category		
Deposits	\$	17,599,901
Petty cash		1,550
Investments		18,342,475
Total deposits and investments	<u>\$</u>	<u>35,943,926</u>
Presented in the statement of net position		
Cash and cash equivalents	\$	29,223,937
Restricted cash and cash equivalents		6,719,989
Total statement of net position	<u>\$</u>	<u>35,943,926</u>

NOTE 3 – RIGHT-TO USE LEASE ASSETS ACTIVITY

The classes and amounts of right to use leased assets at September 30, 2022 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Right to use assets:				
Leased office equipment	\$ -	\$ 24,373	\$ -	\$ 24,373
Total right to use assets	<u>-</u>	<u>24,373</u>	<u>-</u>	<u>24,373</u>
Less accumulated amortization for:				
Leased office equipment	-	(2,576)	-	(2,576)
Right to use assets, net	<u>\$ -</u>	<u>\$ 21,797</u>	<u>\$ -</u>	<u>\$ 21,797</u>

The Port has recorded the right-to-use lease assets as a result of implementing GASB Statement No. 87. Refer to Note 5 and 6 for information on the liabilities relating to right-to-use lease assets.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 4 – PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended September 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance
Capital assets, not being depreciated				
Land	\$ 28,119,220	\$ 1,185,061	\$ -	\$ 29,304,281
Construction in progress	1,361,810	5,281,432	(1,556,810)	5,086,432
Total capital assets, not being depreciated	29,481,030	6,466,493	(1,556,810)	34,390,713
Capital assets, being depreciated				
Buildings and improvements	54,655,406	128,561	-	54,783,967
Slips and improvements	62,748,067	-	-	62,748,067
Other improvements	40,593,901	18,517	-	40,612,418
Wharf and loading ramps	13,878,765	-	-	13,878,765
Machinery and equipment	2,805,257	62,697	-	2,867,954
Computer and equipment	772,756	140,566	(84,200)	829,122
Autos and trucks	485,656	21,409	-	507,065
Furniture and fixtures	256,724	-	-	256,724
Total capital assets, being depreciated	176,196,532	371,750	(84,200)	176,484,082
Less: accumulated depreciation	(82,075,143)	(4,506,976)	71,884	(86,510,235)
Total capital assets, being depreciated, net	94,121,389	(4,135,226)	(12,316)	89,973,847
Total capital assets, net	\$ 123,602,419	\$ 2,331,267	\$ (1,569,126)	\$ 124,364,560

NOTE 5 – LONG-TERM LIABILITIES

Revenue Bonds

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. As of September 30, 2022, the following Revenue Bonds were outstanding:

- \$9,576,835 Revenue Refunding Bonds, Series 2002
- \$14,301,991 Revenue Refunding Bonds, Series 2013

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, 2022 totaled \$4,174,760 and pledged gross revenues were \$18,519,074. As of September 30, 2022, principal and interest to maturity in September 2026 to be paid from pledged future revenues totaled \$17,045,095.

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.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Revenue Bonds – (Continued)

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, 2022, the Port had no supplemental revenues. As of September 30, 2022, the Port was in compliance with the bond covenants.

Revenue Refunding and Improvement Bonds, Series 2002

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

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 5 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding and Improvement Bonds, Series 2002 – (Continued)

Debt service requirements to maturity are as follows at September 30, 2022:

Year ending September 30,	Principal	Interest	Total Debt Service
2023	\$ 855,742	\$ 1,749,258	\$ 2,605,000
2024	805,831	1,799,169	2,605,000
2025	1,269,156	3,080,844	4,350,000
2026	1,199,382	3,150,618	4,350,000
Total	\$ 4,130,111	\$ 9,779,889	\$ 13,910,000

Revenue Refunding Bonds, Series 2013

On September 20, 2013, the Port issued \$14,301,991 of Revenue Refunding Bonds, Series 2013, with an interest rate of 3.30%. The bonds were used to refinance all 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 principal 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, 2022:

Year ending September 30,	Principal	Interest	Total
2023	\$ 1,469,531	\$ 98,554	\$ 1,568,085
2024	1,516,951	50,059	1,567,010
Total	\$ 2,986,482	\$ 148,613	\$ 3,135,095

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.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 5 – LONG-TERM LIABILITIES (Continued)

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, 2022, was \$943,722. Total interest paid during the year was \$1,838,829.

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2022, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Direct Borrowing & Placement:					
Series 2013 Revenue Bonds	\$ 4,410,690	\$ -	\$ (1,424,208)	\$ 2,986,482	\$ 1,469,531
Total Direct Borrowings & placement	4,410,690	-	(1,424,208)	2,986,482	1,469,531
Other Bonds:					
Series 2002 Revenue Bonds	5,041,835	-	(911,724)	4,130,111	855,742
Issuance discount	(26,439)	-	5,378	(21,061)	-
Total Other Bonds	5,015,396	-	(906,346)	4,109,050	855,742
Total Bonds Payables	9,426,086	-	(2,330,554)	7,095,532	2,325,273
Compensates absences	558,594	169,501	(279,300)	448,795	224,397
Net pension liability	1,902,652	2,799,795	-	4,702,447	-
Net OPEB Liability	156,771	2,204	-	158,975	-
Capital appreciation interest payable	8,862,481	-	(933,764)	7,928,717	1,090,280
Leases payable	-	21,797	-	21,797	4,875
Total long-term liabilities	\$ 20,906,584	\$ 2,993,297	\$ (3,543,618)	\$ 20,356,263	\$3,644,825

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 6 – COMMITMENTS

Contractual Commitments

As of September 30, 2022, the Port had remaining contractual commitments for the following projects:

Project	Contract Balance
Master Plan	\$ 271,929
FDOT Annex Property Improvements	124,593
Merchants Drainage	422,798
Chiller Plant HVAC upgrades	841,609
MOC-CBP- Security upgrades	561,027
Total	\$ 2,221,956

Collective Bargaining Agreement

The Port’s workforce is made up of approximately 52 staff and 5 Commissioners. The majority of the Port’s non-management maintenance, railroad and security employees are union employees, which represents approximately 40% of the total. The Port renewed its collective bargaining agreement with the National Association of Government Employees, effective as of October 1, 2022, for a three-year period ending September 30, 2025. 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. However, the Port cancelled this contract and went out to bid and awarded a new security company with an agreement on January 17, 2022, with similar terms, as previously mentioned. The security company bills the Port weekly at the contract hourly rates for services provided. For the fiscal year ended September 30, 2022, the Port incurred costs of \$455,923 pursuant to the agreements.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 6 – COMMITMENTS (Continued)

Grant Programs

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

Commitments Under leases

The Port as Lessee

The Port has recorded the right-to-use lease assets as a result of implementing GASB Statement No. 87. The right-to-use lease assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payment made. The right-to-use lease assets are amortized on a straight-line basis over the shorter of the life of the asset or of the related lease.

Future payment requirements related to the Port’s lease liability under lease Agreement at September 30, 2022 are as follows:

<u>Year Ending September 30,</u>	<u>Principal Payments</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 4,875	\$ 665	\$ 5,540
2024	4,875	665	5,540
2025	4,875	665	5,540
2026	4,875	665	5,540
Thereafter	2,297	316	2,613
Total	\$ 21,797	\$ 2,976	\$ 24,773

The Port as Lessor

The Port is a lessor for various leases 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. During the year ended September 30, 2022, the Port recognized \$5,817,780 of lease revenue. At September 30, 2022, the Port recorded a lease receivable of \$27,807,280 and a deferred inflow of resources of \$27,896,017 related to the leases.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 6 – COMMITMENTS (Continued)

Commitments Under Leases

Futures payments included in the measurement of leases receivable, as of September 30, 2022 are as follows:

Year Ending September 30,	Principal Payments	Interest	Total
2023	\$ 4,207,454	\$ 159,883	\$ 4,367,337
2024	3,993,566	309,278	4,302,844
2025	3,550,696	420,356	3,971,052
2026	3,306,101	531,904	3,838,005
2027	3,228,349	661,809	3,890,158
Thereafter	9,521,114	3,603,421	13,124,535
Total	\$ 27,807,280	\$ 5,686,651	\$ 33,493,931

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, 2022

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 described 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, 2022

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
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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	1.6%
Retirement up to 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 up to 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%
Service on or after October 1, 1974	3%
Elected Officials Class	3%
Senior Management Service Class	2%

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, 2022

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, 2022 were as follows:

<u>Class</u>	Percent of Gross Salary October 1, 2021 to June 30, 2022		Percent of Gross Salary July 1, 2022 to September 30, 2022	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
FRS, Regular	3.00	10.82	3.00	11.91
FRS, Senior Management	3.00	29.01	3.00	31.57
Special Risk Class	3.00	25.89	3.00	27.83
FRS, Elected Officers	3.00	51.42	3.00	57.00
DROP	3.00	18.34	3.00	18.60

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, 2022, the Port made contributions of \$469,585 to the Pension Plan and the Port's employees made contributions of \$114,263 for total contributions of \$583,848.

