

**PORT OF PALM BEACH DISTRICT
REQUEST FOR DISCUSSION AND
COMMISSION ACTION**

**NEW BUSINESS
ITEM I-3**

PREPARED BY: Paul Zielinski Deputy Director - CFO April 5, 2018

**SUBJECT: Comprehensive Annual Financial Report (CAFR)
Fiscal Year Ended September 30, 2017**
Approval of Port of Palm Beach District CAFR with Independent Auditor's Report thereon for FY 2017.

BACKGROUND INFORMATION: Attached is the Comprehensive Annual Financial Report (CAFR) with Independent Auditor's Report for the Fiscal Year Ended September 30, 2017. The Port's Audit Committee, Independent Auditors and Port Staff met on April 10, 2018 to discuss the results of the FY 2017 CAFR Audit. The Port's Audit Committee has provided a letter to the Board regarding the FY 2017 CAFR Audit.

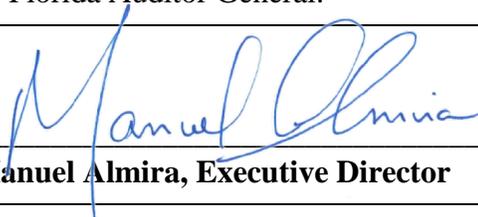
In accordance with the State of Florida Auditor General Local Government Audit Report section 10.557(3) and 10.558(3) of Florida Statutes, the District is to ensure that the CAFR includes all the required elements in a single document and submit two copies of said report within 45 days of the adoption of this resolution to the Auditor General.

ADDITIONAL INFORMATION ATTACHED: No _____ Yes X

FISCAL IMPACT: N/A

RECOMMENDATION: The Board of Port Commissioners is respectfully requested to adopt the attached Resolution for the FY 2017 CAFR Audit, which instructs Port Staff to send two copies of the Port's FY 2017 CAFR to the State of Florida Auditor General.

Respectfully Submitted By:



Manuel Almira, Executive Director

DATE ACTION TAKEN: _____
Approved: _____
Disapproved: _____
Deferred To: _____
Incorporated into Minutes: _____

Motion By: _____
Seconded By: _____
Unanimous: Yes _____ No _____
By: _____



Board of Commissioners

Blair J. Ciklin
Jean L. Enright
Peyton W. McArthur
Wayne M. Richards
Katherine M. Waldron

Executive Director

Manuel Almira, PPM®

April 8, 2018

Board of Commissioners
Port of Palm Beach District
1 East 11th Street, Suite 600
Riviera Beach, FL 33404

Dear Commissioners:

The undersigned, acting as the Audit Committee, pursuant to appointment by you, met on Tuesday, April 10, 2018 with the following Port staff, Manuel Almira, Executive Director, Paul J. Zielinski, Deputy Director-Chief Financial Officer, Daniel Kirchman, CPA, Controller, Bradly Elling, Assistant Controller, Tacaria Anderson-Jones, Manager of Contract Compliance and Accounts Receivable, and Nelson R. Bennett, CPA, partner from the auditing firm of Nowlen, Holt & Miner, P.A.

Nelson R. Bennett, CPA presented a draft of the audited comprehensive annual financial report of the Port of Palm Beach District for the fiscal year ended September 30, 2017. The draft report was reviewed by the Audit Committee. No significant concerns were expressed and no significant changes were recommended to the draft report. All questions were adequately answered.

The executive and financial staff of the Port was available to the Audit Committee to answer our questions and explain in detail any information we required. We would like to thank you for permitting us to serve on the Audit Committee.

Respectfully submitted,

David Talley

Pricilla Taylor

Evette Hardy

Jim Gibbs

Mary Brabham

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE PORT OF PALM BEACH DISTRICT AUTHORIZING THE EXECUTIVE DIRECTOR TO DELIVER TWO COPIES OF THE PORT'S AUDIT ALONG WITH ITS RESPONSES OR REBUTTALS TO THE MANAGEMENT LETTER TO THE AUDITOR GENERAL OF THE STATE OF FLORIDA

WHEREAS, the Port of Palm Beach District Board of Commissioners in accordance with the Laws of Florida and by its Charter, Chapter 7081, Acts of 1915 shall under section 10.557(3), Rules of the Auditor General for Local Governmental Entity Audits submit to the Auditor General of the State of Florida two copies of the Port of Palm Beach District's audit report as required by Section 10.558(3) including a written explanation or rebuttal of the Management Letter contained therein as required by Section 10.558(1), Rules of the Auditor General for Local Governmental Entity Audits and;

WHEREAS, pursuant to Article XV of the Charter of the Port of Palm Beach, where, at least once a year the Board of Commissioners of the Port of Palm Beach District shall employ a certified public accountant for the purpose of auditing the books of the Port of Palm Beach District and;

WHEREAS, the accounting firm of Nowlen Holt & Miner P.A. conducted an audit for the Fiscal Year Ended September 30, 2017, in which pursuant to the Charter of the Port of Palm Beach District a committee of five (5) representative business professionals, named by the Port of Palm Beach District Commissioners, met on April 10, 2018 for the purpose of complying with the Audit requirements set forth in Article XV of the charter.

NOW THEREFORE, IT IS HEREBY RESOLVED, THAT THE PORT OF PALM BEACH DISTRICT, BY AND THROUGH ITS BOARD OF COMMISSIONERS, AGREES AS FOLLOWS:

SECTION 1:

The Port of Palm Beach District authorizes the Executive Director and/or his designee in accordance with the State of Florida Auditor General Local Governmental Entity Audit Report (Section 218.39, Florida Statutes) deliver to the State Auditor General within 45 days of the Board's adoption of this resolution, but no later 9 months after the end of the fiscal year, two copies of the Port of Palm Beach District Audit along with its written statement of explanation or rebuttal, including corrective action to be taken, required by Auditor General Rule 10.558(1), if necessary.

SECTION 2:

This resolution shall take effect upon adoption.

PASSED AND ADOPTED THIS 19th DAY OF APRIL, 2018.



**PORT OF PALM BEACH DISTRICT BY ITS
BOARD OF COMMISSIONERS:**

Jean L. Enright, Chairperson

Attest:

Katherine M. Waldron, Secretary/Treasurer

Legal Sufficiency:

Gregory C. Picken, Port Attorney

PORT OF PALM BEACH DISTRICT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2017

PORT OF PALM BEACH DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2017



Prepared by the Finance Department

Paul Zielinski
Deputy Port Director & Chief Financial Officer

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

PORT OF PALM BEACH DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2017

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PORT OF PALM BEACH DISTRICT

**PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2017**

PORT BOARD MEMBERS

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

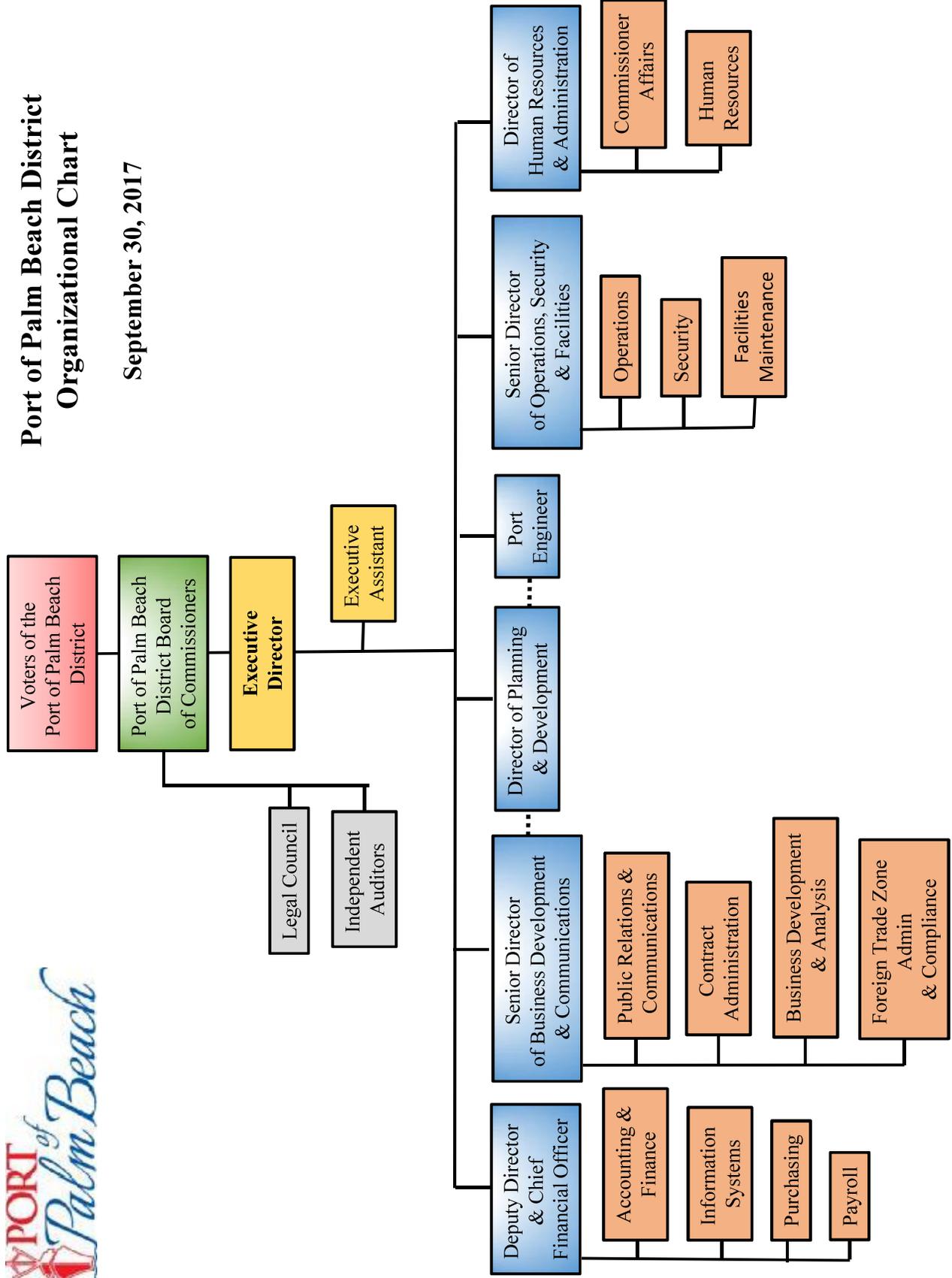
PORT STAFF

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



Port of Palm Beach District Organizational Chart

September 30, 2017





NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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

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

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

INDEPENDENT AUDITOR’S REPORT

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

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Port of Palm Beach District as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 18, the schedule of funding progress – other postemployment benefits on page 64, and the pension schedules on pages 65 through 68, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Port of Palm Beach District's basic financial statements. The introductory section, accompanying schedules listed as other supplementary information on pages 69 through 79, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The prior year other supplementary information has been derived from the Port of Palm Beach District's 2016 basic financial statements and, in our report dated May 4, 2017 we expressed an unqualified opinion on those financial statements. The schedule of expenditures of federal awards and state financial assistance on page 96 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements.

The other supplementary information on pages 69 through 78 and the schedule of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other

records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section, schedule of operating statistics presented on page 79, and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 10, 2018, on our consideration of the Port of Palm Beach District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Port of Palm Beach District's internal control over financial reporting and compliance.

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 10, 2018

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, 2017 and 2016. The information presented should be read in conjunction with the financial statements, notes and supplemental schedules found in this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Port exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$115,505,902 (*net position*). Of this amount, \$14,695,864 (*unrestricted net position*) may be used to meet the Port's ongoing obligations to creditors.
- The Port's total net position increased by \$4,861,937. This increase consists of \$2,006,556 of income before contributions, and \$2,855,381 of capital contributions.
- At the end of the current fiscal year, unrestricted net position was 161% of cash operating 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 which generate their own revenues and therefore are similar to a private business such as the Port).

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

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

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

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

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

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

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

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

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

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

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entity's financial position. Assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources as of September 30, 2017 and 2016 by \$115,505,902 and \$110,643,965, respectively.

The following table reflects the condensed statement of net position:

Port of Palm Beach District's Net Position

	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 28,005,316	\$ 28,397,442
Capital assets, net	122,935,414	119,578,691
Total assets	<u>150,940,730</u>	<u>147,976,133</u>
 Total deferred outflows of resources	 <u>2,122,323</u>	 <u>1,955,850</u>
 Current liabilities	 6,792,787	 6,268,124
Noncurrent liabilities	30,560,909	32,998,566
Total liabilities	<u>37,353,696</u>	<u>39,266,690</u>
 Total deferred inflows of resources	 <u>203,455</u>	 <u>21,328</u>
 Net investment in capital assets	 99,729,682	 93,240,172
Restricted	1,080,356	1,102,486
Unrestricted	14,695,864	16,301,307
Total net position	<u>\$ 115,505,902</u>	<u>\$ 110,643,965</u>

Current and other assets decreased by approximately \$0.39 million as a result of a decrease in grants receivable of \$1.24 million due to the ending of the front loaded Berth 17 FDOT Seaport Grant funding, that offset increases in cash and cash equivalents of \$0.34 million and trade receivables of \$0.48 million. Prepaid items had a net insignificant increase of \$0.03 million. The Port's operating activities provided approximately \$8.00 million in cash that was mostly offset by capital asset purchases less grants received, and debt service on the revenue bonds.