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

At September 30, 2022, the Port reported a liability of \$3,591,867 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Port's proportionate share of the net pension liability was based on the Port's 2021-2022 fiscal year contributions relative to the 2021-2022 fiscal year contributions of all participating members. At June 30, 2022, the Port's proportionate share was 0.009653480 percent, which was an increase of 0.000706558 percent from its proportionate share measured as of June 30, 2021.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

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, 2022, the Port recognized pension expense of \$581,877 related to the Plan. In addition, the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 170,593	\$ -
Change of assumptions	442,354	-
Net difference between projected and actual on FRS earnings pension plan investments	237,171	-
Changes in proportion and differences between Port FRS contributions and proportionate share of FRS contributions	313,332	(13,733)
Port FRS contributions subsequent to the measurement date	117,707	-
Total	\$ 1,281,157	\$ (13,733)

The deferred outflows of resources related to the Pension Plan, totaling \$117,707 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, 2022. 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:

Year Ending September 30,	Amount
2023	\$ 278,041
2024	104,918
2025	(93,896)
2026	816,967
2027	43,687
Thereafter	-
Total	\$ 1,149,717

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined using the following actuarial assumptions:

Valuation date	July 1, 2022
Measurement date	June 30, 2022
Actuarial cost method	Individual Entry Age
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.70%, net of pension plan investment expense, including inflation
Mortality	Generational PUB-2010 with Projection Scale MP2018.

The actuarial assumptions that determined the total pension liability as of June 30, 2021, 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 decreased from 6.80% to 6.70% in 2022. It consists of two building block components: 1) a real return of 4.30%, consistent with the capital market outlook model developed during 2021 by the outside investment consultant to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2021 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.70% return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice.

For reference, the table below contains a summary of Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying assumptions and includes an adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

For reference, the table below contains a summary of Milliman’s assumptions for each of the asset classes in which the plan was invested at that time based on the long-term target asset allocation. Each asset class assumption is based on a consistent set of underlying real return assumptions from Milliman's model combined with the FRS Actuarial Assumption Conference's 2.4% inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The target allocation and best estimate of arithmetic real rates of return for each major asset class are summarized below for the year ending September, 30 2022.

<u>Asset Class</u>	<u>(1)</u> <u>Target</u> <u>Allocation</u>	<u>Arithmetic</u> <u>Return</u>	<u>Compound</u> <u>Annual</u> <u>(Geometric)</u> <u>Return</u>
Cash	1.0%	2.60%	2.60%
Fixed income	19.80%	4.40%	4.40%
Global equity	54.00%	8.80%	7.30%
Real estate (property)	10.30%	7.40%	6.30%
Private equity	11.10%	12.00%	8.90%
Strategic investments	3.80%	6.20%	5.90%
Total	<u>100.0%</u>		
Assumed inflation-mean			2.4%

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

Discount Rate

The discount rate used to measure the total pension liability was 6.70% a decrease of 0.10 % from the prior measurement date. 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 6.70%, 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 (5.70%) or one percentage point higher (7.70%) than the current rate:

	<u>1%</u> <u>Decrease</u> <u>(5.7%)</u>	<u>Current</u> <u>Discount Rate</u> <u>(6.7%)</u>	<u>1%</u> <u>Increase</u> <u>(7.7%)</u>
Port's proportionate share of net pension liability	\$ 6,211,892	\$ 3,591,867	\$ 1,401,220

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

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 Annual Comprehensive Financial Report.

Payables to the Pension Plan

At September 30, 2022, the Port reported a payable in the amount of \$60,333 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2022.

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, 2022, 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, 2022, 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 \$ 59,994 for the fiscal year ended September 30, 2022.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

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, 2022, the Port reported a liability of \$1,110,580 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The Port's proportionate share of the net pension liability was based on the Port's 2021-2022 fiscal year contributions relative to the 2021-2022 fiscal year contributions of all participating members. As of June 30, 2022, the Port's proportionate share was 0.010485477 percent, which was an increase of 0.000484121 percent from its proportionate share measured as of June 30, 2021.

For the fiscal year ended September 30, 2022, the Port recognized pension expense of \$75,487. In addition, the Port reported deferred outflows of resources and deferred in flows of resources and deferred in flows of resources related to pension from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,709	\$ (4,887)
Change of assumptions	63,658	(171,806)
Net difference between projected and actual earnings on pension plan assets	1,608	-
Changes in proportion and differences between Pensions plan contributions and proportionate share of contributions	110,835	(62,580)
Port Pension Plan contributions subsequent to the measurement date	16,890	-
Total	\$ 226,700	\$ (239,273)

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

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 \$16,890 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS.

<u>Year Ending September 30,</u>	<u>Amount</u>
2022	\$ (7,056)
2023	(3,805)
2024	(1,740)
2025	(3,850)
2026	(8,938)
Thereafter	<u>(4,074)</u>
Total	<u>\$ (29,463)</u>

Actuarial Assumptions

The total pension liability as of June 30, 2022 was determined using the following actuarial assumptions:

Valuation date	July 1, 2022
Measurement date	June 30, 2022
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.54%
Investment rate of return	N/A
Mortality	Generational PUB-2010 with Projection Scale MP2018
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2022, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2022 was 3.54%, which increased from the discount rate of 2.16% as of June 30, 2021. 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 3.54%, 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 (2.54%) or one percentage point higher (4.54%) than the current rate:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Port’s proportionate share of net pension liability	\$ 1,270,595	\$ 1,110,580	\$ 978,171

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, 2022, the Port reported a payable in the amount of \$12,249 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2022.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

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.

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, 2022, are as follows:

<u>Class</u>	Percent of Gross Salary October 1, 2021 to June 30, 2022		Percent of Gross Salary July 1, 2022 to September 30, 2022	
	<u>Employee</u>	<u>Employer (1)</u>	<u>Employee</u>	<u>Employer (1)</u>
Regular	3.00	10.82	3.00	11.91
Senior Management	3.00	29.01	3.00	31.57
Special Risk Class	3.00	25.89	3.00	27.83
Elected Officers	3.00	51.42	3.00	57.00
DROP	3.00	18.34	3.00	18.60

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

INVESTMENT PLAN (Continued)

Funding Policy (Continued)

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, 2022, information on the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Port.

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

The Port's Investment Plan pension expense totaled \$50,585 for the fiscal year ended September 30, 2022, and as of the fiscal year end, the Port reported a payable in the amount of \$12,249 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, 2022.

	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 20,989,988	\$ 1,166,715	\$ 22,156,703
Proportionate share of plan fiduciary net pension	17,398,120	56,136	17,454,256
Proportionate share of net pension liability	3,591,867	1,110,580	4,702,447
Proportionate share of deferred outflows of resources	1,281,157	226,700	1,507,857
Proportionate share of deferred inflows of resources	13,733	239,273	253,006
Pension expense	581,877	75,487	657,364

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

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.

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, 2022:

Active plan members	50
Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	-
Total members	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, 2022, the municipal bond rate was 3.80% 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 2.26%.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

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

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

As of September 30, 2022, the Port reported a total OPEB liability of \$158,975. For the fiscal year ended September 30, 2022, the Port recognized OPEB expense of \$6,498. As of September 30, 2022, the Port did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

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, 2022
Measurement date	September 30, 2022
Actuarial cost method	Entry Age Normal
Discount rate	3.80%
Retirement age	62
Mortality Tables	Pub-2010 Public Retirement Plans Mortality Tables, with mortality improvement projected for 10 years
Healthcare cost trend rates	Medical – 4.70% initially trending to 4.20% in 10 years Pharmacy – 5.20% initially trending to 4.20% in 10 years Dental – 3.50% initially trending to 3.00% Vision – 3.00%
Percentage participation	10.00%
Age adjustment factor	1.366098

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2022 were as follows:

<u>Description</u>	<u>Total OPEB Liability</u>
Balance September 30, 2021	\$ 156,771
Change due to:	
Service cost	20,762
Interest on the total OPEB liability	3,964
Economic/ demographic gains or loses	7,542
Change of assumptions and other inputs	(25,770)
Benefit payments	(4,294)
Total changes	<u>2,204</u>
Balance September 30, 2022	<u>\$ 158,975</u>

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

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

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 3.80% 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.

	1% Decrease (2.80%)	Current Discount Rate (3.80%)	1% Increase (4.80%)
Total OPEB liability	\$ 174,970	\$ 158,975	\$ 145,265

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.

	1% Decrease	Current Healthcare Trend Rate Assumption	1% Increase
Total OPEB liability	\$ 143,166	\$ 158,975	\$ 177,437

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, 2022. The Port facilities total revenue from these customers were as follows:

Description	Total Revenue
Tropical Shipping USA, LLC / Birdsall, Inc.	\$ 7,205,097
Paradise Cruise line (Multi-Day Cruise)	1,906,487
Total	\$ 9,111,584

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.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 11 – RISK MANAGEMENT (Continued)

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.

NOTE 12 – PRIOR PERIOD ADJUSTMENT

During the current year, the beginning net position was restated for a total of \$47,095 due to prior period errors that were made in accounting for the voluntary employee insurance deductions.

NOTE 13 – SUBSEQUENT EVENTS

Teeters Agency & Stevedoring, Inc. and Monarch Shipping Company, Limited known better as Teeters, is one of the Port's long-term tenants and a top five customer/tenant who signed a five-year contract with two 5-year options in 2018. The Port brought legal action for eviction and damages against Teeters where it obtained possession of the leased premises and a monetary judgment against Teeters and Monarch on November 16, 2022, for \$749,548, not including attorney's fees. Within that action the Port also obtained permission to remove by sale or disposal Teeters stevedore and heavy equipment, the vehicles and other cargo left behind at the Port by Teeters belonging to their customers. The Port is currently in post judgment discovery and execution phase of the case.

The Port also brought an in-rem admiralty action against the vessel Monarch for necessaries provided to the vessel. At the U.S. Marshall's auction sale, the Port was the winning bidder. Subsequently, the Port sold the vessel to a third-party buyer for \$200,000, in FY 2023. The Port has another claim for necessaries against another vessel, the Princess, for approximately \$50,000 that it intends to assert its maritime lien in a separate pending action at the appropriate time.

Additionally, the Port recovered Teeters Agency and Stevedoring and Monarch Shipping Company, Limited Stevedore and Steamship Performance Bonds in the amount of \$77,500 in FY 2022 and received \$50,700 for the sale of left behind and unclaimed vehicles in FT 2023.

The purpose of the legal actions, claims and damages is an effort to recover unpaid accounts receivables and to recover the Port's costs associated with the seizure, arrest, storage, maintenance and security of the Monarch vessel, environmental costs, legal fees, Teeters cargo inventory removal/return to their rightful owners and maintenance and repair of the leased properties.

The Port recorded allowances for doubtful accounts to align with total amounts billed and owed by both Teeters Agency & Stevedoring and Monarch Shipping Company, Limited, for approximately \$1,027,000, and incurred approximately \$420,000 of expenses and noted above in FY 2022.

PORT OF PALM BEACH DISTRICT
Notes to the Financial Statements
September 30, 2022

NOTE 13 – SUBSEQUENT EVENTS (Continued)

The loss of revenues from Teeters, will also affect FY 2023, and will be significant. Management is in discussions with several potential users that would provide cargo and vehicles to Haiti and generate comparable revenues for the Port. The Port will be issuing an RFP, but a new service might not start until FY 2024. In addition, the Port continues to incur legal and auction fees, property taxes, removal of cargoes and maintenance and site clean-up expenses of previous leased premises that may exceed \$250,000 in FY 2023.

REQUIRED SUPPLEMENTARY INFORMATION

PORT OF PALM BEACH DISTRICT
Schedule of Changes in the Total OPEB Liability
Last 10 Fiscal Years*

	2018	2019	2020	2021	2022
Total OPEB Liability					
Service cost	\$ 16,117	\$ 15,897	\$ 20,762	\$ 20,762	\$ 20,762
Interest	8,350	9,421	10,876	3,782	3,964
Effect of plan Changes:					
Effect of Economic/demographic gains or losses	20,026	11,398	(179,988)	(12,721)	7,542
Effect of assumptions changes or inputs	-	(2,529)	17,073	(151)	(25,770)
Benefit payments	(22,779)	(4,395)	(4,436)	(4,435)	(4,294)
Net change in Total OPEB Liability	21,714	29,792	(135,713)	7,237	2,204
Total OPEB Liability - Beginning of Year	233,741	255,455	285,247	149,534	156,771
Total OPEB Liability - End of Year	\$ 255,455	\$ 285,247	\$ 149,534	\$ 156,771	\$ 158,975
Covered payroll	\$ 3,298,312	\$ 3,404,291	\$ 3,707,772	\$ 3,363,157	\$ 3,733,947
Total OPEB Liability as percentage of covered – employee payroll	7.75%	8.38%	4.03%	4.66%	4.26%

(1) GASB 75 requires information for 10 years. However, until a full ten-year trend is compiled, information will be presented for only those years which information is available.

Notes to Schedule

Changes in assumption: The discount rate was changed as follows:

Fiscal year ending	Discount rate	Percentage participation	Age adjustment factor
9/30/2018	3.50%	5.00%	1.576730
9/30/2019	3.58%	8.00%	1.502659
9/30/2020	2.25%	5.00%	1.461404
9/30/2021	2.26%	5.00%	1.386067
9/30/2022	3.80%	10.00%	1.366098

* 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
Schedule of Employer Contributions
Florida Retirement System Pension Plan and
Health Insurance Subsidy
Last 10 Fiscal Years*

<u>Florida Retirement System Pension Plan</u>	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required FRS contribution	\$ 469,585	\$ 386,476	\$ 266,917	\$ 235,897	\$ 222,139	\$ 206,378	\$ 191,710	\$ 184,968	\$ 175,044
FRS contributions in relation to the contractually required contribution	(469,585)	(386,476)	(266,917)	(235,897)	(222,139)	(206,378)	(191,710)	(184,968)	(175,044)
FRS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port's covered payroll	\$ 3,988,100	\$ 3,609,933	\$ 3,003,462	\$ 2,861,309	\$ 2,867,752	\$ 2,790,575	\$ 2,673,155	\$ 2,428,447	\$ 2,441,446
FRS contributions as a percentage of covered payroll	11.77%	10.70%	8.89%	8.24%	7.75%	7.40%	7.17%	7.62%	7.17%
<u>Florida Retirement System Pension Plan</u>	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required HIS contribution	\$ 59,994	\$ 53,317	\$ 59,065	\$ 55,536	\$ 53,253	\$ 51,922	\$ 49,491	\$ 37,844	\$ 34,758
HIS contributions in relation to the contractually required contribution	(59,994)	(53,317)	(59,065)	(55,536)	(53,253)	(51,922)	(49,491)	(37,844)	(34,758)
HIS contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Port's covered payroll	\$3,614,118	\$3,211,838	\$ 3,558,161	\$3,345,543	\$3,208,018	\$ 3,127,843	\$2,981,376	\$2,764,755	\$2,836,296
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.66%	1.37%	1.23%

* This schedule is intended to present information for ten years. However, until a full ten year trend is compiled the pension plan will present information for those years for which the information is available.

PORT OF PALM BEACH DISTRICT
Schedule of Proportionate Share of Net Pension Liability
Florida Retirement System Pension Plan and Health Insurance Subsidy
Last 10 Fiscal Years*

Florida Retirement System Pension Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014
Port's proportion of the FRS net pension liability	0.009653480%	0.008946922%	0.008410084%	0.008068421%	0.008182944%	0.008313207%	0.008005711%	0.00825237%	0.00788821%
Port's proportionate share of the FRS net pension liability	\$ 3,591,867	\$ 675,838	\$ 3,645,054	\$ 2,778,652	\$ 2,464,745	\$ 2,459,835	\$ 2,021,448	\$ 1,065,905	\$ 481,297
Port's covered payroll	\$ 3,988,100	\$ 3,609,933	\$ 2,985,554	\$ 2,875,427	\$ 2,893,846	\$ 2,842,134	\$ 2,599,590	\$ 2,425,471	\$ 2,376,687
Port's proportionate share of the FRS net pension liability as a percentage of its covered payroll	90.06%	187.21%	122.09%	96.63%	85.17%	86.55%	77.76%	43.95%	20.25%
FRS plan fiduciary net position as a percentage of the total pension liability	82.89%	96.40%	78.85%	82.61%	84.26%	83.80%	84.88%	92.00%	96.09%
Retiree Health Insurance Subsidy Plan	2022	2021	2020	2019	2018	2017	2016	2015	2014
Port's proportion of the HIS net pension liability	0.010485477%	0.010001357%	0.010792979%	0.009928070%	0.009912036%	0.009980882%	0.00944118%	0.009120310%	0.009320020%
Port's proportionate share of the HIS net pension liability	\$ 1,110,580	\$ 1,226,814	\$ 1,317,805	\$ 1,110,852	\$ 1,049,101	\$ 1,067,202	\$ 1,100,330	\$ 930,128	\$ 871,445
Port's covered payroll	\$ 3,614,118	\$ 3,211,838	\$ 3,538,801	\$ 3,320,372	\$ 3,237,451	\$ 3,181,401	\$ 2,914,569	\$ 2,766,916	\$ 2,777,231
Port's proportionate share of the HIS net pension liability as a percentage of its covered payroll	30.73%	38.19%	37.24%	33.46%	32.41%	33.55%	37.75%	33.62%	31.38%
HIS plan fiduciary net position as a percentage of the total pension liability	4.81%	3.56%	3.00%	2.63%	2.15%	1.64%	0.97%	0.50%	0.99%

* This schedule is intended to present information for ten years. However, until a full ten year trend is compiled, the pension plan will present information for those years for which the information is available.