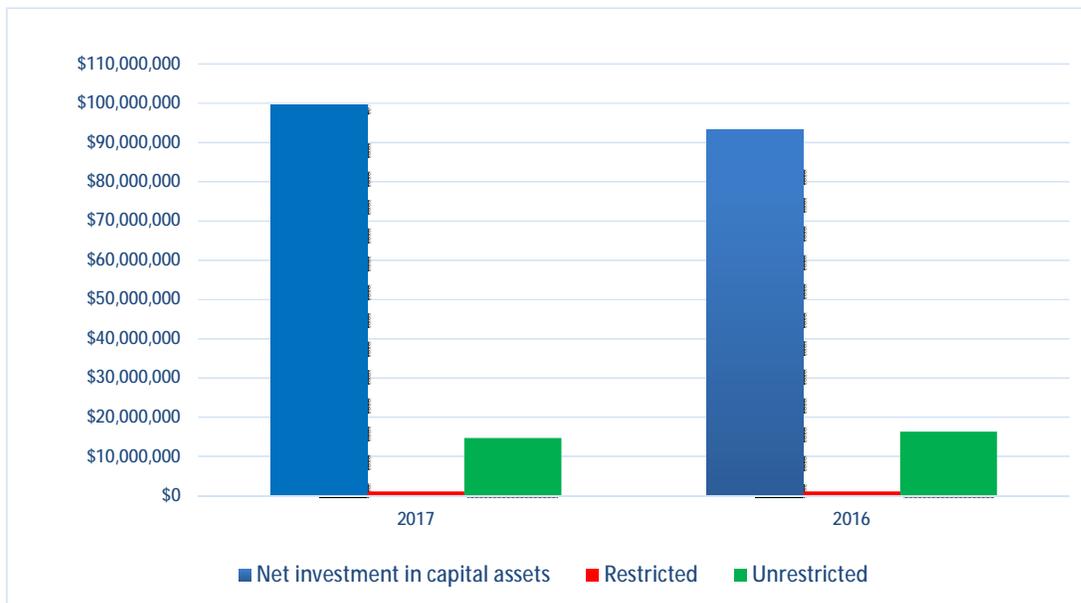
Current liabilities increased by approximately \$0.53 million due to an increase of \$0.41 million in payables, accrued expenses, compensated absences and customer deposits that was primarily the result of the Berth 17 construction payables and retainage and receipts of customer security deposits. Unearned revenue and accrued interest had a net insignificant decrease of \$0.02 million. The current portion of long-term debt increased by \$0.14 million primarily as a result of a larger portion of next year's revenue bond debt payments being principal.

Deferred outflows of resources increased approximately \$0.17 million and Deferred inflows of resources increased \$0.18 million primarily as a result of expected and actual experience, assumptions, projected an actual earnings and methods used by the FRS actuary in performing the GASB calculations to meet the parameters set by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Additional information on the Port's deferred outflows and inflows of resources of pension related items can be found in Note 8, in the accompanying notes to the financial statements.

The decrease in Noncurrent liabilities of approximately \$2.44 million is primarily the result of a decrease in the long-term debt (revenue bonds) of \$3.38 million from principal bond payments. Capital appreciation interest payable increased by \$0.59 million from additional deferred interest on the Series 2002 revenue bonds. Compensated absences, and other postemployment benefits had an insignificant decrease of \$0.06 million. Also, net pension liability increased by \$0.41 million, primarily as a result of changes in actuarial assumptions.

The Port has recorded a liability for the fiscal years ending September 30, 2017 and 2016 of \$3,526,193 and \$3,121,778, respectively, for its proportionate share of the FRS and HIS pension plan's net pension liability as a result of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in FY 2015. Additional information on the Port's net pension liability can be found in Note 8, in the accompanying notes to the financial statements.

Net Position



By far the largest portion of the Port's net position as of September 30, 2017 and 2016 (86% & 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, 2017 and 2016 (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 2017, the Port's unrestricted net position was \$14,695,864 (13% of net position), a decrease of (\$1,605,443) or 10% from FY 2016.

The Port's total net position increased by \$4,861,937 or over 4% in FY 2017. Of this amount, \$2,006,556 represents net income before capital contributions and \$2,855,381 represents capital contributions from federal, state and private sources. There is no assurance that these capital contributions from other sources will continue in the future.

The following table reflects the condensed revenue and expense data:

Port of Palm Beach District's Changes in Net Position

	<u>2017</u>	<u>2016</u>
Operating revenues:		
Fees and charges for services	\$ 17,165,322	\$ 16,639,736
Non-operating revenues:		
Investment earnings	46,191	12,668
Other	63,221	31,291
Grant revenue	55,772	1,537,154
Total non-operating revenues	<u>165,184</u>	<u>1,581,113</u>
Total revenues	<u>17,330,506</u>	<u>18,220,849</u>
Operating expenses:		
General expenses	2,213,993	1,865,103
Engineering and maintenance	2,419,325	2,408,293
Security	1,784,325	2,000,425
Administration	1,814,194	1,611,402
Business development	655,740	624,175
Operations	257,559	262,996
Depreciation and amortization	4,786,448	4,538,619
Total operating expenses	<u>13,931,875</u>	<u>13,311,013</u>
Non-operating expenses:		
Grant and related expenses	28,690	1,528,826
Other	97	63,763
Interest	1,363,288	1,523,830
Total non-operating expenses	<u>1,392,075</u>	<u>3,116,419</u>
Total expenses	<u>15,323,950</u>	<u>16,427,432</u>
Income before contributions	2,006,556	1,793,417
Capital contributions	<u>2,855,381</u>	<u>2,547,717</u>
Change in net position	4,861,937	4,341,134
Net position – beginning	<u>110,643,965</u>	<u>106,302,831</u>
Net position - ending	<u>\$ 115,505,902</u>	<u>\$ 110,643,965</u>

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

- Operating Revenues (Fees and charges for services) increased by approximately \$0.53 million or approximately 3%. This was primarily due to increases in passenger charges and miscellaneous income as discussed below. Wharfage, dockage and related revenues, passenger and parking charges, and rent and related storage are the largest portion of the Port's operating revenues, accounting for over 91%.

The Port's operating revenues have achieved a compound annual growth rate of over 5% between FY 2008 (the start of the Great Recession) and FY 2017. This is a result of Port management's aggressive marketing campaign that has resulted in attracting new business and growing current business.

The Grand Celebration (the cruise vessel and their owners) began their eighth year of operations (seventh fiscal year) as a multi-day cruise line to the Bahamas. Under the terms of the agreement the Port receives a Passenger Charge for each departing and arriving passenger, the net proceeds from all parking revenue generated from cruising passengers and has agreed to participate in the cost of the sales and marketing efforts of the Celebration cruise ship based upon their passenger counts. Passenger charges were approximately \$6.91 million from 433 thousand passengers and the Ports contribution to the Celebration's sales and marketing effort was approximately \$4.38 million, which resulted in net passenger charges of \$2.53 million for FY 2017. The Port's multiday net -passenger revenue increased by approximately \$0.59 million or 30%. The increase in net revenue was due to the lower rates of the third tiered system of the contractual marketing contribution support that was in effect for approximately 75% of the fiscal year. However, the passenger counts were over 10% lower in FY 2017, and approximately 12% under budget. This was due to Hurricane Matthew, which struck in October 2016, and caused a change in destination to Bimini, Bahamas due to the destruction of infrastructure (hotels, utilities, etc.) in Freeport, Bahamas; a scheduled dry dock in early January 2017; a charter in early May 2017; and then Hurricane Irma, which struck in September 2017, followed by a FEMA chartering the Grand Celebration for relief housing in St. Thomas due to the hurricane. In all, there were a total of twenty (20) missed sailings in FY 2017.

There were no Passengers-Day gaming cruise revenues for the Port in FY 2017. Due to current and possible future changes in Florida's gaming laws, landside gaming, and high operating costs, the future of day gaming vessels at the Port is remote.

Wharfage and cargo related revenue increased by approximately \$0.16 million or 3%, primarily due to increases in container, asphalt, diesel and molasses tonnage and TEU's. However, total cargo tonnage is slightly down, approximately 1%, due to a decline in sugar volumes. The Port has returned to the previous cargo levels since before the effects of the great recession that started in FY 2008, when factoring out the utility fuel oil shipments that mostly ended in FY 2010 when the FP&L power plant was rebuilt to

operate on natural gas. The compound annual growth rates for the past five fiscal years (2013 – 2017) is approximately 4% for both total cargo tonnage and TEU's.

Dockage and related revenue had a nominal increase of approximately \$0.02 million or 1%, primarily due to a new tenant/customer and contractual and tariff rate increases that slightly offset reduced vessel traffic which was primarily sugar.

Rent and related storage decreased by approximately \$0.29 million or 6% primarily due to the full fiscal year loss of the Maritime Office Building (MOB) lease by Tropical Shipping. The loss of the MOB lease was softened by additional space assignments for land and Tropical Shipping leasing office space in the Maritime Office Complex (MOC).

Parking fees decreased by approximately \$0.05 million or 4%, primarily as a result of decreases in passenger counts and their vehicles from the issues regarding the cruise activity previously mentioned above regarding the Grand Celebration. The valet parked vehicles from the Grand Celebration decreased by approximately 6%.

Miscellaneous income increased significantly by approximately \$0.39 million or 201%, primarily due to approximately \$0.15 million for a contractual early termination fee for vacating the MOC lease; \$0.10 million in contractual reservation fees for future new cargo terminal area; and \$0.18 million for a vessel delay penalty due to Hurricane Irma per the Port's tariff.

The remaining operating revenues which consist of switching, licenses, permits, and identification badging increased by approximately \$0.10 million or 16%, primarily due to an increase in rail car switching volume of approximately 9%.

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

- Investment Earnings increased by approximately \$0.03 million as the target range for the federal funds interest rate climbed slightly.
- Other non-operating revenues of approximately \$0.06 million consist of insurance recoveries that were collected from damages that occurred in the previous fiscal year.
- Operating Grant revenue decreased by approximately \$1.48 million, primarily to the close out of the \$2.6 million FY 2014 U.S. Dept. of Homeland Security Port Security Grant Program. The Port recognized approximately \$0.05 million in operating grant revenue for reimbursed repair and maintenance expenses under the new FY 2016 Port Security and FEMA Public Assistance Grant Programs and that started in FY 2017.
- Operating Expenses increased by approximately \$0.62 million or 5%, and operating expenses before depreciation and amortization increased approximately \$0.37 million or 4%. The most significant increases were primarily salary and benefits, hurricane repairs, bad debt and depreciation expenses.

The Port's operating expenses have remained relatively flat between FY 2008 (the start of the Great Recession) and FY 2017, only rising at a compound annual rate of approximately 1%. This is a result of Port Management undertaking a significant effort to reduce expenditures primarily through staff reductions, conservation efforts, and the use of contract services personnel for security, eliminating the railroad and janitorial contracts by bringing the operation of the railroad and janitorial services in-house with existing staff in FY 2009. These changes continue to have a positive effect in reducing or containing expenses. Operating Expense containment continues to be a priority for Port Management.

Salaries, payroll taxes and benefits (employee costs) represent the largest portion of the Port's operating expenses before depreciation and amortization at approximately 53% and increased by approximately \$0.23 million or 5%. Salaries and payroll taxes increased by \$0.09 million or 3%, primarily due to approved salary increases, and also increases in contracted administration services, and security overtime which offset temporary personnel reductions in several departments. Health insurance premium costs increased approximately \$0.03 million or 4%, as a result of the annual other postemployment benefit (OPEB) costs under GASB Statement No. 45, see Note 9, in the accompanying notes to the financial statements. The remaining \$0.11 million, or 4% increase in pension costs was primarily due changes in actuarial assumptions by the FRS as a result of GASB Statement No. 68, see Note 8, in the accompanying notes to the financial statements, and to a lesser extent approved salary increases and FRS contribution rates, mandated by the Florida legislature.

General expense (excluding employee benefits) increased by approximately \$0.21 million or 35%, primarily due to a bad debt expense and additional property insurance and taxes on the Maritime Office Building as a result of the Tropical Shipping vacancy.

Security expense (excluding employee costs) decreased by approximately \$0.23 million or 19%. This was due primarily to decreases in contracted security costs.

Engineering and maintenance expense (excluding employee costs) increased by approximately \$0.08 million or 4%, primarily as a result of Hurricane Matthew and Irma storm repairs and electrical utility costs for the Maritime Office Building as a result of the Tropical Shipping vacancy.

Administration expense (excluding employee costs) increased by approximately \$0.08 million or 26%, primarily due to increases in legal fees and computer maintenance fees.

Business development expenses (excluding employee costs) had a nominal decrease of approximately \$0.01 million, primarily due to reductions in community related activities.