**PORT OF PALM BEACH DISTRICT
 Florida Retirement System
 Changes in Assumption
 Last 10 Fiscal Years**

CHANGES IN ASUMPTION

The discount rate, for the Florida retirement System Pension Plan and the Retiree Health Insurance Subsidy Program changed as follows:

FLORIDA RETIREMENT SYSTEM PENSION PLAN		RETIREE HEALTH INSURANCE SUBSIDY PROGRAM	
YEAR	DISCOUNT RATE	YEAR	DISCOUNT RATE
2014	7.65%	2014	4.29%
2015	7.65%	2015	3.80%
2016	7.60%	2016	2.85%
2017	7.10%	2017	3.58%
2018	7.00%	2018	3.87%
2019	6.90%	2019	3.50%
2020	6.80%	2020	2.21%
2021	6.80%	2021	2.16%
2022	6.70%	2022	3.54%

OTHER SUPPLEMENTARY INFORMATION

PORT OF PALM BEACH DISTRICT
Bonds Amortization Schedule
\$9,576,835 Revenue Refunding Bonds – Series 2002
September 30, 2022

Year ending September 30,	Interest	Retirement of Bonds	Total
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>\$ 9,779,889</u>	<u>\$ 4,130,111</u>	<u>\$ 13,910,000</u>

PORT OF PALM BEACH DISTRICT
Bonds Amortization Schedule
\$14,301,991 Revenue Refunding Bonds – Series 2013
September 30, 2022

Year ending September 30,	Interest	Retirement of Bonds	Total
2023	\$ 98,554	\$ 1,469,531	\$ 1,568,085
2024	50,059	1,516,951	1,567,010
	<u>\$ 148,613</u>	<u>\$ 2,986,482</u>	<u>\$ 3,135,095</u>

PORT OF PALM BEACH DISTRICT
Bonds Amortization Schedule
Combined Revenue Bonds
September 30, 2022

Year ending September 30,	Interest	Retirement of Bonds	Total
2023	\$ 1,847,811	\$ 2,325,274	\$ 4,173,085
2024	1,849,229	2,322,781	4,172,010
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	<u>\$ 9,928,502</u>	<u>\$ 7,116,593</u>	<u>\$ 17,045,095</u>

PORT OF PALM BEACH DISTRICT
Schedule of Port Facilities Revenues
For the Fiscal Year Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Wharfage	\$ 3,717,925	\$ 3,922,569
Leases/Rent	5,817,780	5,642,789
Dockage	3,273,116	2,977,232
Parking	529,118	49,585
Passenger charges	3,126,564	246,421
Storage	95,034	83,322
Water	99,943	126,378
Line handling	109,640	168,197
Miscellaneous	253,296	446,975
Switching	662,854	538,185
Licenses	149,000	157,750
Identification badging	8,580	7,045
Security fee	854,441	751,728
Cargo terminal fee	813,031	815,610
Harbor master fee	202,291	202,968
Vessel bunkers	111,147	64,774
Total Port Facilities Revenue	<u>\$ 19,823,760</u>	<u>\$ 16,201,528</u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses
For the Fiscal Year Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
General expenses		
Property and liability insurance	\$ 467,279	\$ 396,903
Retirement	619,691	97,348
Group health insurance	990,031	1,038,985
State and local taxes	5,827	2,950
Audit and other accounting services	70,300	73,600
Bad debt expense	1,033,123	-
Trustee fees	4,212	2,673
Governmental consulting	42,237	52,2495
Miscellaneous	18,780	39,536
Total general expenses	<u>3,251,480</u>	<u>1,704,244</u>
Engineering and maintenance		
Salaries	592,479	638,832
Payroll taxes	43,795	48,027
Maintenance and repairs – buildings and grounds	477,182	619,198
Electricity	371,685	291,587
Water	570,553	369,058
Janitorial and trash removal	187,539	159,192
Maintenance and repairs –equipment	46,223	65,962
Engineering fees	31,391	75,394
Surveys and maps	-	18,786
Fuel and oil –port equipment	50,430	28,581
Telephone	43,743	42,849
Uniforms	5,720	10,082
Shop maintenance and supplies	34,657	30,652
Cruise line transportation	-	5,863
Total engineering and maintenance	<u>2,455,397</u>	<u>2,404,063</u>
Security		
Salaries	958,952	908,573
Payroll taxes	72,496	68,006
Contract Services	514,175	428,819
Identification badges	6,408	6,268
Maintenance and repairs - Security equipment	27,688	14,413
Subscriptions	53,235	50,281
Uniforms	8,666	3,959
Telephone	7,235	9,441
Maintenance and repairs - radios	21,338	30,820
Miscellaneous	10,342	6,411
Total security	<u>1,680,535</u>	<u>1,526,991</u>

(Continued)

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses (Continued)
For the Fiscal Year Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Administration		
Salaries	\$ 1,646,575	\$ 1,342,713
Payroll taxes	113,411	88,812
Telephone	28,876	36,153
Maintenance and repairs	6,855	6,756
Information Systems	151,292	128,599
Supplies, stationery and printing	13,062	20,601
Postage	4,873	1,668
Dues and subscriptions	2,210	3,094
Publications	8,408	7,650
Legal fees and other professional fees	280,072	681,631
Miscellaneous	29,628	27,244
Total administration	<u>2,285,262</u>	<u>2,344,921</u>
Business development		
Salaries	405,827	519,270
Payroll taxes	28,099	35,031
Retirement	61,132	66,454
Advertising and promotion	14,493	13,748
Trade development	21,370	18,815
Community relations	16,050	13,761
Travel	22,559	7,594
Dues and subscriptions	63,196	73,222
Publications	2,350	-
Miscellaneous	20,030	16,473
Total business development	<u>655,106</u>	<u>764,368</u>
Operations		
Salaries	205,078	253,486
Payroll taxes	15,268	19,258
Customer & Tenant Operation	319,690	-
Telephone	1,876	1,364
Maintenance and repairs – train	21,680	33,542
Maintenance and repairs – track	24,452	19,179
Fuel and oil – train	33,167	15,964
Miscellaneous	248	404
Total operations	<u>621,459</u>	<u>343,197</u>
Amortization	57,532	55,436
Depreciation	4,506,976	4,616,388
Total operating expenses	<u>\$ 15,513,747</u>	<u>\$ 13,759,608</u>

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses
For the Fiscal Year Ended September 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Revenue		
Port facilities	\$ 19,823,760	\$ 16,201,528
Less: Direct marketing support	<u>(1,415,438)</u>	<u>(109,035)</u>
Net operating revenue	<u>18,408,322</u>	<u>16,092,493</u>
 Operating Expenses		
General expenses	3,251,480	1,704,244
Engineering and maintenance expenses	2,455,397	2,404,063
Security	1,680,535	1,526,991
Administration	2,285,262	2,344,921
Business development	655,106	764,368
Operations	<u>621,459</u>	<u>343,197</u>
Total operating expenses	<u>10,949,239</u>	<u>9,087,784</u>
Operating income before depreciation and amortization	7,459,083	7,004,709
Depreciation and amortization	<u>4,564,508</u>	<u>4,671,824</u>
Operating income after depreciation and amortization	<u>2,894,575</u>	<u>1,165,312</u>
 Non-operating revenues (expenses)		
Investment earnings	110,752	8,541
Grant revenue	813,742	3,352,633
Grant expense	(64,372)	(28,359)
Insurance recoveries	1,346	29,684
Gain (loss) on disposition of assets	(12,316)	(12,104)
Interest expense	(943,723)	(1,146,812)
Miscellaneous expenses	<u>-</u>	<u>(8,000)</u>
Total non-operating revenues (expenses)	<u>(94,571)</u>	<u>2,195,583</u>
Income before contributions	<u>2,800,004</u>	<u>4,528,468</u>
Capital contributions	<u>1,768,260</u>	<u>2,415,349</u>
Change in net position	<u><u>\$ 4,568,264</u></u>	<u><u>\$ 6,943,817</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses – Budget to Actual
For the Fiscal Year Ended September 30, 2022

	Original/Final Budget	Actual	Variance with Final Budget – Positive (Negative)
OPERATING REVENUES			
Wharfage	\$ 3,712,479	\$ 3,717,925	\$ 5,446
Dockage	2,932,171	3,273,116	340,945
Parking	804,517	529,118	(275,399)
Passengers - Cruise Lines	3,075,153	3,126,563	51,410
Storage	57,055	95,034	37,979
Water	100,022	99,943	(79)
Line Handling	116,921	109,640	(7,281)
Switching	556,216	662,854	106,638
Licenses and Permits	153,200	149,000	(4,200)
Vessel Bunkers	62,986	111,147	48,161
Cargo Terminal Fee	812,834	813,031	197
Security Fees - Cargo	685,903	682,091	(3,812)
Special Detail Security Fees	75,000	172,350	97,350
Identification Badging	10,685	8,580	(2,105)
Harbor Master Fee	222,580	202,291	(20,289)
Rent	5,824,324	5,817,780	(6,544)
Miscellaneous Income	135,574	253,297	117,723
Total revenues	19,337,620	19,823,760	486,140
Less: Direct Marketing Support	(1,679,573)	(1,415,438)	(264,135)
Net Operating Revenues	17,658,047	18,408,322	750,275
OPERATING EXPENDITURES			
Administrative and HR	776,542	882,298	105,756
Office - Finance and IT	1,125,665	1,119,470	(6,195)
Engineering	75,000	31,391	(43,609)
Consultant	39,000	42,237	3,237
Legal	200,000	280,072	80,072
General Maintenance	1,893,771	1,647,921	(245,850)
Railroad	189,740	181,013	(8,727)
Operations	206,600	440,798	234,198
General Expense	2,001,412	3,211,804	1,210,392
Security	1,861,597	1,680,535	(181,062)
Business Development	788,716	655,106	(133,610)
Cruise Terminal	368,000	290,176	(77,824)
Maritime Office Complex	331,500	319,249	(12,251)
Southgate Complex	85,500	87,742	2,242
Renewal and Replacement	300,000	79,427	(220,573)
Total Operating Expenses	10,243,043	10,949,239	705,846
Oper. Income Before Depr & Amort	7,415,004	7,459,083	44,079
Less: Depreciation Expense	4,750,000	4,506,976	(243,024)
Less: Amortization Expense	52,025	57,532	5,507
Operating Income (Loss)	2,612,979	2,894,575	281,596
Non-Oper. Revenues (Expenses):			
Interest Income	10,000	110,752	100,752
Insurance Recoveries	-	1,346	1,346
Grant Revenue	-	813,742	813,742
Gain or (Loss) on Disposal of Assets	(30,000)	(12,316)	17,684
Grant Expenses	-	(64,372)	(64,372)
Interest Expense	(943,723)	(943,723)	-
Total Non-Oper. Revenue (Expenses)	(963,723)	(94,571)	869,152
Income (Loss) before contributions	\$ 1,649,256	2,800,004	\$ 1,150,748
Capital Contributions		1,768,260	
Change in Net Position		\$ 4,568,264	

STATISTICAL INFORMATION

PORT OF PALM BEACH DISTRICT
Net Position
For the Fiscal Years Ended September 30, 2013 through 2022
Unaudited

Year ending September 30,		Net Investment in Capital Assets	Restricted	Unrestricted	Total
2013	(1)(2)	75,618,050	1,803,999	13,391,300	90,813,349
2014	(3)	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	(4)	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
2020		109,888,686	3,412,329	15,189,636	128,490,651
2021		113,954,887	3,204,087	18,275,494	135,434,468
2022	(5)	117,053,432	2,901,141	20,001,064	139,955,637

(1) 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 last line of the statements, previously called "Net assets" now be titled "Net position".

(2) 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.

(3) 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.

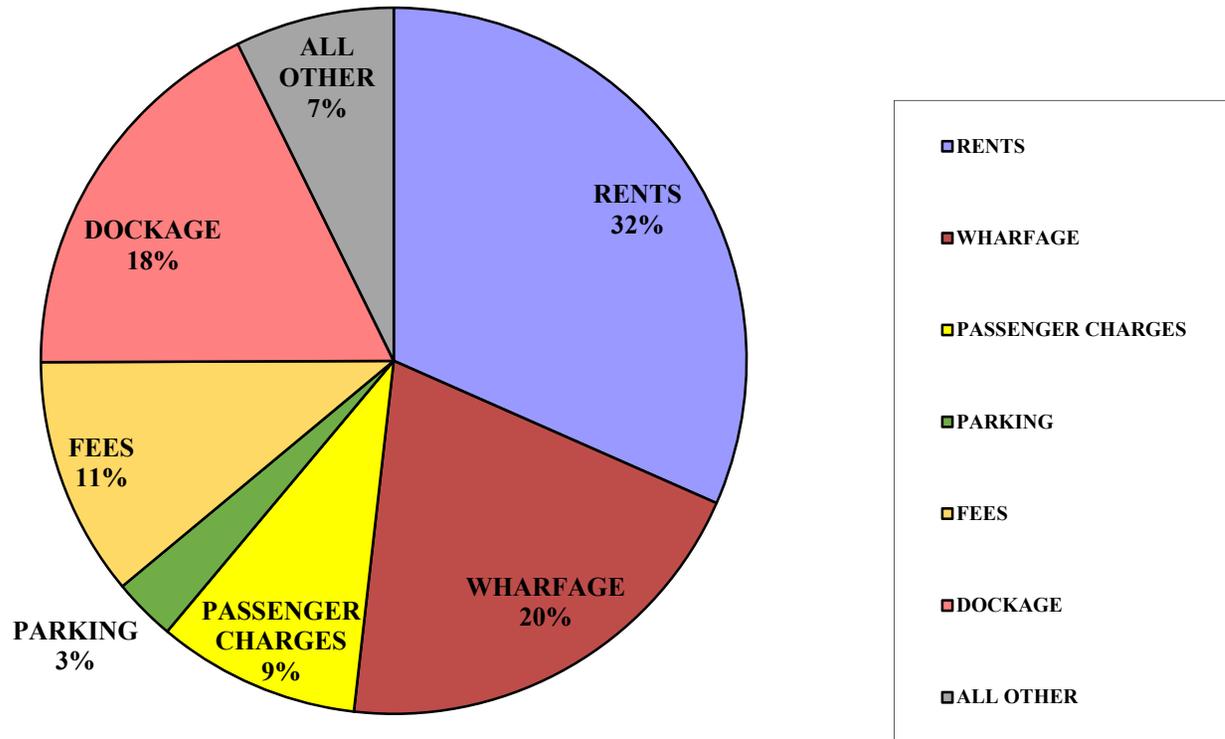
(4) Ending net position was restated due to prior period adjustments that were made to comply with GASB Statement No. 75 that was adopted in fiscal year 2018.

(5) Beginning net position was restated due to prior period errors that were made in accounting for the voluntary employee insurance deductions.

PORT OF PALM BEACH DISTRICT
Operating Revenues by Source
For the Fiscal Years Ended September 30, 2013 through 2022
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Wharfage	\$ 3,465,204	\$ 3,562,456	\$ 3,030,665	\$ 3,526,606	\$ 3,586,472	\$ 3,954,805	\$ 3,663,759	\$ 3,765,410	\$ 3,922,569	\$ 3,717,925
Leases/Rent	4,565,986	4,515,033	4,524,583	4,563,441	4,239,509	4,383,957	4,691,222	4,968,807	5,642,789	5,817,780
Dockage	1,680,365	1,731,439	1,602,038	2,090,756	2,214,939	2,235,834	2,229,884	2,770,447	2,977,232	3,273,116
Parking	987,052	1,186,040	1,142,624	1,493,751	1,440,349	1,372,946	1,306,727	357,813	49,585	529,118
Passenger wharfage	61,816	59,305	65,153	384,669	-	1,410	-	-	-	-
Net passenger charges	1,839,498	2,013,881	2,060,173	1,945,396	2,533,252	3,261,832	2,430,786	1,058,608	137,386	1,711,125
Storage	309,647	66,939	33,977	38,705	71,384	232,482	170,296	246,712	83,322	95,034
Water	80,050	79,888	80,050	74,842	95,249	133,902	191,714	212,773	126,378	99,943
Line handling	59,200	28,000	47,200	167,800	127,600	127,704	105,881	158,088	168,197	109,640
Miscellaneous	453,320	396,087	454,739	192,069	577,194	737,307	1,124,018	92,407	446,975	253,296
Switching	421,825	528,987	595,658	527,907	628,742	703,025	667,602	505,628	538,185	662,854
Licenses	115,450	111,300	108,900	100,200	108,900	118,600	153,200	157,800	157,750	149,000
Identification badging	22,337	47,496	29,760	34,826	28,857	27,561	14,829	6,015	7,045	8,580
Security fee	535,019	536,966	494,829	615,631	589,043	625,546	642,163	717,814	751,728	854,442
Cargo terminal fee	689,458	661,301	594,948	618,438	688,159	768,863	727,511	784,283	815,610	813,031
Harbor master fee	99,980	107,500	156,450	182,615	181,962	202,872	194,202	205,355	202,968	202,291
Vessel bunkers	44,010	45,480	48,480	82,084	53,711	53,498	68,583	90,131	64,774	111,147
Total	\$15,430,217	\$15,678,098	\$15,070,227	\$16,639,736	\$17,165,322	\$18,942,144	\$18,382,377	\$16,098,091	\$16,092,493	\$18,408,322