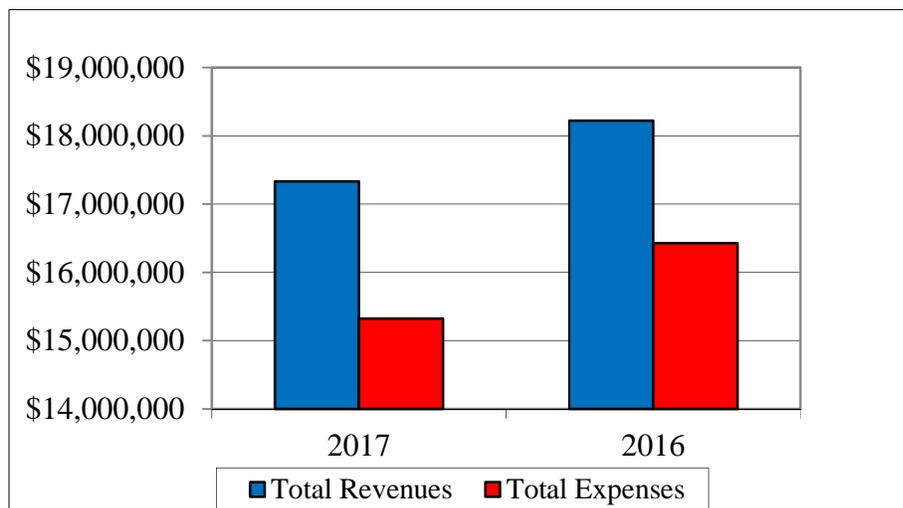
Operations expense (excluding employee costs) had a nominal increase of approximately \$0.01 million, primarily due to fuel cost increases for the train.

Depreciation and amortization expense increased approximately \$0.25 million or 5% primarily as a result of a full year of depreciation on Slip #3 that was completed in February of FY 2016.

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

- The largest non-operating expense is interest, which decreased by approximately \$0.16 million or 11%, primarily as a result of lower fixed interest rates on Revenue Refunding Bonds, Series 2013 and 2016.
- Non-operating Grants and related expenses had a significant decrease of approximately \$1.50 million, primarily as a result of approximately \$1.52 million in grant expenses in FY 2016 for various security equipment purchases by the City of Riviera Beach Police, Palm Beach County Sheriff, and Tropical Shipping through interlocal agreements that were classified as transfers to the sub-recipients. These purchases were from the Port's FY 2014 Port Security Grant program as previously noted above in operating grant revenues. In FY 2017 there were insignificant grant expenses for transfers to sub-recipients under the FY 2016 Port Security Grant program, and administrative fees for FDOT grant funding
- Other non-operating expenses decreased by approximately \$0.06 million primarily from debt issue costs for the Revenue Refunding Bonds, Series 2016 issued in FY 2016.
- Capital contributions increased by approximately \$0.31 million, primarily as a result of the Berth 17 Expansion project that was a front loaded matching grant. The total capital contributions of \$2.86 million consisted of approximately \$2.41 million for Berth 17 Expansion, and \$0.13 million for other of projects in preliminary stages which are all Florida Department of Transportation Seaport matching grants. The remaining \$0.32 million is from the FY 2016 Port Security Grant matching program for security equipment.

Total Revenues and Expenses



CAPITAL ASSETS

Capital assets: The Port's capital assets as of September 30, 2017 amounted to approximately \$122.94 million, (net of accumulated depreciation). This investment in capital assets includes land, buildings, facility and infrastructure improvements and equipment, furniture and fixtures, and construction work in progress. Capital asset acquisitions are capitalized at cost and depreciated over estimated useful lives using the straight-line method.

The total increase in the Port's investment in capital assets after accumulated depreciation for FY 2017 was \$3.36 million. This was attributable to \$8.12 million for the acquisition and construction of Capital Assets, of which the majority were additions for the construction of Berth 17, and other improvements, machinery and equipment and computers, which were offset by an increase in Accumulated Depreciation of \$4.76 million.

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

The Port's current major capital project is the Berth 17 Expansion, which began construction in FY 2016 and is estimated to be completed in early FY 2019. The project is a refurbishment and capacity expansion and includes improvements to the adjacent upland drainage system, utilities, and additional "roll on / roll off" capability. The total project cost is estimated to be approximately \$12.20 million.

Construction-in-progress projects total approximately \$10.42 million as of September 30, 2017 and include the following projects:

- Berth 17 Expansion
- Other small and just beginning projects

The Port's capital program is funded through a combination of the U.S. Department of Homeland Security and the Florida Department of Transportation Seaport 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>2017</u>	<u>2016</u>
Land	\$ 28,119,220	\$ 28,119,220
Buildings and improvements	32,204,029	33,674,008
Slips and improvements	37,461,725	38,417,958
Other improvements	9,516,875	11,093,207
Wharf and loading ramps	3,777,862	3,943,122
Machinery and equipment	754,190	642,660
Computer equipment	498,374	685,582
Autos and trucks	79,297	109,355
Furniture and fixtures	105,369	118,870
Construction in progress	10,418,473	2,774,709
Total capital assets, net	\$ 122,935,414	\$ 119,578,691

DEBT ADMINISTRATION

Long-term debt: The Port had outstanding revenue bonds of approximately \$23.9 million as of September 30, 2017. Of this amount, approximately \$3.4 million is current and will mature by September 1, 2018. The Port's outstanding revenue bonds are secured by a first lien upon and a pledge of the operating revenues. Additional information on the Port's long-term debt can be found in Note 4, in the accompanying notes to the financial statements.

The Port of Palm Beach District is required by the terms of the Series 2002, 2007, 2013 and 2016 Revenue Refunding Bonds to generate sufficient Net Revenues so as to maintain a minimum ratio of 110% to the debt service requirement for that year. In FY 2017 and 2016, the Port met this requirement.

The Port's outstanding revenue bonds maintained a rating of "Baa3" with an outlook change to positive from stable by Moody's Investors Service.

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

	<u>2017</u>	<u>2016</u>
Revenue bonds payable	\$ 23,916,746	\$ 27,208,749
Less deferred amounts:		
For issuance discounts	(47,949)	(53,326)
Total revenue bonds payable	\$ 23,868,797	\$ 27,155,423

IMPLEMENTATION OF NEW ACCOUNTING STANDARD

As described in Note 1 to the financial statements, the Port of Palm Beach District implemented Governmental Accounting Standard Board Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*; GASB Statement No. 77, *Tax Abatement Disclosures*; GASB Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*; GASB Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement no. 14*; during the fiscal year ended September 30, 2017.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Port is finding that the first five months of FY 2018 to be indicative of continued financial success, as Net Operating Revenues exceeded both year to date FY 2017 actual results and FY 2018 Budget. The Caribbean economy is showing signs of recovery from last year's hurricanes as container shipments are up over 2.5%, and total cargo tonnage is up approximately 3% over prior FY 2017; both are currently in line with the FY 2018 Budget. Sugar shipments in FY 2018, which are the Port's largest commodity, are approximately 6% lower than in FY 2017; however, they are expected to meet the FY 2018 Budget tonnage level. The Port's operating expenses are currently favorable to the FY 2018 Budget, or approximately 5% lower. However, there will be additional hurricane repairs and start-up expenses for the second cruise ship.

The Multiday Cruise Vessel, the Grand Celebration, which struggled in the first half of FY 17 as a result of Hurricane Matthew which struck in early October 2016 was showing signs of complete recovery in the second half of FY 2017 until Hurricane Irma struck in early September 2017. The Grand Celebration was taken out of the Port and relocated to St. Thomas, U.S. Virgin Islands for all of October through most of December 2017 as a result of FEMA chartering the ship for relief housing efforts in the aftermath of the hurricane. The FY 2018 Budget short fall for passenger charges and parking fees were mostly offset by relief fees of \$315,000 and the timing of the marketing support contractual rate levels. Passenger counts in January and February of 2018 have exceeded those in the same months in 2017.

The start-up of the export of natural gas to the Caribbean will not take place as the suppression of oils prices have proven detrimental to the projects financial return. The company remains open for possible future development with the Port as a partner in its Caribbean operations, however the current contract extension ended on December 31, 2017. The Berth 17 expansion mini-slip was originally for the use of the natural gas export business, however the Port has several current and potential tenants and customers that can use this berth thereby opening up the larger berths.

Tropical Shipping signed a new ten-year agreement with four (4) five-year renewal options on April 20, 2017. The terms of the agreement now make demolishing the MOB and converting three acres of land into a cargo terminal financially beneficial and is currently in the design and planning stage with completion estimated in late FY 2019. The financial impact of demolishing the MOB would be a non-operating loss on disposal of approximately \$1.0 million. Tropical Shipping is providing the Port with reservation fees to lease this new terminal to them, when available, at current market rates and will also be providing capital contributions to assist with

the demolition and construction. The new agreement also establishes land and cargo related rates for each year of the agreement, thus allowing for the effect of inflation over the ten years.

The FY 2018 Budget was based upon the following assumptions:

- Net operating revenues were budgeted to increase by approximately 6.6% for FY 2018 as a result of the increases in cruise passengers and parking (from second cruise ship), tariff rates, volume and contractual increases. Operating expenses are budgeted to increase approximately 3.9% primarily due to salary, payroll taxes and benefit increases, and repairs and maintenance; additional contract security and utility services for the second cruise ship; depreciation for constructions projects completed, and new equipment, and all other normal inflationary increases.
- Income before capital contributions is budgeted at approximately \$2.65 million, however, this would have to be reduced by approximately \$1.0 million for the loss on disposal of MOB. When the FY 2018 Budget was approved the timing and status of the MOB demolition was unknown. Port management is in the process of revising the FY 2018 Budget. The adjusted Income before capital contributions \$1.65 million represents a decrease of approximately 17.5% over actual FY 2017.

Requests for Information

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

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

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2017

ASSETS

	2017
Current assets:	
Cash and cash equivalents	\$ 19,032,503
Accounts receivable (net of allowance for uncollectables of \$161,000)	1,278,465
Grants receivable	455,639
Prepaid items	922,426
Restricted assets:	
Cash and cash equivalents	6,316,283
Total current assets	28,005,316
 Noncurrent assets:	
Capital assets:	
Land and land rights	28,119,220
Buildings and improvements	60,800,237
Slips and improvements	49,895,448
Other improvements	35,856,431
Wharf and loading ramps	7,798,154
Machinery and equipment	2,500,145
Computer equipment	1,449,542
Autos and trucks	441,832
Furniture and fixtures	333,437
Construction in progress	10,418,473
Less accumulated depreciation	(74,677,505)
Total capital assets (net of accumulated depreciation)	122,935,414
Total noncurrent assets	122,935,414
Total assets	150,940,730

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources:	
Pension related items	1,459,258
Deferred loss on bond refunding, net	663,065
Total deferred outflows of resources	2,122,323

See notes to the financial statements

LIABILITIES

	<u>2017</u>
Current liabilities	
Accounts payable and accrued expenses	\$ 659,272
Contracts payable	1,540,620
Unearned revenue	377,631
Compensated absences payable	227,277
Payable from restricted assets:	
Customer deposits	175,000
Accounts payable and accrued expenses	339,483
Accrued interest payable	43,179
Current portion of long-term debt	3,430,325
Total current liabilities	<u>6,792,787</u>
Noncurrent liabilities	
Compensated absences payable	227,277
Other postemployment benefits	207,334
Net pension liability	3,526,193
Capital appreciation interest payable from restricted assets	6,161,633
Revenue bonds payable (less unamortized bond discount)	23,868,797
Less: current portion	(3,430,325)
Total noncurrent liabilities	<u>30,560,909</u>
Total liabilities	<u>37,353,696</u>

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources:	
Pension related items	<u>203,455</u>

NET POSITION

Net investment in capital assets	99,729,682
Restricted for renewal and replacement	572,792
Restricted for business development	507,564
Unrestricted	14,695,864
Total net position	<u><u>\$ 115,505,902</u></u>

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Year Ended September 30, 2017

	2017
Operating revenue	
Port facilities	\$ 21,540,235
Less: Direct marketing support	(4,374,913)
Net operating revenue	17,165,322
 Operating expenses	
General expenses	2,213,993
Engineering and maintenance	2,419,325
Security	1,784,325
Administration	1,814,485
Business development	655,740
Operations	257,559
Operating expenses before depreciation and amortization	9,145,427
Operating income before depreciation and amortization	8,019,895
Depreciation and amortization expense	4,786,448
Operating income	3,233,447
 Non-operating revenues (expenses)	
Investment earnings	46,191
Grant revenue	55,772
Grant expense	(28,690)
Insurance recoveries	60,721
Loss on disposition of assets	2,500
Debt issue cost	(97)
Interest expense	(1,363,288)
Total nonoperating revenue (expenses)	(1,226,891)
Income before contributions	2,006,556
Capital contributions	2,855,381
Change in net position	4,861,937
Total net position - beginning, as restated	110,643,965
Total net position - ending	\$ 115,505,902

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2017

	2017
Cash flows from operating activities:	
Receipts from customers and users	\$ 16,822,456
Payments to suppliers for goods and services	(4,237,915)
Payments to or on behalf of employees	(4,627,561)
Net cash provided by operating activities	7,956,980
 Cash flows from non-capital financing activities	
Payment for master plan update	(66,743)
Grant revenues received	372,006
Payments to grant subrecipient	(28,690)
Net cash used by non-capital financing activities	276,573
 Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(7,868,378)
Sale of assets	2,403
Principal paid on debt	(3,292,003)
Interest paid on debt	(624,021)
Insurance recoveries	60,721
Capital grants received	3,782,638
Net cash used for capital and related financing activities	(7,938,640)
 Cash flows from investing activities	
Interest received on investments	46,191
Net cash provided by investing activities	46,191
 Net increase in cash and cash equivalents	341,104
 Cash and cash equivalents - beginning	25,007,682
 Cash and cash equivalents - ending	\$ 25,348,786

(Continued)

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2017
(Continued)

	2017
Cash and cash equivalents classified as:	
Unrestricted assets	\$ 19,032,503
Restricted assets	6,316,283
Total cash and cash equivalents	\$ 25,348,786
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 3,233,447
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,757,631
Amortization expense	28,817
Change in net pension liability and related deferred amounts	266,230
(Increase) decrease in assets	
Accounts receivable	(479,639)
Prepaid expenses	7,304
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	54,191
Customer deposits	150,000
Unearned revenue	(13,227)
Other postemployment benefits	35,778
Compensated absences	(83,552)
Total adjustments	4,723,533
Net cash provided by operating activities	\$ 7,956,980

See notes to the financial statements

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity and General Overview

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

The Port is a "public enterprise fund" operated through an elected Board of five Port Commissioners 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, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Measurement Focus

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

Basis of Accounting

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

Deposits and Investments

In the statement of cash flows for proprietary funds, cash is defined as currency on hand and demand deposits with banks or other financial institutions. It also includes other accounts that have the general characteristics of demand deposits in that the customer may deposit or withdraw funds at any time without prior notice or penalty. Cash equivalents are short-term (i.e. original 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, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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, 2007, 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, 2017 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, 2017**

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 sixty years on the buildings and improvements and from three to twelve years on machinery, equipment and furniture. Land and related land rights are not depreciated.