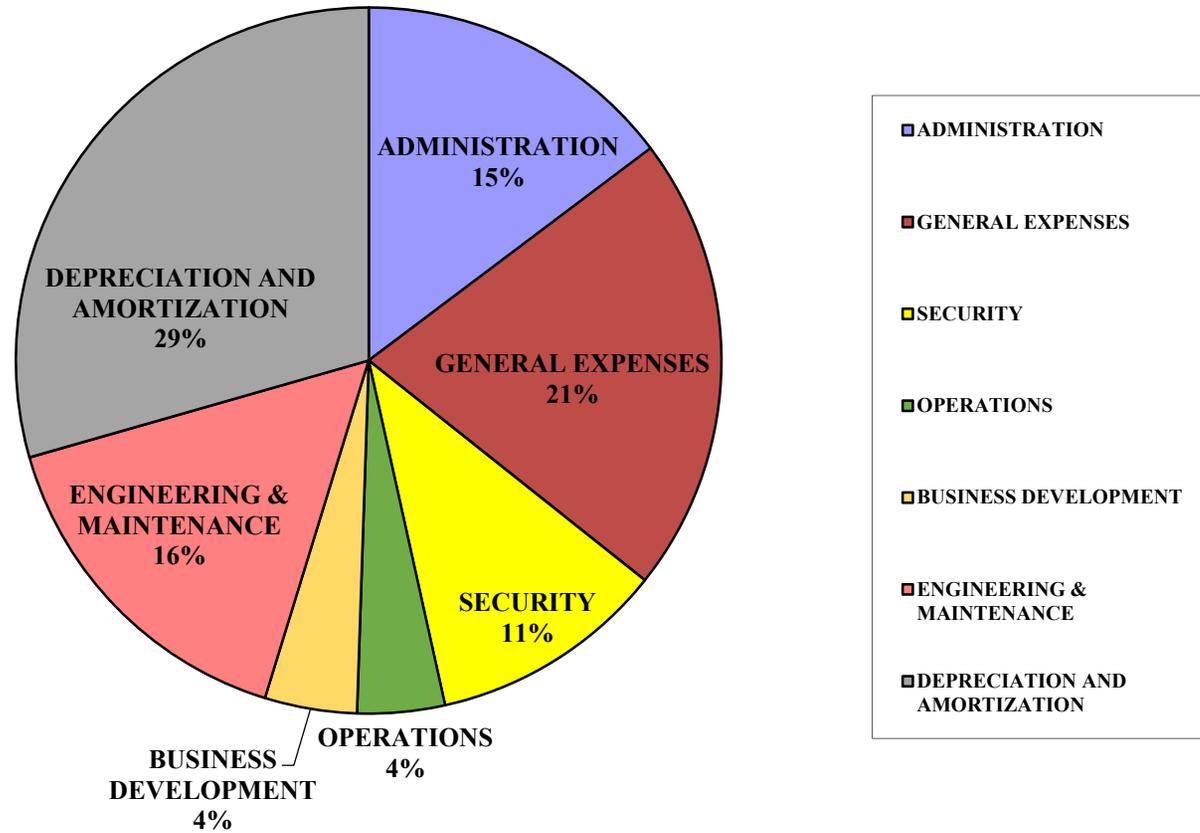
PORT OF PALM BEACH DISTRICT
Operating Revenues By Source
For the Fiscal Year Ended September 30, 2022
Unaudited



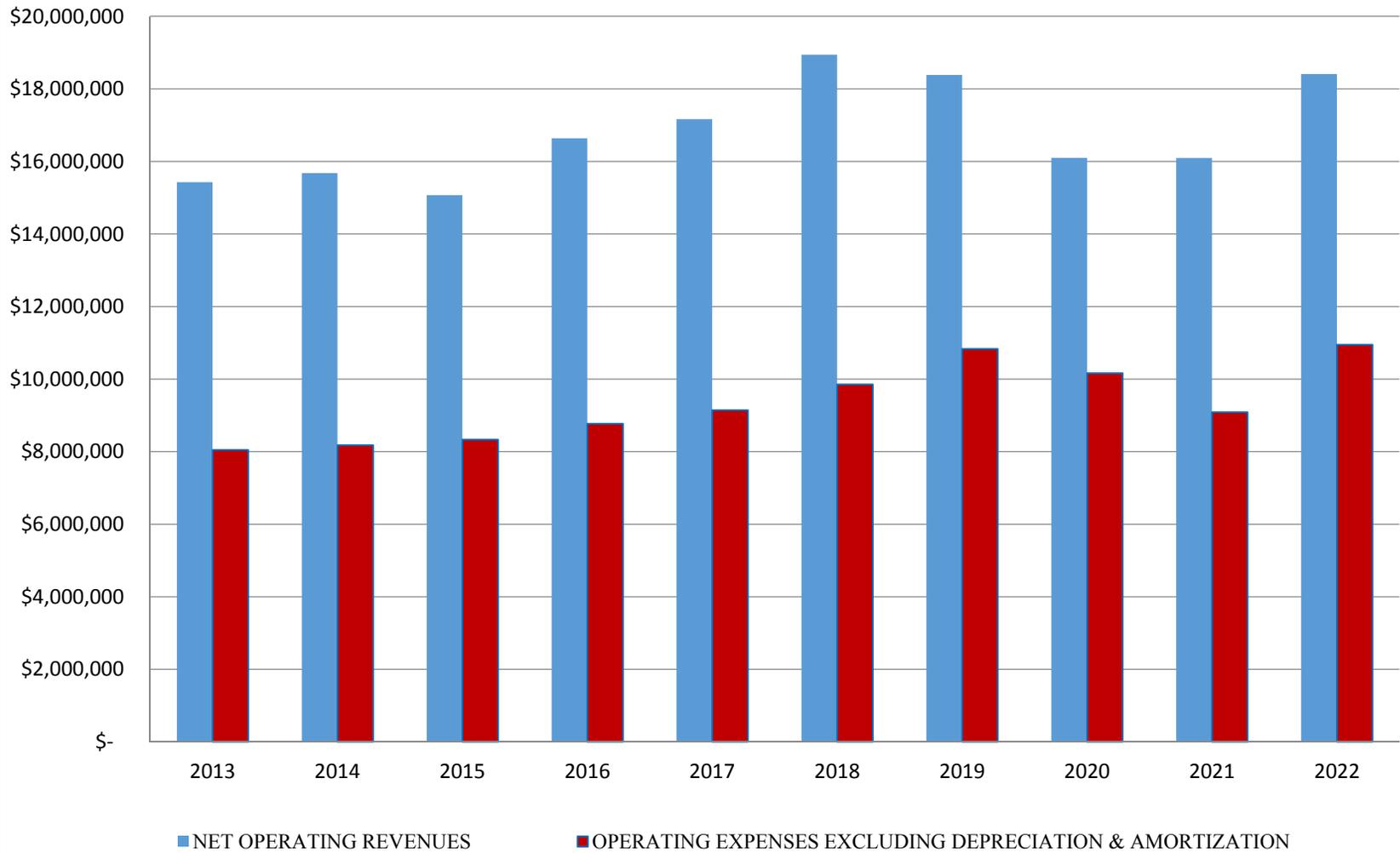
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Years Ended September 30, 2013 through 2022
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General	\$ 1,632,400	\$ 1,771,389	\$ 1,590,821	\$ 1,865,103	\$ 2,213,993	\$ 2,012,394	\$ 2,622,378	\$ 2,757,698	\$ 1,704,244	\$ 3,251,480
Engineering & maintenance	2,401,307	1,989,431	2,269,742	2,408,293	2,419,325	2,931,289	2,995,644	2,596,159	2,404,063	2,455,397
Security	1,853,418	1,879,762	1,776,390	2,000,425	1,784,325	2,071,052	2,174,002	1,740,390	1,526,991	1,680,535
Administration	1,440,193	1,677,101	1,631,993	1,611,402	1,814,485	1,847,377	2,032,611	2,027,942	2,343,921	2,285,262
Business development	501,629	524,075	747,789	624,175	655,740	684,139	688,383	695,735	764,368	655,106
Operations	222,348	337,109	315,485	262,996	257,559	309,952	321,467	346,744	343,197	621,459
Subtotal	8,051,295	8,178,867	8,332,220	8,772,394	9,145,427	9,856,203	10,834,485	10,164,668	9,087,784	10,949,239
Amortization	31,809	28,817	28,817	28,817	28,817	48,992	52,025	55,196	55,436	57,532
Depreciation	4,178,485	4,159,615	4,218,874	4,509,802	4,757,631	4,779,661	4,452,963	4,712,915	4,616,388	4,506,976
Subtotal	4,210,294	4,188,432	4,247,691	4,538,619	4,786,448	4,828,653	4,504,988	4,768,111	4,671,824	4,564,508
Total	\$ 12,261,589	\$ 12,367,299	\$ 12,579,911	\$ 13,311,013	\$ 13,931,875	\$ 14,684,856	\$ 15,339,473	\$ 14,932,779	\$ 13,759,608	\$ 15,513,747

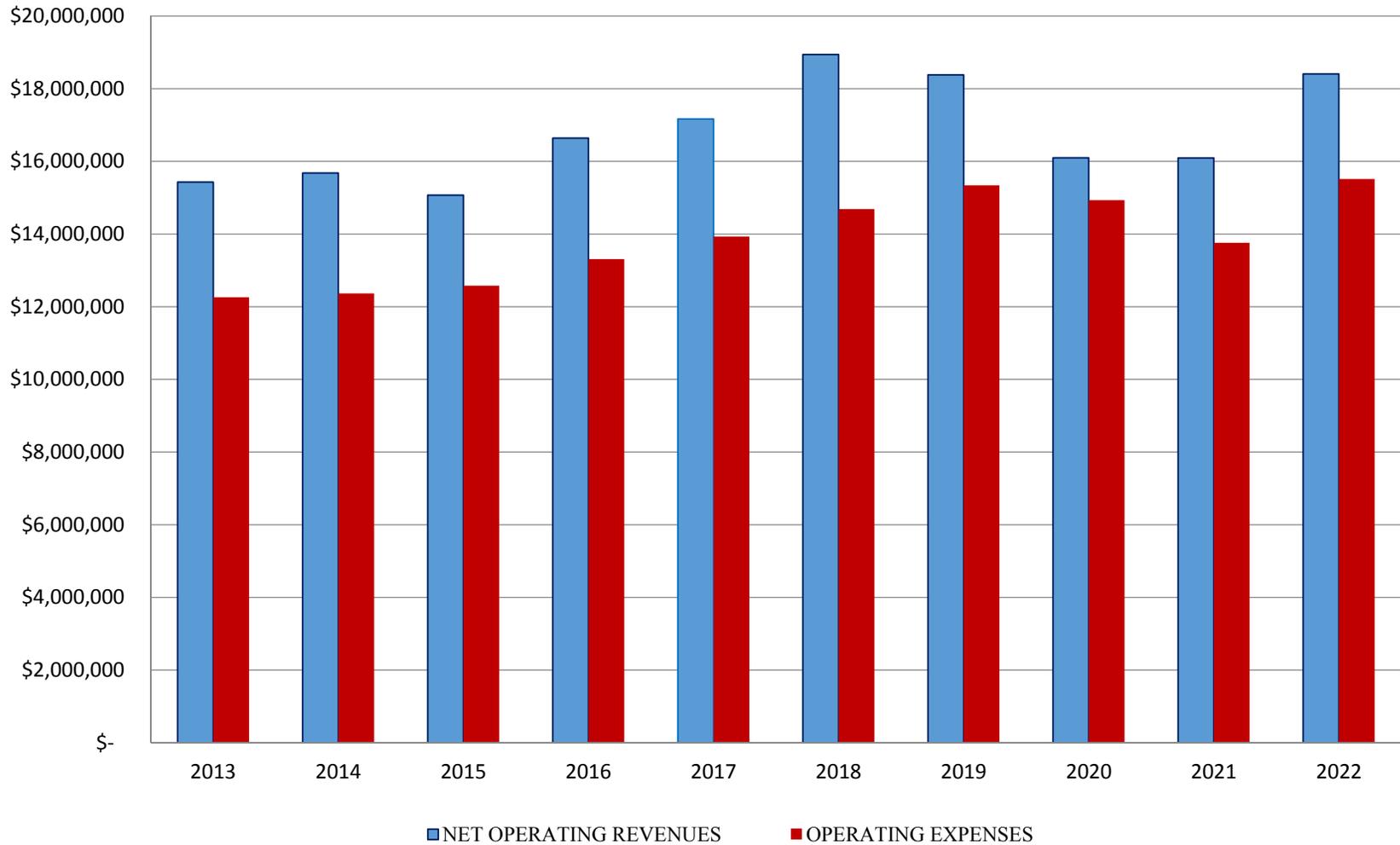
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Year Ended September 30, 2022
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization
For the Fiscal Years Ended September 30, 2013 through 2022
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses
For the Fiscal Years Ended September 30, 2013 through 2022
Unaudited



PORT OF PALM BEACH DISTRICT
Non-Operating Revenues (Expenses)
For the Fiscal Year Ended September 30, 2013 through 2022
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Investment earnings	\$ 13,199	\$ 1,933	\$ 9,401	\$ 12,668	\$ 46,191	\$ 158,189	\$ 399,541	\$ 160,327	\$ 8,541	\$ 110,752
Grant revenue	182,428	146,674	754,466	1,537,154	55,772	230,249	179,249	94,454	3,352,633	813,742
Grant expense	(90,982)	(2,000)	(477,999)	(1,523,778)	(28,690)	(206,500)	(203,607)	(140,990)	(28,359)	(64,372)
Gain (loss) on disposition of assets	4,679	(562)	325,978	(6,713)	2,500	(1,088,109)	(274,780)	(94,506)	(12,104)	(12,316)
Insurance recoveries	-	-	-	31,291	60,721	67,608	4,944	2,260	29,684	1,346
Electric utility distribution line relocation	-	-	(126,324)	(57,050)	(97)	-	-	-	-	-
Feasibility study	(65,891)	(230,678)	(4,266)	(5,048)	-	-	-	-	(8,000)	-
Interest expense	(2,152,645)	(1,659,947)	(1,405,344)	(1,523,830)	(1,363,288)	(996,704)	(1,095,454)	(989,037)	(1,146,812)	(943,723)
Total	\$ 2,109,212	\$ (1,744,580)	\$ (924,088)	\$ (1,535,306)	\$ (1,226,891)	\$ (1,835,267)	\$ (990,107)	\$ (967,492)	\$ 2,195,583	\$ (94,571)

PORT OF PALM BEACH DISTRICT
Changes in Net Position
For the Fiscal Year Ended September 30, 2013 through 2022
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Net Operating Income	\$ 3,168,628	\$ 3,310,799	\$ 2,490,316	\$ 3,328,723	\$ 3,233,447	\$ 4,257,288	\$ 3,042,904	\$ 1,165,312	\$ 2,332,885	\$ 2,894,575
Net Non-operating Revenues (Expenses)	(2,109,212)	(1,744,580)	(924,088)	(1,535,306)	(1,226,891)	(1,835,267)	(990,107)	(967,492)	2,195,583	(94,571)
Income before Contributions	1,059,416	1,566,219	1,566,228	1,793,417	2,006,556	2,422,021	2,052,797	197,820	4,528,468	2,800,004
Capital Contributions	4,898,938	10,222,352	4,024,606	2,547,717	2,855,381	1,526,342	4,062,669	2,750,351	2,415,349	1,768,260
Change in Net Position	\$ 5,958,354	\$11,788,571	\$ 5,590,834	\$ 4,341,134	\$ 4,861,937	\$ 3,948,363	\$ 6,115,466	\$ 2,948,171	\$ 6,943,817	\$ 4,568,264

PORT OF PALM BEACH DISTRICT
Operating Statistics
For the Fiscal Year Ended September 30, 2013 through 2022
Unaudited

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
CARGO TONNAGE										
General Cargo										
Container	\$ 1,243,179	\$ 1,292,505	\$ 1,303,289	\$ 1,295,490	\$ 1,351,573	\$ 1,422,801	\$ 1,344,157	\$ 1,317,997	\$ 1,389,795	\$ 1,483,467
Break-bulk	62,162	64,488	53,546	98,801	96,530	111,965	91,612	69,972	111,047	106,178
Sub-Total	1,305,341	1,356,993	1,356,835	1,394,291	1,448,103	1,534,766	1,435,769	1,387,969	1,500,842	1,589,645
Bulk and Dry Cargo										
Asphalt	72,768	87,817	80,732	83,909	101,023	118,191	107,034	121,288	88,583	108,616
Cement	-	-	-	-	-	-	-	-	17,162	41,172
Fuel Oils	63,030	30,284	53,045	98,354	122,174	233,331	139,982	75,477	83,213	43,829
Miscellaneous	11,086	-	-	-	-	-	11,665	14,855	13,310	-
Recyclable mental	-	68,950	26,604	37,122	35,618	27,705	46,420	56,873	35,490	53,776
Molasses	147,550	110,720	100,553	121,889	184,176	139,656	73,835	130,499	149,295	108,526
Sugar	547,904	496,040	544,780	783,690	593,563	513,744	494,065	705,748	671,700	482,631
Sub-Total	842,338	793,811	805,714	1,124,964	1,036,554	1,032,627	873,001	1,104,740	1,058,753	838,550
TOTAL ALL CARGO	\$ 2,147,679	\$ 2,150,804	\$ 2,162,549	\$ 2,519,255	\$ 2,484,657	\$ 2,567,393	\$ 2,308,770	\$ 2,492,709	\$ 2,559,595	\$ 2,428,195
TEUs	\$ 248,211	\$ 257,252	\$ 265,245	\$ 260,324	\$ 275,538	\$ 286,704	\$ 273,902	\$ 266,431	\$ 253,427	\$ 262,233
RAIL CARS (IN AND OUT BOUND)	\$ 13,098	\$ 16,606	\$ 20,153	\$ 17,324	\$ 18,885	\$ 20,048	\$ 18,682	\$ 14,288	\$ 14,160	\$ 16,029
VESSELS	\$ 1,523	\$ 1,553	\$ 1,406	\$ 1,750	\$ 1,533	\$ 1,683	\$ 1,556	\$ 1,392	\$ 1,244	\$ 1,385
PASSENGERS	\$ 345,970	\$ 364,829	\$ 350,932	\$ 502,876	\$ 432,585	\$ 462,674	\$ 449,457	\$ 141,051	\$ 13,935	\$ 146,033

PORT OF PALM BEACH DISTRICT
Revenue Bond Coverage
For the Fiscal Year Ended September 30, 2013 through 2022
Unaudited

		2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Gross Revenues	(1)	\$ 15,443,416	\$ 15,680,031	\$ 15,079,628	\$ 16,652,404	\$ 17,211,513	\$ 19,100,333	\$ 18,781,918	\$ 16,258,418	\$16,101,034	\$18,519,074
Operating Expenses	(2)	(8,051,295)	(8,178,867)	(8,332,220)	(8,772,394)	(9,145,427)	(9,856,203)	(10,834,485)	(10,164,668)	(9,087,784)	(10,949,239)
Net Revenues	(3)	7,392,121	7,501,164	6,747,408	7,880,010	8,066,086	9,244,130	7,947,433	6,093,750	7,013,250	7,569,835
Maximum Annual Debt Service		4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
Required Coverage		110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
Annual Debt Service Requirement		4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000	4,785,000
Excess		\$ 2,607,121	\$ 2,716,164	\$ 1,962,408	\$ 3,095,010	\$ 3,281,086	\$ 4,459,130	\$ 3,162,433	\$ 1,308,750	\$ 2,228,250	\$ 2,784,835
Coverage	(4)	154%	157%	141%	165%	169%	193%	166%	127%	147%	158%

(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.