Deferred Outflow of Resources

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

Deferred Inflows of Resources

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Unearned Revenue

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

Compensated Absences

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

Unamortized Bond Discount

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

Net Position

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

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

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

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

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Estimates

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

Budgetary Accounting

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

Budgetary Information

The budget is prepared and controlled at the departmental level. The budget and any amendments which require a change in total appropriations of any department are approved by the Port's Board. The Executive Director is authorized to transfer budgeted amounts within the departments. Budget amounts have been adjusted for legally authorized revisions of the annual budgets approved during the year. The Port's schedule of revenues, expenses and income before capital contributions compared with the legally adopted budget is presented as supplementary information on page 78.

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

borrowed by the said Port, for which the full faith and credit of the Port is pledged (general obligation bonds), and in addition, a special tax not exceeding two (2) mills on the dollar of the assessed valuation of taxable property in the Port's district or two hundred thousand (\$200,000.00) dollars, whichever is smaller, in each year to pay the costs of operation, maintenance and other purposes of the Port under statutory authority. The Port does not have any general obligation bonds outstanding and has not levied property taxes since the fiscal year ended 1975 and does not expect to do so in the foreseeable future.

Determination of Operating versus Non-Operating Revenues and Expenses

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

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

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

Implementation of Governmental Accounting Standards Board Statements

The Port implemented the following GASB Statements during the fiscal year ended September 30, 2017:

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. This Statement improves the usefulness of information about postemployment benefits other than pensions included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. Implementation of this statement did not impact the Port's financial statements.

In August 2015 the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement improves financial reporting by giving users of financial statements essential information that is not consistently or comprehensively reported to the public at present. Implementation of this statement did not impact the Port's financial statements.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Implementation of Governmental Accounting Standards Board Statements

In December 2015 the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. This Statement addresses a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. Implementation of this statement did not impact the Port's financial statements.

In January 2016 the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement no. 14*. This Statement improves financial reporting by clarifying the financial statement presentation for certain component units. The implementation of this Statement did not impact the City's financial statements.

Recent Accounting Pronouncements

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

In June 2015 the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement improves accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for the fiscal year ending September 30, 2018.

In March 2016 the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreement*. This Statement will improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. This Statement is effective for the fiscal year ending September 30, 2018.

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

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recent Accounting Pronouncements (Continued)

In March 2017 the GASB issued Statement No. 85, *Omnibus 2017*. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill fair value measurement and application, and postemployment benefits (pension and other postemployment benefits). This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. This Statement will improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than debt proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement is effective for the fiscal year ending September 30, 2018.

In May 2017 the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions for the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2021.

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2017, the Port's book balance for deposits in "Qualified Public Depositories" was \$20,625,742 and the related bank balance totaled \$20,719,007. The Port also had \$1,600 in petty cash for a total carrying amount of \$20,627,342.

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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Deposits (Continued)

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, 2017, the Port’s deposits are considered insured for custodial credit risk purposes.

Investments

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

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

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

- Level 1: Inputs are directly observable, quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs are other than quoted prices included within Level 1 that are for the asset or liability, either directly or indirectly. These inputs are derived from or corroborated by observable market data through correlation or by other means.
- Level 3: Inputs are unobservable inputs used only when relevant Level 1 and Level 2 inputs are unavailable.

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

Money market funds are exempt from reporting under the fair value hierarchy, and the fair value is measured at amortized cost. As of September 30, 2017, the Port held the following investments in money market funds, which are reported as cash and cash equivalents in the statement of net position:

<u>Investments Measured at Amortized Cost</u>	<u>Moody's Standard & Poor's Credit Rating</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Wells Fargo Institutional Government Money Market Fund	Aaa-mf AAAm	\$4,369,649	38 days
Morgan Stanley Institutional Liquidity Funds Portfolio	Aaa-mf AAAm	<u>351,795</u>	19 days
		<u>\$4,721,444</u>	

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

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

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

Custodial credit risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At September 30, 2017, 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.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

A reconciliation of deposits and investments at September 30, 2017, is as follows:

By Category:	
Deposits	\$ 20,625,742
Petty cash	1,600
Investments	4,721,444
Total deposits and investments	<u>\$ 25,348,786</u>
Presented un the statement of net position	
Cash and cash equivalents	\$19,032,503
Restricted cash and cash equivalents	6,316,283
Total statement of net position	<u>\$ 25,348,786</u>

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended September 30, 2017, is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 28,119,220	\$	\$	\$ 28,119,220
Construction	2,774,709	8,114,593	(470,829)	10,418,473
Total capital assets, not being depreciated	<u>30,893,929</u>	<u>8,114,593</u>	<u>(470,829)</u>	<u>38,537,693</u>
Capital assets, being depreciated:				
Building and improvements	60,800,237			60,800,237
Slips and improvements	49,787,788	107,660		49,895,448
Other improvements	35,810,692	45,739		35,856,431
Wharf and loading ramps	7,798,154			7,798,154
Machinery and equipment	2,231,102	269,043		2,500,145
Computer equipment	1,433,855	15,687		1,449,542
Autos and trucks	420,962	20,870		441,832
Furniture and fixtures	321,846	11,591		333,437
Total capital assets, being depreciated	<u>158,604,636</u>	<u>470,590</u>		<u>159,075,226</u>
Less: accumulated depreciation	(69,919,874)	(4,757,631)		(74,677,505)
Total capital assets, being depreciated, net	<u>88,684,762</u>	<u>(4,287,041)</u>		<u>84,397,721</u>
Total capital assets, net	<u>\$119,578,691</u>	<u>\$ 3,827,552</u>	<u>\$(470,829)</u>	<u>\$122,935,414</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – LONG-TERM LIABILITIES

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2017, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Revenue bonds payable	\$27,208,749	\$	\$(3,292,003)	\$23,916,746	\$3,430,325
Less deferred amounts:					
Issuance discounts	(53,326)		5,377	(47,949)	
Total bonds payable	27,155,423		(3,286,626)	23,868,797	3,430,325
Compensated absences	538,106	435,964	(519,516)	454,554	227,277
Net pension liability	3,121,778	437,543	(33,128)	3,526,193	
Other postemployment benefits	171,556	42,878	(7,100)	207,334	
Capital appreciation interest payable	5,572,759	588,874		6,161,633	
Total long-term liabilities	\$36,559,622	\$ 1,505,259	\$(3,846,370)	\$34,218,511	\$3,657,602

Interest Expense

Total interest costs incurred during the year ended September 30, 2017, was \$1,363,288. No interest was capitalized as part of the cost of construction in progress during the year. Total interest paid during the year was \$624,021.

Revenue Bonds

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. At September 30, 2017, the following Revenue Bonds were outstanding:

- \$ 9,576,835 Revenue Refunding Bonds, Series 2002
- \$10,139,551 Revenue Refunding Bonds, Series 2007
- \$14,301,991 Revenue Refunding Bonds, Series 2013
- \$ 9,077,666 Revenue Refunding Bonds, Series 2016

These bonds are payable from and secured by a first lien upon and a pledge of the gross revenues derived from the operation of the Port facilities on parity with the parity bonds and any pari passu additional bonds hereafter issued. Principal and interest paid for the year ended September 30, 2017 totaled \$3,916,023 and pledged gross revenues were \$17,165,322. At September 30, 2017, principal and interest to maturity in September 2026 to be paid from pledged future revenues totaled \$37,167,559.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

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

The Revenue Bond indentures require that monthly deposits be made to restricted accounts for the payment of bond principal and interest, and that certain reserve accounts be maintained. The Bond indentures also require the Port to fix, establish, maintain and collect rates, fees, rents or other charges for the services and facilities of the Port which will be sufficient at all times to (a) pay the cost of maintaining, repairing and operating the Port property; (b) provide reserves for replacement of property and equipment; (c) provide for Business Development; and (d) pay debt service, sinking fund and reserve requirements, and additionally requires that rates be maintained and revised so that Net Revenues are at least 125% of the maximum annual debt service requirements for all the Port's Revenue Bonds. Notwithstanding the foregoing, Net Revenues, less all Supplemental Revenues, shall always be adequate to pay, in each year, at least 110% of the maximum annual debt service requirements for all the Port's Revenue Bonds. The Port's bond counsel is of the opinion that the 125% test would not apply if the Port had no Supplemental Revenues. Net revenues are gross revenues, after deduction only of operating expenses plus supplemental revenues. Supplemental Revenues are all revenues received by the Port pursuant to Section 320.20(3) Florida Statutes, as amended and supplemented and any other moneys received or accrued to the Port including but not limited to recurring grants (either federal or state) or State sharing revenues. For the fiscal year ended September 30, 2017, the Port had no supplemental revenues. At September 30, 2017, 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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding and Improvement Bonds, Series 2002 (Continued)

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

Debt service requirements to maturity are as follows at September 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$	\$	\$
2019			
2020			
2021			
2022	911,724	1,693,276	2,605,000
2023-2026	4,130,111	9,779,889	13,910,000
	<u>\$ 5,041,835</u>	<u>\$ 11,473,165</u>	<u>\$ 16,515,000</u>

Revenue Refunding Bonds, Series 2007

On September 12, 2007 the Port issued \$10,139,551 of Revenue Refunding Bonds, Series 2007, with an interest rate of 4.39025%. The bonds were used to refinance all of the outstanding Revenue Improvement Bonds, Series 1996B; and pay the costs of issuing the 2007 Bonds, including the cost of obtaining a bond insurance policy. The 1996B Bonds were retired on October 15, 2007. 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, 2008 and principal payments beginning on September 1, 2008. The bonds mature on September 1, 2018. The 2007 bonds are not subject to redemption prior to their stated maturity date.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding Bonds, Series 2007 (Continued)

Debt service requirements to maturity are as follows at September 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 1,133,503	\$ 49,761	\$ 1,183,264
	<u>\$ 1,133,503</u>	<u>\$ 49,761</u>	<u>\$ 1,183,264</u>

Revenue Refunding Bonds, Series 2013

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

Debt service requirements to maturity are as follows at September 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 1,252,038	\$ 318,997	\$ 1,571,035
2019	1,292,355	277,680	1,570,035
2020	1,335,428	235,032	1,570,460
2021	1,376,072	190,963	1,567,035
2022	1,424,208	145,553	1,569,761
2023-2024	2,986,482	148,613	3,135,095
	<u>\$ 9,666,583</u>	<u>\$ 1,316,838</u>	<u>\$10,983,421</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding Bonds, Series 2016

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

Debt service requirements to maturity are as follows at September 30, 2017:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2018	\$ 1,044,784	\$ 149,384	\$ 1,194,168
2019	2,300,913	130,056	2,430,969
2020	2,344,279	87,489	2,431,768
2021	2,384,849	44,119	2,428,968
	<u>\$ 8,074,825</u>	<u>\$ 411,049</u>	<u>\$ 8,485,874</u>

Bond Insurers

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

NOTE 5 – CONTRACTS AND CONTINGENCIES

Contingencies

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 – CONTRACTS AND CONTINGENCIES (Continued)

Contractual Commitments

As of September 30, 2017, the Port had significant contractual commitments for the following projects:

Project	Contract Balance
Berth #17 Improvements	\$ 3,470,877
MOB Demolition & Container Yard Expansion	273,422
MOC 4 th Floor Build-Out	247,404
MOC Roofing System	147,418
Master Plan Update	53,276
Berth #1 Improvements	49,367
	\$ 4,241,764

Collective Bargaining Agreement

The Port’s workforce is made up of approximately 47 staff and 5 Commissioners. Substantially all the Port’s non-management maintenance, railroad and security employees are union employees, which represents approximately 35% of the total. The Port renewed its collective bargaining agreement with the National Association of Government Employees, effective as of October 1, 2016, for a three year period ending September 30, 2019. The agreement is automatically renewed for an additional year unless either party gives notice of termination. The agreement defines both employee and management rights, including: holidays, leaves of absence, work assignments, schedule, performance evaluation, wages, overtime, pension and health insurance benefits. The union is prohibited by law from going on strike and has also agreed not to strike, but to settle any questions or disputes through collective bargaining, grievance and arbitration procedures, or the Public Employees Relations Commissions or other appropriate governmental agency and the courts in the event of alleged unfair labor practices or other improper conduct.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 5 – CONTRACTS AND CONTINGENCIES (Continued)

Security Services Agreement

On January 3, 2009, 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 contract period ended on December 31, 2009, but under the terms of the agreement, the security services were provided on a month-to-month basis until the Port terminated the agreement and entered into a new agreement, after bid process, with a new company on April 19, 2017. 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 and provides essentially the same services as the previous company. The security company bills the Port weekly at the contract hourly rates for services provided. For the fiscal year ended September 30, 2017, the Port incurred costs of \$832,908 pursuant to both agreements.

NOTE 6 – LEASING ACTIVITIES

The Port has entered into operating leases with tenants for the use of space at various Port facilities including vacant land, buildings, terminals, offices and commercial space for periods up to approximately 30 years. Generally, the leases are long-term leases that provide for minimum annual rentals and/or wharfage guarantees. (See also Note 10) Most leases contain a provision for periodic rental increases based on the Consumer Price Index. It is not reasonably practicable to segregate the value of assets associated with producing minimum rental revenue from the value of assets associated with the entire facility. Total revenues from long-term leases for the period ended September 30, 2017 was \$4,239,509. Future minimum rentals are predicated upon the ability of the lessees to meet their commitments.

Minimum future rentals under non-cancelable operating leases having an initial term in excess of one year as of September 30, 2017 are as follows:

2018	\$ 3,293,965
2019	3,070,314
2020	3,046,124
2021	3,072,240
2022	2,924,936
Thereafter	<u>11,488,168</u>
Total minimum future rentals	<u>\$ 26,895,747</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 7 – DEFERRED COMPENSATION PLAN

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

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

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

NOTE 8 – FLORIDA RETIREMENT SYSTEM

General Information

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

General Information (Continued)

Provisions relating to the FRS are established by Chapters 121 and 122, Florida Statutes; Chapter 112, Part IV, Florida Statutes; Chapter 238, Florida Statutes; and FRS Rules, Chapter 60S, Florida Administrative Code; wherein eligibility, contributions, and benefits are defined and 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, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN

Plan Description

The FRS Pension Plan is a cost-sharing multiple-employer defined benefit pension plan, with a Deferred Retirement Option Program (DROP) for eligible employees. The general classes of membership are as follows:

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

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

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

Benefits Provided

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Benefits Provided (Continued)

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

Regular Class members initially enrolled before July 1, 2011	
Retirement up to age 62 or up to 30 years of service	1.60%
Retirement at age 63 or with 31 years of service	1.63%
Retirement at age 64 or with 32 years of service	1.65%
Retirement at age 65 or with 33 or more years of service	1.68%
Regular Class members initially enrolled on or after July 1, 2011	
Retirement up to age 65 or up to 33 years of service	1.60%
Retirement at age 66 or with 34 years of service	1.63%
Retirement at age 67 or with 35 years of service	1.65%
Retirement at age 68 or with 36 or more years of service	1.68%
Special Risk Class	
Service from December 1, 1970 through September 30, 1974	2.00%
Service on or after October 1, 1974	3.00%
Elected Officials Class	3.00%
Senior Management Service Class	2.00%

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017 were as follows:

Class	10/01/16 through 06/30/17	07/01/17 through 09/30/17
Regular Class	7.52%	7.92%
Senior Management Service Class	21.77%	22.71%
Special Risk Class	22.57%	23.27%
Elected Officials Class	42.47%	45.50%
DROP	12.99%	13.26%

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, 2017, the Port made contributions of \$206,378 to the Pension Plan and the Port's employees made contributions of \$83,646, for total contributions of \$290,024.

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

At September 30, 2017, the Port reported a liability of \$2,458,991 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2017. The Port's proportionate share of the net pension liability was based on the Port's 2016-2017 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the Port's proportionate share was 0.008313207 percent, which was an increase of 0.000307496 percent from its proportionate share measured as of June 30, 2016.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

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

For the fiscal year ended September 30, 2017, the Port recognized pension expense of \$442,188 related to the Plan. In addition the Port reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 225,676	\$ 13,622
Change of assumptions	826,395	
Net difference between projected and actual earnings on Pension Plan investments		60,940
Change in proportion and differences between Port Pension Plan contributions and proportionate share of contributions	119,628	23,889
Port Pension Plan contributions subsequent to the measurement date	55,499	
Total	<u>\$ 1,227,198</u>	<u>\$ 98,451</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

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

The deferred outflows of resources related to the Pension Plan, totaling \$55,499 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, 2018. 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:

<u>September 30</u>	<u>Amount</u>
2018	160,217
2019	371,752
2020	254,630
2021	53,171
2022	169,137
Thereafter	64,341
	<u>\$ 1,073,248</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2017
Measurement date	June 30, 2017
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Mortality	Generational RP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions used in the July 1, 2017, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

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

<u>Asset Class</u>	(1) Target Allocation	Annual Arithmetic Return	Compound Annual (Geometric) Return
Cash	1.0%	3.0%	3.0%
Fixed Income	18.0%	4.5%	4.4%
Global Equity	53.0%	7.8%	6.6%
Real Estate (Property)	10.0%	6.6%	5.9%
Private Equity	6.0%	11.5%	7.8%
Strategic Investments	12.0%	6.1%	5.6%
Total	<u>100.0%</u>		
Assumed Inflation - Mean			2.6%

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

Sensitivity of the Port’s Proportionate Share of the Net Position Liability to Changes in the Discount Rate

The following represents the Port’s proportionate share of the net pension liability calculated using the discount rate of 7.10%, as well as what the Port’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.10%) or one percentage point higher (8.10%) than the current rate:

	1% Decrease (6.10%)	Current Discount Rate (7.10%)	1% Increase (8.10%)
Port's proportionate share of the net pension liability	\$ 4,450,625	\$ 2,458,991	\$ 805,478

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

At September 30, 2017, the Port reported a payable in the amount of \$30,523 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2017.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM

Plan Description

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

Benefits Provided

For the fiscal year ended September 30, 2017, 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, 2017, 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 \$51,922 for the fiscal year ended September 30, 2017.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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, 2017, the Port reported a liability of \$1,067,202 for its proportionate share of the HIS Plan's net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2016. The Port's proportionate share of the net pension liability was based on the Port's 2016-2017 fiscal year contributions relative to the 2016-2017 fiscal year contributions of all participating members. At June 30, 2017, the Port's proportionate share was 0.009980882 percent, which was an increase of 0.000539702 percent from its proportionate share measured as of June 30, 2016.

For the fiscal year ended September 30, 2017, the Port recognized pension expense of \$90,623. In addition the Port reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$	\$ 2,222
Change of assumptions	150,012	92,282
Net difference between projected and actual earnings on Pension Plan investments	592	
Change in proportion and differences between Port Pension Plan contributions and proportionate share of contributions	68,751	10,500
Port Pension Plan contributions subsequent to the measurement date	12,705	
Total	<u>\$ 232,060</u>	<u>\$ 105,004</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

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

The deferred outflows of resources related to the HIS Plan, totaling \$12,705 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2018	\$ 26,939
2019	26,827
2020	26,773
2021	22,130
2022	16,188
Thereafter	(4,506)
	<u>\$ 114,351</u>

Actuarial Assumptions

The total pension liability in the July 1, 2017, actuarial valuation was determined using the following actuarial assumptions:

Valuation date	July 1, 2016
Measurement date	June 30, 2017
Inflation	2.60 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	3.58%
Investment rate of return	N/A
Mortality	GenerationalRP-2000 with projection scale BB
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2008 through June 30, 2013.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 3.58%. 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 3.58%, 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 (2.58%) or one percentage point higher (4.58%) than the current rate:

	1% Decrease (2.58%)	Current Discount Rate (3.58%)	1% Increase (4.58%)
Port's proportionate share of the net pension liability	\$ 1,217,819	\$ 1,067,202	\$ 941,746

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, 2017, the Port reported a payable in the amount of \$5,004 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2017.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (CONTINUED)

INVESTMENT PLAN

Plan Description

The Florida Retirement System Investment Plan is a defined contribution retirement plan qualified under Section 401(a) of the Internal Revenue Code. The Florida Legislature enacted the Plan during the 2000 legislative session, and amendments to the Plan can only be made by an act of the Florida Legislature. The Plan is administered by the State Board of Administration of Florida. The Investment Plan is reported in the SBA's annual financial statements and in the State of Florida Comprehensive Annual Financial Report.

As provided in Section 121.4501, Florida Statutes, eligible FRS members may elect to participate in the Investment Plan in lieu of the FRS defined benefit plan. Port employees participating in DROP are not eligible to participate in the Investment Plan. Employer and employee contributions, including amounts contributed to individual member's accounts, are defined by law, but the ultimate benefit depends in part on the performance of investment funds. Benefit terms, including contribution requirements, for the Investment Plan are established and may be amended by the Florida Legislature.

Funding Policy

The Investment Plan is funded with the same employer and employee contribution rates that are based on salary and membership class (Regular Class, Elected Officers, etc.), as the defined benefit Pension Plan. Contributions are directed to individual member accounts, and the individual members allocate contributions and account balances among various approved investment choices. Costs of administering the Investment Plan, including the FRS Financial Guidance Program, are funded through an employer contribution of 0.06 percent of payroll and by forfeited benefits of plan members.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

INVESTMENT PLAN (Continued)

Funding Policy (Continued)

Participating employers are required to make contributions based upon statewide contributions rates. The contribution rates by job class for the Port’s employees for the fiscal year ended September 30, 2017, are as follows:

Class	10/01/16 through 06/30/17	07/01/17 through 09/30/17
Regular Class	7.52%	7.92%
Senior Management Service Class	21.77%	22.71%
Special Risk Class	22.57%	23.27%
Elected Officials Class	42.47%	45.50%
DROP	12.99%	13.26%

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, 2017, the information for the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Port.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

INVESTMENT PLAN (Continued)

Funding Policy (Continued)

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

The Port's Investment Plan pension expense totaled \$23,471 for the fiscal year ended September 30, 2017, and as of the fiscal year end, the Port reported a payable in the amount of \$3,257 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, 2017.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 15,265,757	\$ 1,084,999	\$ 16,350,756
Proportionate share of plan fiduciary net position	12,806,767	17,797	12,824,564
Proportionate share of net pension liability	2,458,991	1,067,202	3,526,193
Proportionate share of deferred outflows of resources	1,227,198	232,060	1,459,258
Proportionate share of deferred inflows of resources	98,451	105,004	203,455
Pension expense	442,188	90,623	532,811

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Retirees of the Port pay an amount equal to the actual premium for health insurance charged by the carrier, but there is an implied subsidy in the healthcare insurance premium for retirees because the premium charged for these retirees is the same as the premium charged for active employees, who are younger than retirees on average. This implied subsidy constitutes other postemployment benefits (OPEB) under GASB 45.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

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.

Funding Policy

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

Annual OPEB Cost and Net OPEB Obligation

The Port’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC). The Port has elected to calculate the ARC and related information using the Alternative Measurement Method permitted under GASB Statement No. 45 for employers with plans that have fewer than 100 total members. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table presents the components of the Port’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation:

Required contribution rate - employer	Pay-as-you-go
Required contribution rate – plan members	N/A
Annual required contribution (ARC)	\$ 44,464
Interest on net OPEB obligation	6,004
Adjustment to annual required contribution	<u>(7,590)</u>
Annual OPEB cost (expense)	42,878
Age adjusted contributions made	<u>(7,100)</u>
Change in net OPEB obligation	35,778
Net OPEB obligation (NOO) October 1, 2016	<u>171,556</u>
Net OPEB obligation (NOO) September 30, 2017	<u><u>\$207,334</u></u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Trend Information

The Port’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current fiscal year and the two preceding years were as follows:

Three-Year Trend Information				
Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
09/30/15	\$42,267	\$ 5,941	14.1%	\$133,883
09/30/16	43,227	5,554	12.8%	171,556
09/30/17	42,879	7,100	16.6%	207,335

Funded Status

The funded status of the plan as of most recent actuarial valuation date was as follows:

Actuarial valuation date	09/30/15
Actuarial accrued liability (AAL)	\$ 272,633
Actuarial value of plan assets	\$ -
Unfunded actuarial accrued liability (UAAL)	\$ 272,633
Funded ratio	0.00%
Covered payroll	\$ 2,790,574.82
UAAL as a percentage of covered payroll	9.77%

Funding Progress

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. The Port has contributed \$51,074 to the plan at this time.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

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

Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the Port and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Active plan members were assumed to retire at age 62. Marital status as of the calculation date was assumed to continue throughout retirement. Life expectancy was based on RP2000 Mortality Table for Males and Females Projected 10 years. The probability of remaining employed until the assumed retirement age and employees' expected working lifetimes were developed using standard turnover assumptions from GASB 45, Paragraph 35b.

Health insurance premiums as of October 2014 were used, and age appropriate premiums were developed from the average age of the population and a 4% premium aging factor as specified by GASB 45. The expected rate of increase in health insurance premiums used an initial rate of 8.0% and an ultimate rate of 4.7% for medical, an initial rate of 9.0% and an ultimate rate of 4.7% for pharmacy, an initial rate of 3.5% and an ultimate rate of 3.0% for dental, and an initial rate of 3.0% and an ultimate rate of 3.0% for vision.