COMPLIANCE SECTION

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Port of Palm Beach District, as of and for the year ended September 30, 2022, 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 15, 2023.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

**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* - Continued**

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Port of Palm Beach District’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 Port’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.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above a light blue horizontal line.

West Palm Beach, Florida
June 15, 2023

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER
10.650, RULES OF THE AUDITOR GENERAL**

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

Report on Compliance for Each Major Federal Program and State Project

Opinion on Each Major Federal Program and State Project

We have audited the Port of Palm Beach District’s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and in the State of Florida’s *Department of Financial Services State Projects Compliance Supplement* that could have a direct and material effect on each of the Port of Palm Beach District’s major federal programs and state projects for the year ended September 30, 2022. The Port of Palm Beach District’s major federal programs and state projects are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

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 each of its major federal programs and state project for the year ended September 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Florida Chapter 10.650, *Rules of the Auditor General*. Our responsibilities under those standards and the Uniform Guidance and Chapter 10.650, are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Port of Palm Beach District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program and state project. Our audit does not provide a legal determination of The Port of Palm Beach District’s compliance with the compliance requirements referred to above.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER
10.650, RULES OF THE AUDITOR GENERAL - Continued**

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Port of Palm Beach District’s federal programs and state projects.

Auditor’s Responsibility for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Port of Palm Beach District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance and the Chapter 10.650, Rules of the Auditor General will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Port of Palm Beach District’s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the Chapter 10.650, Rules of the Auditor General we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Port of Palm Beach District’s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Port of Palm Beach District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and Chapter 10.650, Rules of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Port of Palm Beach District’s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**INDEPENDENT AUDITOR’S REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND STATE PROJECT AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND CHAPTER
10.550, RULES OF THE AUDITOR GENERAL – Continued**

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program 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 Auditor’s Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." is written on a light blue background.

West Palm Beach, Florida
June 15, 2023

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Year Ended September 30, 2022

Federal Grantor/Pass – Through Grantor /Program Title	Assistance Listing Number (ALN)	Pass-Through Grantor Number	Federal Expenditures
<u>U. S. Department of Treasury</u>			
Coronavirus Local Fiscal Recovery Fund	21.027		\$ 4,050,839
Total Expenditures of Federal Awards			\$ 4,050,839

State Grantor/Program title	CSFA Number	Contract Number	State Expenditures	Amount Provided to Sub-recipients
<u>Florida Department of Transportation</u>				
Seaport Grants	55.005	G1L41	\$ 1,178,521	\$ -
Seaport Grants	55.005	G1H34	472,690	-
Seaport Grants	55.005	G1Z03	168,639	-
Seaport Grants	55.005	G1560	114,250	-
Seaport Grants	55.005	G2383	69,638	-
Seaport Grants	55.005	G1W18	65,000	-
Seaport Grants	55.005	G1I90	50,835	-
Seaport Grants	55.005	G1564	17,377	-
Total State Financial Assistance			\$ 2,136,950	\$ -

NOTE 1 -BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards and State Financial Assistance (the “Schedule”) presents the expenditures activity of all federal awards and all state financial assistance projects activity of the Port of Palm Beach District for the year ended September 30, 2022. The information in the schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the requirements of the Florida Single Audit Act. Because the Schedule present only a selected portion of the expenditures of the Port, it is not intended to and does not present the financial position, changes in net position or cash flows of the Port. Some amounts presented in these schedules may differ from amounts presented in or used in the preparation of the basic financial statements. The Port’s reporting entity is defined in Note 1 of the Port’s basic financial statements. All federal awards and state financial assistance received directly from federal, state and indirectly through state agencies, as well as amounts passed through other government agencies are included in the accompanying schedule of expenditures of federal awards and state financial assistance.

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of Federal Awards and State Financial Assistance - Continued
September 30, 2022

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 Uniform Guidance and 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 – INDIRECT COST RATE

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

NOTE 4 -CONTINGENCIES

Grant monies received and disbursed by the Port are for specific purposes and are subject to review by the grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the Port does not believe that such disallowances, if any, would have a material effect on the financial position of the Port. As of June 15, 2023 management is not aware of any material questioned or disallowed costs as a result of grant audits in process or completed; however, the possible disallowance by a governmental agency of any item charged to a program or project cannot be determined at this time.

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued on whether the financial statement audited were prepared in accordance with GAAP:

Unmodified

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency (ies) identified that are not considered to be a material weaknesses? ___ Yes X None Reported
- Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? ___ Yes X No
- Significant deficiency (ies) identified that are not considered to be a material weakness? ___ Yes X None Reported

Type of auditor's report issued on compliance for major programs:
 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) or Chapter 10.550 Rules of the Auditor General?

Unmodified

___ Yes X No

Identification of major programs:

Assistance Listing

Number(s)

Name of Federal Program

21.027

Coronavirus Local Fiscal Recovery Fund

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as a low-risk auditee?

X Yes ___ No

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs - Continued
September 30, 2022

Section I - Summary of Auditor's Results (Continued)

Identification of major projects:

<u>CSFA Number(s)</u>	<u>Name of Major State Project</u>
55.005	Seaport Grants

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

\$ 641,085

Section II - Financial Statement Current Year Findings and Questioned Costs

There were no findings and questioned costs noted during the current year.

Section III - Financial Statement Prior Year Findings and Questioned Costs

There were no findings and questioned costs noted during the prior year.

Section IV – Federal Awards Current Year Findings and Questioned Costs

There were no findings and questioned costs noted during the current year.

Section V – State Projects Current Year Findings and Questioned Costs

There were no findings and questioned costs noted during the current year.

Section VI – State Projects Prior Year Findings and Questioned Costs

There were no findings and questioned costs noted during the prior year.

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

To the 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, 2022, and have issued our report thereon dated June 15, 2023.

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; the audit requirements of the title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards* (Uniform Guidance); 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 Federal Program and 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 15, 2023, 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.

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

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 are 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. 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.

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

As required by Section 218.39(3) (c), Florida Statutes, and Section 10.554(1)(i)6, Rules of the Auditor General, the Port of Palm Beach District, reported:

- a. The total number of district employees compensated in the last pay period of the district’s fiscal year as 52
- b. The total number of independent contractors to whom nonemployee compensation was paid in the last month of the district’s fiscal year as 17.
- c. All compensation earned by or awarded to employees, whether paid or accrued, regardless of contingency as \$5,752,835.
- d. All compensation earned by or awarded to nonemployee independent contractors, whether paid or accrued, regardless of contingency as \$1,925,049.
- e. Each construction project with a total cost of at least \$65,000 approved by the district that is scheduled to begin on or after October 1 of the fiscal year being reported, together with the total expenditures for such project as

Construction Project name	Contractor’s Name	Total Cost	Total Expenditures
Annex Property-Upland Site Improvement	PB Builders	\$1,197,118	\$1,098,766
Merchants Drainage & Rehabilitation	PB Builders	\$ 751,982	\$ 335,039
MOC-CBP Interior Building Security Upgrades.	Clear Span structures	\$ 590,947	\$ 29,920

- f. A budget variance based on the budget adopted under Section 189.016(4), Florida Statutes, before the beginning of the fiscal year being reported if the district amends a final adopted budget under Section 189.016(6), Florida Statutes as presented in this report, page 71, Schedule of Revenues and Expenses – Budget to Actual. The budget was not amended during the year.

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.

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

Single Audits

The Port of Palm Beach District expended more than \$750,000 of Federal awards and more than \$750,000 of State financial assistance for the fiscal year ended September 30, 2022 and was required to have a Federal single audit and 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 Board of Commissioners, and applicable management, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "S. Davis & Associates, P.A." The signature is written in a cursive style and is positioned above a light blue horizontal line.

West Palm Beach, Florida
June 15, 2023

**INDEPENDENT ACCOUNTANT'S REPORT ON COMPLIANCE WITH THE
REQUIREMENTS OF SECTION 218.415, FLORIDA STATUTES**

To the 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, 2022. 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 risks 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, 2022.

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.



West Palm Beach, Florida
June 15, 2023