The discount rate was assumed to be 3.5%. Since the plan has no assets, the investment rate of return was assumed to be zero. The entry age actuarial cost method was used in the valuation. The unfunded actuarial accrued liability is amortized over a thirty year period as a level percent of projected payroll on an open basis.

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, 2017. The Port facilities total revenue from these customers were as follows:

Tropical Shipping USA, LLC/Birdsall, Inc.		<u>\$ 6,070,649</u>
Multi-day Cruise Companies:		
Passenger Revenue	\$ 7,179,102	
Less Direct Marketing Support	<u>(4,374,913)</u>	
Net		<u>\$ 2,804,190</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2017**

NOTE 11 – RISK MANAGEMENT

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

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

The Port is a defendant in a lawsuit with respect to construction of Berth 17 for breach of contract. The plaintiff in the suit is seeking significant damages. The Port has claims for liquidated damages that could offset or exceed the claims. The project is not yet completed and counsel for the Port and counsel for the plaintiff have agreed to attempt to amicably resolve the claims, and any claims which have since arisen, when the project is complete. The outcome of the claims can't be determined at this time.

PORT OF PALM BEACH DISTRICT
Required Supplementary Information
Schedule of Funding Progress
Other Postemployment Benefits
September 30, 2017

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as % of Covered Payroll
09/30/09	\$	\$ 76,862	\$ 76,862	0.0%	\$ 2,545,358	3.02%
09/30/12		246,799	246,799	0.0%	2,871,146	8.60%
09/30/15		272,633	272,633	0.0%	2,862,420	9.52%

GASB Statement No. 45 was implemented during the fiscal year ended September 30, 2009, and the Port elected to apply the statement prospectively. The Port is required to have an actuarial valuation every three years. The next valuation is scheduled for September 30, 2018.

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

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Proportion of the FRS net pension liability	0.007888215%	0.008252378%	0.008005711%	0.008313207%
Proportionate share of the FRS net pension liability	\$ 481,297	\$ 1,065,905	\$ 2,021,448	\$ 2,458,991
Port's covered payroll	\$ 2,376,687	\$ 2,425,471	\$ 2,599,590	\$ 2,842,134
Port's proportionate share of the FRS net pension liability as a percentage of covered payroll	20.25%	43.95%	77.76%	86.52%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%

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

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

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

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

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

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

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

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$9,576,835 Revenue Refunding Bonds - Series 2002
September 30, 2017

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2018	\$	\$	\$
2019			
2020			
2021			
2022	1,693,276	911,724	2,605,000
2023	1,749,258	855,742	2,605,000
2024	1,799,169	805,831	2,605,000
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	<u>\$ 11,473,165</u>	<u>\$ 5,041,835</u>	<u>\$ 16,515,000</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$10,139,551 Revenue Refunding Bonds - Series 2007
September 30, 2017

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2018	<u>\$ 49,761</u>	<u>\$ 1,133,503</u>	<u>\$ 1,183,264</u>
	<u><u>\$ 49,761</u></u>	<u><u>\$ 1,133,503</u></u>	<u><u>\$ 1,183,264</u></u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$14,301,991 Revenue Refunding Bonds - Series 2013
September 30, 2017

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2018	\$ 318,997	\$ 1,252,038	\$ 1,571,035
2019	277,680	1,292,355	1,570,035
2020	235,032	1,335,428	1,570,460
2021	190,963	1,376,072	1,567,035
2022	145,553	1,424,208	1,569,761
2023	98,554	1,469,531	1,568,085
2024	50,059	1,516,951	1,567,010
	<u>\$ 1,316,838</u>	<u>\$ 9,666,583</u>	<u>\$ 10,983,421</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$9,077,966 Revenue Refunding Bonds - Series 2016
9/30/2017

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2018	\$ 149,384	\$ 1,044,784	\$ 1,194,168
2019	130,056	2,300,913	2,430,969
2020	87,489	2,344,279	2,431,768
2021	44,120	2,384,849	2,428,969
	<u>\$ 411,049</u>	<u>\$ 8,074,825</u>	<u>\$ 8,485,874</u>

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
Combined Revenue Bonds
September 30, 2017

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2018	\$ 518,142	\$ 3,430,325	\$ 3,948,467
2019	407,736	3,593,268	4,001,004
2020	322,521	3,679,707	4,002,228
2021	235,083	3,760,921	3,996,004
2022	1,838,829	2,335,932	4,174,761
2023	1,847,812	2,325,273	4,173,085
2024	1,849,228	2,322,782	4,172,010
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	<u>\$ 13,250,813</u>	<u>\$ 23,916,746</u>	<u>\$ 37,167,559</u>

PORT OF PALM BEACH DISTRICT
Schedule of Port Facilities Revenues
For the Fiscal Years Ended
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Wharfage	\$ 3,586,472	\$ 3,526,606
Rent	4,239,509	4,563,441
Dockage	2,214,939	2,090,756
Parking	1,440,349	1,493,751
Passenger wharfage		384,669
Net passenger charges	2,533,252	1,945,396
Storage	71,384	38,705
Water	95,249	74,842
Line handling	127,600	167,800
Miscellaneous	577,194	192,069
Switching	628,742	527,907
Licenses	108,900	100,200
Identification badging	28,857	34,826
Security fee	589,043	615,631
Cargo terminal fee	688,159	618,438
Harbor master fee	181,962	182,615
Vessel bunkers	53,711	82,084
	<u> </u>	<u> </u>
Total Port Facilities Revenue	<u><u>\$ 17,165,322</u></u>	<u><u>\$ 16,639,736</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses
For the Fiscal Years Ended
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
General expenses		
Insurance and surety bonds	\$ 515,543	\$ 454,779
Retirement	511,313	409,341
Group insurance	886,612	853,299
State and local taxes	30,632	1,992
Audit and other accounting services	69,882	84,486
Bad debt expense	126,279	
Trustee fees	6,947	7,373
Consulting	37,559	37,932
Miscellaneous	29,226	15,901
Total general expenses	<u>2,213,993</u>	<u>1,865,103</u>
Engineering and maintenance		
Salaries	497,985	562,975
Payroll taxes	36,062	40,829
Maintenance and repairs - buildings and grounds	492,411	466,654
Electricity	396,782	351,001
Water	640,544	657,378
Janitorial and trash removal	188,422	159,630
Maintenance and repairs - equipment	38,140	49,355
Engineering fees	25,211	12,000
Surveys and maps	2,494	11,760
Fuel and oil - port vehicles	33,215	25,986
Telephone	36,309	32,727
Uniforms	14,823	18,556
Shop maintenance and supplies	16,198	19,028
Miscellaneous	729	414
Total engineering and maintenance	<u>2,419,325</u>	<u>2,408,293</u>
Security		
Salaries	774,754	764,928
Payroll taxes	56,448	56,707
Contract services	871,843	1,069,257
Security equipment	31,145	54,085
Identification badges	3,567	9,776
Uniforms	6,825	6,827
Telephone	10,731	9,978
Maintenance and repairs - radios	23,665	21,764
Miscellaneous	5,347	7,103
Total security	<u>1,784,325</u>	<u>2,000,425</u>

(Continued)

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses (Continued)
For the Fiscal Years Ended
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Administration		
Salaries	\$ 1,349,874	\$ 1,234,528
Payroll taxes	93,007	82,792
Telephone	78,135	64,213
Maintenance and repairs	9,456	9,462
Information Systems	111,471	85,129
Supplies, stationary and printing	28,797	24,702
Postage	3,361	3,557
Dues and subscriptions	2,152	1,939
Publications	14,184	4,888
Legal fees and other professional fees	96,424	61,091
Miscellaneous	27,624	39,101
Total administration	<u>1,814,485</u>	<u>1,611,402</u>
Business development		
Salaries	377,688	342,183
Payroll taxes	25,832	23,216
Retirement	37,574	32,522
Advertising and promotion	34,038	31,731
Trade development	56,101	55,365
Community relations	16,668	25,529
Travel	23,816	26,167
Anniversary Celebration		8,274
Dues and subscriptions	61,883	60,407
Publications	9,536	6,440
Miscellaneous	12,604	12,341
Total business development	<u>655,740</u>	<u>624,175</u>
Operations		
Salaries	145,572	157,311
Payroll taxes	10,689	11,438
Customer & Tenant Operation	269	3,076
Telephone	995	999
Maintenance and repairs - train	29,770	21,834
Maintenance and repairs - track	42,252	52,241
Fuel and oil - train	27,790	15,982
Miscellaneous	222	115
Total operations	<u>257,559</u>	<u>262,996</u>
Amortization	<u>28,817</u>	<u>28,817</u>
Depreciation	<u>4,757,631</u>	<u>4,509,802</u>
Total operating expenses	<u>\$ 13,931,875</u>	<u>\$ 13,311,013</u>

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses
For the Fiscal Years Ended
September 30, 2017 and 2016

	<u>2017</u>	<u>2016</u>
Revenue		
Port facilities	\$ 21,540,235	\$ 21,970,904
Less: Direct marketing support	(4,374,913)	(5,331,168)
Net operating revenue	<u>17,165,322</u>	<u>16,639,736</u>
Expenses		
General expenses	2,213,993	1,865,103
Engineering and maintenance	2,419,325	2,408,293
Security	1,784,325	2,000,425
Administration	1,814,485	1,611,402
Business development	655,740	624,175
Operations	257,559	262,996
Operating expenses	<u>9,145,427</u>	<u>8,772,394</u>
Operating income before depreciation and amortization	8,019,895	7,867,342
Depreciation and amortization expense	<u>4,786,448</u>	<u>4,538,619</u>
Operating income after depreciation and amortization	3,233,447	3,328,723
Non-operating revenues (expenses)		
Investment earnings	46,191	12,668
Grant revenue	55,772	1,537,154
Grant expense	(28,690)	(1,523,778)
Insurance recoveries	60,721	31,291
Gain (loss) on disposition of assets	2,500	(6,713)
Feasibility study		(5,048)
Debt issue cost	(97)	(57,050)
Interest expense	(1,363,288)	(1,523,830)
Total non-operating revenues (expenses)	<u>(1,226,891)</u>	<u>(1,535,306)</u>
Income before contributions	<u>2,006,556</u>	<u>1,793,417</u>
Capital contributions	<u>2,855,381</u>	<u>2,547,717</u>
Change in net position	<u>\$ 4,861,937</u>	<u>\$ 4,341,134</u>

PORT OF PALM BEACH DISTRICT
Budgetary Comparison Schedule
For the Fiscal Year Ended
September 30, 2017

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Operating revenues			
Wharfage	\$ 3,586,472	\$ 3,326,525	\$ 259,947
Dockage	2,214,939	2,211,002	3,937
Parking	1,440,349	1,764,535	(324,186)
Passenger charges	6,908,165	7,782,258	(874,093)
Storage	71,384	30,749	40,635
Water	95,249	82,435	12,814
Line handling	127,600	121,162	6,438
Switching	628,742	550,302	78,440
Identification badging	28,857	25,725	3,132
Cargo terminal fee	688,159	641,432	46,727
Harbor master fees	181,962	176,149	5,813
Security fee	589,043	576,917	12,126
Licenses and permits	108,900	99,500	9,400
Miscellaneous income	577,194	383,193	194,001
Rent	4,239,509	4,101,935	137,574
Vessel bunkers	53,711	62,297	(8,586)
Total operating revenues	<u>21,540,235</u>	<u>21,936,116</u>	<u>(395,881)</u>
Less: Direct marketing support	(4,374,913)	(5,461,733)	1,086,820
Net operating revenues	<u>17,165,322</u>	<u>16,474,383</u>	<u>690,939</u>
Operating expenses			
General expenses	2,213,993	1,837,400	376,593
Engineering and maintenance	2,419,325	2,340,394	78,931
Security	1,784,325	1,763,041	21,284
Administration	1,814,485	1,744,618	69,867
Business development	655,740	817,531	(161,791)
Operations	257,559	269,448	(11,889)
Operating expenses before depreciation and amortization	<u>9,145,427</u>	<u>8,772,432</u>	<u>372,995</u>
Operating income before depreciation and amortization	8,019,895	7,701,951	317,944
Amortization	28,817	35,067	(6,250)
Depreciation	4,757,631	4,935,000	(177,369)
Operating income	<u>3,233,447</u>	<u>2,731,884</u>	<u>501,563</u>
Non-operating revenue (expenses)			
Investment earnings	46,191	14,500	31,691
Grant revenue	55,772	65,000	(9,228)
Grant expense	(28,690)	(10,000)	18,690
Insurance recoveries	60,721		60,721
Gain (loss) on disposition of assets	2,500		(2,500)
Debt issue cost	(97)		97
Interest expense	(1,363,288)	(1,300,086)	63,202
Total non-operating revenue (expenses)	<u>(1,226,891)</u>	<u>(1,230,586)</u>	<u>(3,695)</u>
Income before capital contributions	<u>\$ 2,006,556</u>	<u>\$ 1,501,298</u>	<u>\$ 497,868</u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Statistics
For the Fiscal Years Ended
September 30, 2017 and 2016
Unaudited

	<u>2017</u>	<u>2016</u>	<u>Percent Change</u>
CARGO TONNAGE			
General Cargo			
Container	1,270,625	1,210,448	4.97%
Break-bulk	96,530	98,801	(2.30%)
Relay	80,948	85,042	(4.81%)
Sub-Total	<u>1,448,103</u>	<u>1,394,291</u>	3.86%
Bulk and Dry Cargo			
Asphalt	101,023	83,909	20.40%
Fuel Oil	122,174	98,354	24.22%
Molasses	184,176	121,889	51.10%
Sugar	593,563	783,690	(24.26%)
Recyclable metal	35,618	37,122	(4.05%)
Sub-Total	<u>1,036,554</u>	<u>1,124,964</u>	(7.86%)
TOTAL ALL CARGO	<u>2,484,657</u>	<u>2,519,255</u>	(1.37%)
Inbound	135,906	128,044	6.14%
Outbound	139,632	132,280	5.56%
TOTAL TEUs	<u>275,538</u>	<u>260,324</u>	5.84%
RAIL CARS (IN AND OUT BOUND)	<u>18,885</u>	<u>17,324</u>	9.01%
VESSELS	<u>1,533</u>	<u>1,750</u>	(12.40%)
PASSENGERS	<u>432,585</u>	<u>502,876</u>	(13.98%)

PORT OF PALM BEACH DISTRICT
Net Position
For the Fiscal Years Ended September 30, 2008 through 2017
Unaudited

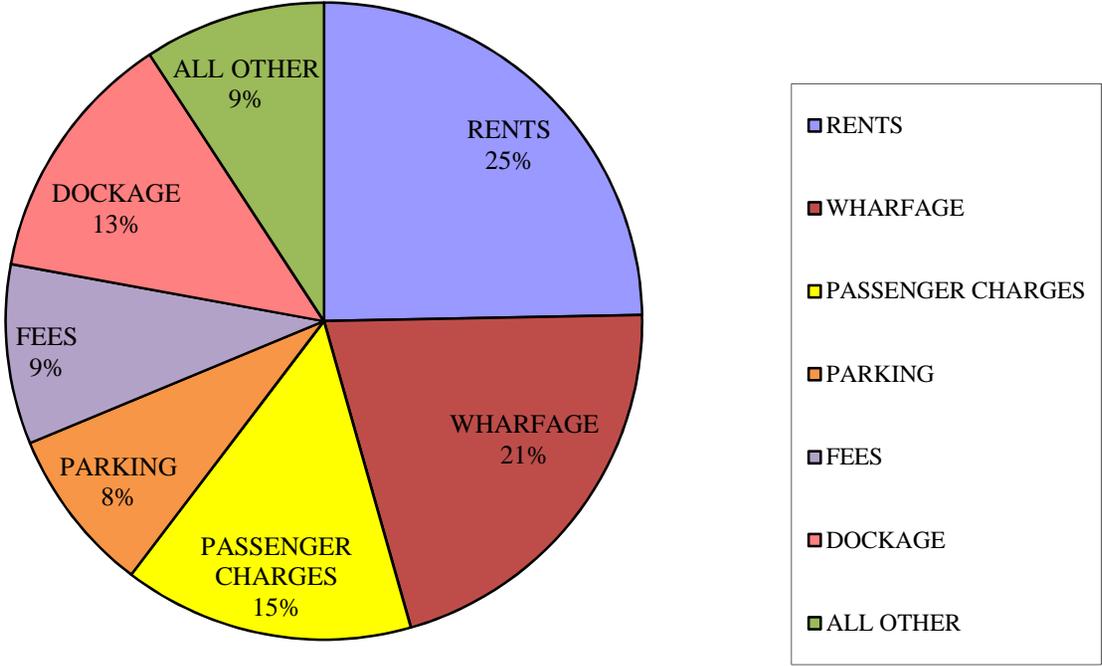
<u>Year Ending</u> <u>September 30</u>		<u>Net Investment</u> <u>in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2008	(1) (2)	70,379,263	9,051,841	7,077,226	86,508,330
2009	(1)	68,128,082	8,506,428	6,618,653	83,253,163
2010	(1)	67,277,388	7,924,528	6,885,468	82,087,384
2011		66,302,448	3,012,502	11,555,399	80,870,349
2012		70,964,253	2,551,244	11,339,498	84,854,995
2013	(3) (4)	75,618,050	1,803,999	13,391,300	90,813,349
2014	(5)	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		99,729,682	1,080,356	14,695,864	115,505,902

-
- (1) Prior to the implementation of GASB Statement No. 54, Restricted Assets were reserved for debt service, renewal and replacement, business development, capital improvements, compensating balances, and customer deposits, and thereafter capital improvements were no longer considered restricted.
- (2) Beginning net assets was restated due to prior period errors that were made in accounting for the capitalization and depreciation of the Skypass Bridge and land transfers.
- (3) GASB Statement No. 63 was implemented in fiscal year 2013 and identifies net position as the residual of all other elements presented in a statement of financial position. It further requires the "Capital asset, net of debt" now be titled "Net investment in capital assets" and the the last line of the statements, previously called "Net assets" now be titled "Net position".
- (4) 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.
- (5) 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.

PORT OF PALM BEACH DISTRICT
Operating Revenues by Source
For the Fiscal Years Ended September 30, 2008 through 2017
Unaudited

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Wharfage	\$ 2,849,117	\$ 2,554,546	\$ 2,983,573	\$ 2,567,801	\$ 3,081,238
Rent	3,471,814	3,828,131	3,806,265	3,782,088	4,193,930
Dockage	1,179,018	1,276,999	1,498,641	1,474,044	1,626,476
Parking	193,691	260,731	631,122	838,664	969,020
Passenger wharfage	672,378	542,039	154,901		
Net passenger charges			895,953	1,380,003	1,854,073
Storage	234,855	104,866	98,307	106,742	242,344
Water	145,322	147,423	103,889	84,258	77,519
Line handling	72,350	51,600	35,600	38,400	48,600
Miscellaneous	152,242	105,183	222,751	121,848	541,606
Switching	442,195	350,235	351,396	308,428	392,583
Licenses	78,000	87,600	114,700	125,000	118,500
Identification badging	164,782	76,928	71,800	20,708	12,827
Terminal operating fee	157,830	10,850	26,391		
Security fee	651,655	607,676	528,537	481,071	505,006
Cargo terminal fee	411,588	397,558	521,546	460,614	540,615
Harbor master fee	54,110	68,415	77,735	81,610	88,740
Vessel bunkers	28,200	27,290	37,290	44,640	45,990
Total	\$ 10,959,147	\$ 10,498,070	\$ 12,160,397	\$ 11,915,919	\$ 14,339,067
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Wharfage	\$ 3,465,204	\$ 3,562,456	\$ 3,030,665	\$ 3,526,606	\$ 3,586,472
Rent	4,565,986	4,515,033	4,524,583	4,563,441	4,239,509
Dockage	1,680,365	1,731,439	1,602,038	2,090,756	2,214,939
Parking	987,052	1,186,040	1,142,624	1,493,751	1,440,349
Passenger wharfage	61,816	59,305	65,153	384,669	
Net passenger charges	1,839,498	2,013,881	2,060,173	1,945,396	2,533,252
Storage	309,647	66,939	33,977	38,705	71,384
Water	80,050	79,888	80,050	74,842	95,249
Line handling	59,200	28,000	47,200	167,800	127,600
Miscellaneous	453,320	396,087	454,739	192,069	577,194
Switching	421,825	528,987	595,658	527,907	628,742
Licenses	115,450	111,300	108,900	100,200	108,900
Identification badging	22,337	47,496	29,760	34,826	28,857
Terminal operating fee					
Security fee	535,019	536,966	494,829	615,631	589,043
Cargo terminal fee	689,458	661,301	594,948	618,438	688,159
Harbor master fee	99,980	107,500	156,450	182,615	181,962
Vessel bunkers	44,010	45,480	48,480	82,084	53,711
Total	\$ 15,430,217	\$ 15,678,098	\$ 15,070,227	\$ 16,639,736	\$ 17,165,322

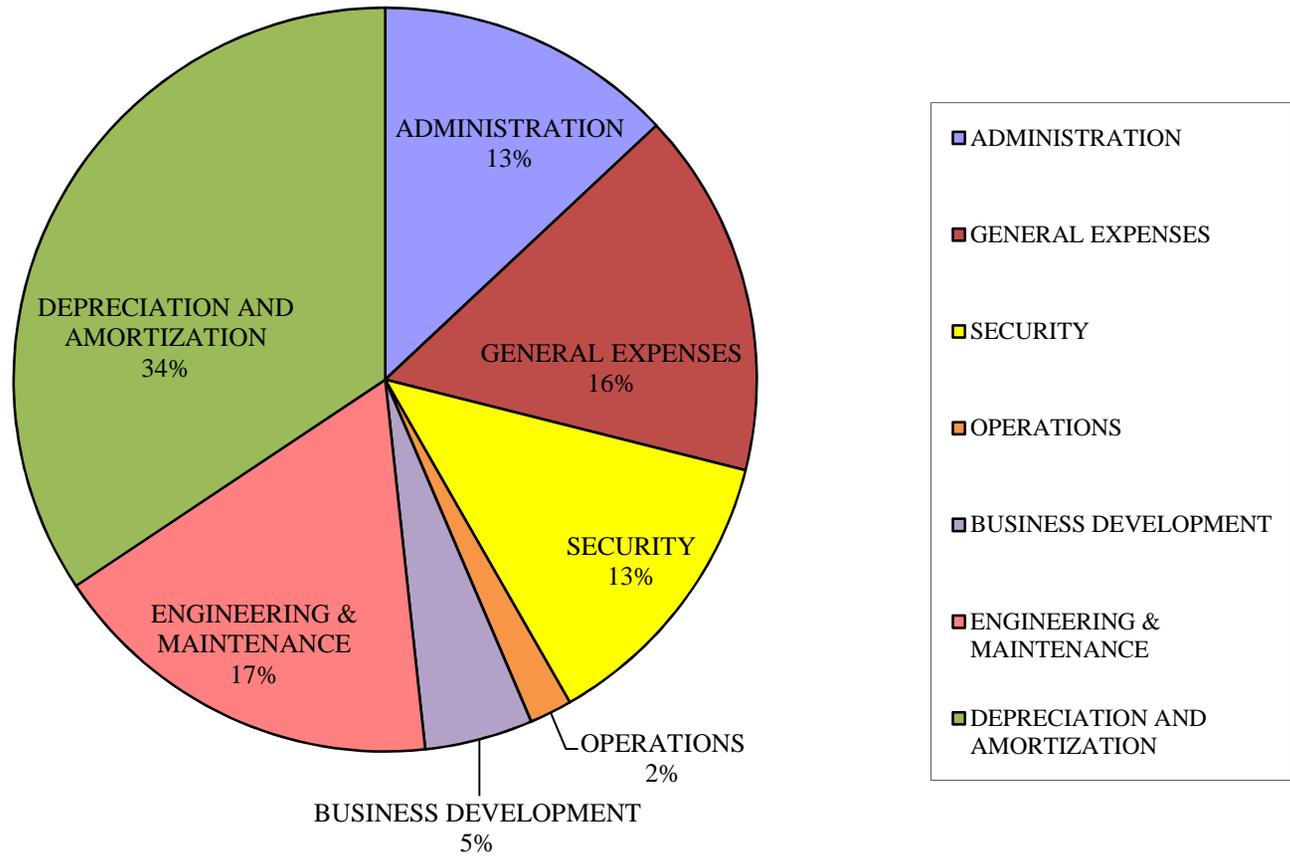
PORT OF PALM BEACH DISTRICT
Operating Revenues By Source
For the Fiscal Year Ended September 30, 2017
Unaudited



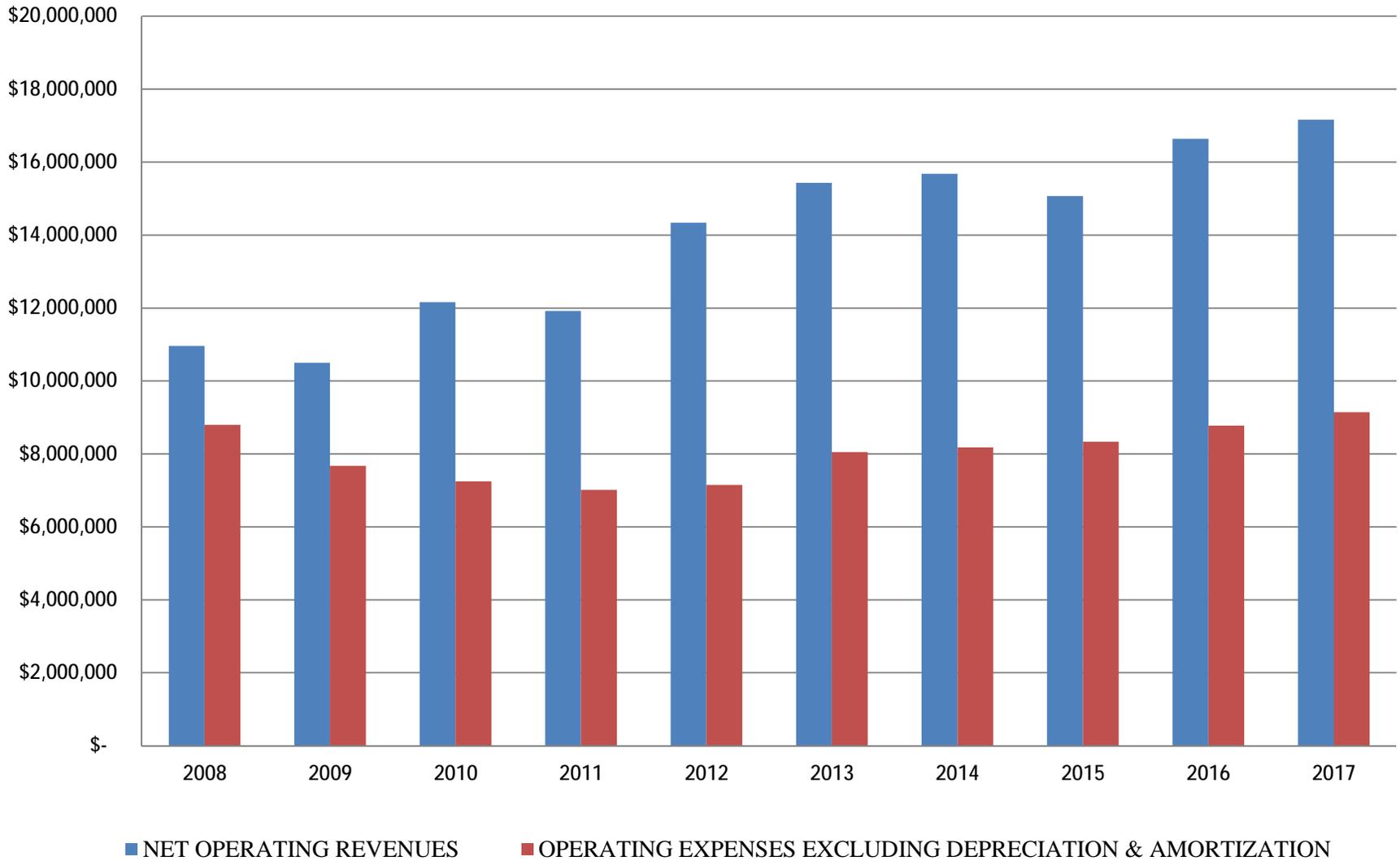
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Years Ended September 30, 2008 through 2017
Unaudited

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
General expenses	\$ 1,917,359	\$ 1,828,148	\$ 1,891,125	\$ 1,505,593	\$ 1,479,517
Engineering and maintenance	2,530,948	1,964,388	1,872,638	1,859,962	1,774,571
Security	1,862,794	1,707,248	1,658,608	1,698,797	1,657,090
Administration	1,219,497	1,213,234	1,136,359	1,277,805	1,492,557
Business development	637,655	428,996	373,230	376,386	380,648
Operations	628,559	530,527	319,788	293,916	365,400
Subtotal	<u>8,796,812</u>	<u>7,672,541</u>	<u>7,251,748</u>	<u>7,012,459</u>	<u>7,149,783</u>
Amortization	97,034	89,535	92,245	108,473	91,018
Depreciation	3,660,573	4,181,306	4,233,539	4,297,853	4,161,428
Subtotal	<u>3,757,607</u>	<u>4,270,841</u>	<u>4,325,784</u>	<u>4,406,326</u>	<u>4,252,446</u>
Total	<u>\$ 12,554,419</u>	<u>\$ 11,943,382</u>	<u>\$ 11,577,532</u>	<u>\$ 11,418,785</u>	<u>\$ 11,402,229</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
General expenses	\$ 1,632,400	\$ 1,771,389	\$ 1,590,821	\$ 1,865,103	\$ 2,213,993
Engineering and maintenance	2,401,307	1,989,431	2,269,742	2,408,293	2,419,325
Security	1,853,418	1,879,762	1,776,390	2,000,425	1,784,325
Administration	1,440,193	1,677,101	1,631,993	1,611,402	1,814,485
Business development	501,629	524,075	747,789	624,175	655,740
Operations	222,348	337,109	315,485	262,996	257,559
Subtotal	<u>8,051,295</u>	<u>8,178,867</u>	<u>8,332,220</u>	<u>8,772,394</u>	<u>9,145,427</u>
Amortization	31,809	28,817	28,817	28,817	28,817
Depreciation	4,178,485	4,159,615	4,218,874	4,509,802	4,757,631
Subtotal	<u>4,210,294</u>	<u>4,188,432</u>	<u>4,247,691</u>	<u>4,538,619</u>	<u>4,786,448</u>
Total	<u>\$ 12,261,589</u>	<u>\$ 12,367,299</u>	<u>\$ 12,579,911</u>	<u>\$ 13,311,013</u>	<u>\$ 13,931,875</u>

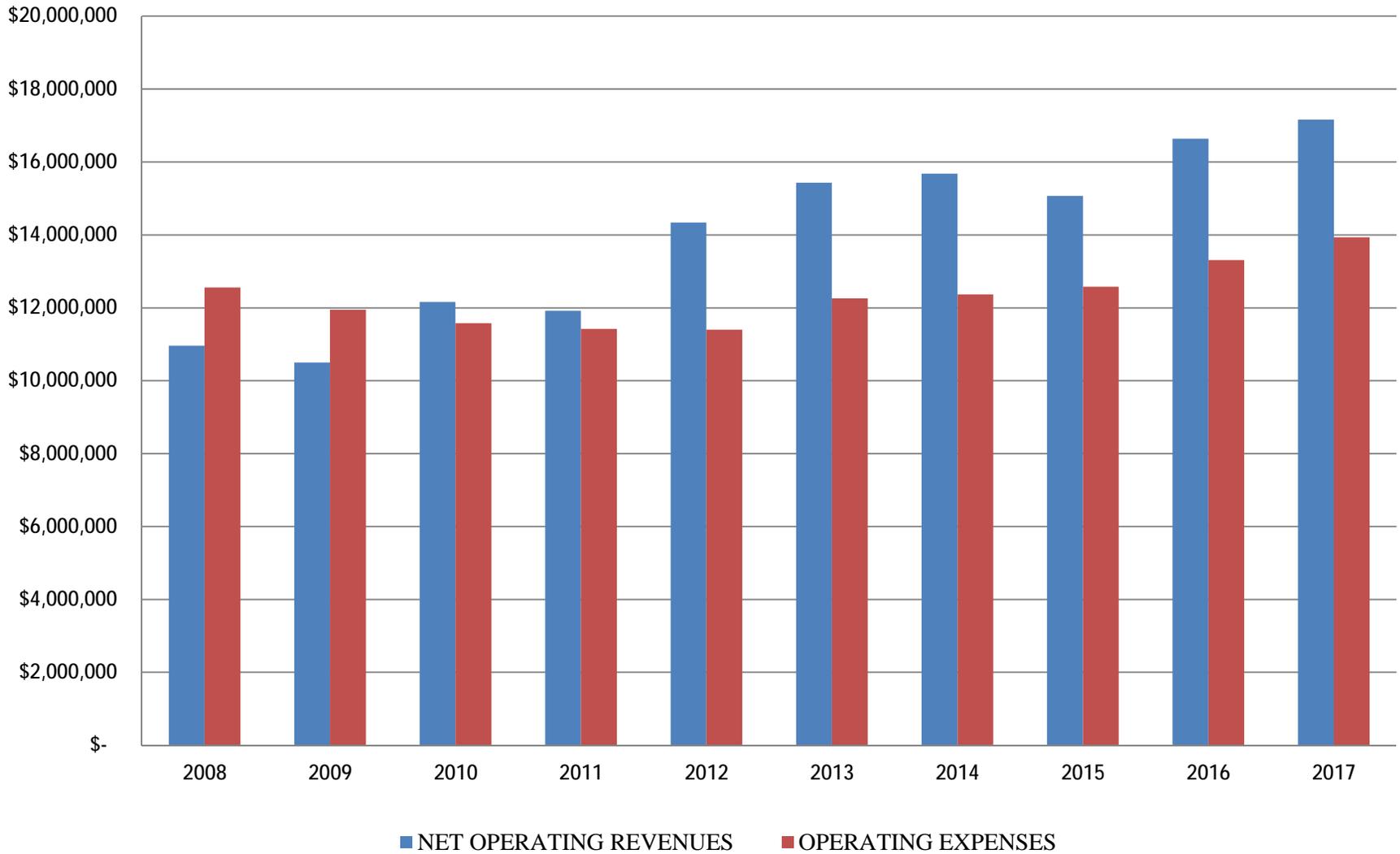
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Year Ended September 30, 2017
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization
For the Fiscal Years Ended September 30, 2008 through 2017
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses
For the Fiscal Years Ended September 30, 2007 through 2017
Unaudited



PORT OF PALM BEACH DISTRICT
Non-Operating Revenues (Expenses)
For the Fiscal Years Ended September 30, 2008 through 2017
Unaudited

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Investment earnings	\$ 555,819	\$ 98,395	\$ 25,979	\$ 19,579	\$ 12,751
Grant revenue	836,505	252,057	622,815	340,138	1,029,354
Grant expense			(517,652)	(249,055)	(915,803)
Gain (loss) on disposition of assets	(2,012)	(20,889)		(5,075)	(7,093)
Electric utility distribution line relocation					
Insurance recoveries					
Radiation portal monitor transfers	(453,559)	(11,500)			
Bond issue costs					
Feasibility study					
Interest expense	(2,473,680)	(2,504,938)	(2,422,258)	(2,322,513)	(2,286,276)
Total	<u>\$ (1,536,927)</u>	<u>\$ (2,186,875)</u>	<u>\$ (2,291,116)</u>	<u>\$ (2,216,926)</u>	<u>\$ (2,167,067)</u>

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Investment earnings	\$ 13,199	\$ 1,933	\$ 9,401	\$ 12,668	\$ 46,191
Grant revenue	182,428	146,674	754,466	1,537,154	55,772
Grant expense	(90,982)	(2,000)	(477,999)	(1,523,778)	(28,690)
Gain (loss) on disposition of assets	4,679	(562)	325,978	(6,713)	2,500
Electric utility distribution line relocation			(126,324)		
Insurance recoveries				31,291	60,721
Radiation portal monitor transfers					
Bond issue costs				(57,050)	(97)
Feasibility study	(65,891)	(230,678)	(4,266)	(5,048)	
Interest expense	(2,152,645)	(1,659,947)	(1,405,344)	(1,523,830)	(1,363,288)
Total	<u>\$ (2,109,212)</u>	<u>\$ (1,744,580)</u>	<u>\$ (924,088)</u>	<u>\$ (1,535,306)</u>	<u>\$ (1,226,891)</u>

PORT OF PALM BEACH DISTRICT
Changes in Net Position
For the Fiscal Years Ended September 30, 2008 through 2017
Unaudited

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Net Operating Income (Loss)	\$ (1,595,272)	\$ (1,445,312)	\$ 582,865	\$ 497,134	\$ 2,936,838
Net Non-Operating Revenue (Expense)	<u>(1,536,927)</u>	<u>(2,186,875)</u>	<u>(2,291,116)</u>	<u>(2,216,926)</u>	<u>(2,167,067)</u>
Income (Loss) before Contributions	(3,132,199)	(3,632,187)	(1,708,251)	(1,719,792)	769,771
Capital Contributions	<u>9,090,868</u>	<u>377,020</u>	<u>542,472</u>	<u>502,757</u>	<u>3,817,316</u>
Change in Net Position	<u>\$ 5,958,669</u>	<u>\$ (3,255,167)</u>	<u>\$ (1,165,779)</u>	<u>\$ (1,217,035)</u>	<u>\$ 4,587,087</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Net Operating Income (Loss)	\$ 3,168,628	\$ 3,310,799	\$ 2,490,316	\$ 3,328,723	\$ 3,233,447
Net Non-Operating Revenue (Expense)	<u>(2,109,212)</u>	<u>(1,744,580)</u>	<u>(924,088)</u>	<u>(1,535,306)</u>	<u>(1,226,891)</u>
Income (Loss) before Contributions	1,059,416	1,566,219	1,566,228	1,793,417	2,006,556
Capital Contributions	<u>4,898,938</u>	<u>10,222,352</u>	<u>4,024,606</u>	<u>2,547,717</u>	<u>2,855,381</u>
Change in Net Position	<u>\$ 5,958,354</u>	<u>\$ 11,788,571</u>	<u>\$ 5,590,834</u>	<u>\$ 4,341,134</u>	<u>\$ 4,861,937</u>

PORT OF PALM BEACH DISTRICT
Operating Statistics
For the Fiscal Years Ended September 30, 2008 through 2017
Unaudited

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
CARGO TONNAGE					
General Cargo					
Container	1,205,529	1,057,745	1,057,434	1,006,299	1,118,662
Break-bulk	113,491	59,990	69,174	67,341	71,043
Sub-Total	<u>1,319,020</u>	<u>1,117,735</u>	<u>1,126,608</u>	<u>1,073,640</u>	<u>1,189,705</u>
Bulk and Dry Cargo					
Asphalt	39,265	85,631	57,561	88,522	78,902
Cement	125,665	10,829			
Fuel Oil	773,113	385,137	513,570	187,281	120,861
Miscellaneous		10,800	18,159	61,619	4,409
Recyclable metal					
Molasses	193,896	163,040	171,456	186,432	124,859
Sugar	425,796	591,116	660,992	413,254	537,517
Sub-Total	<u>1,557,735</u>	<u>1,246,553</u>	<u>1,421,738</u>	<u>937,108</u>	<u>866,548</u>
TOTAL ALL CARGO	<u>2,876,755</u>	<u>2,364,288</u>	<u>2,548,346</u>	<u>2,010,748</u>	<u>2,056,253</u>
TEUs	<u>244,638</u>	<u>216,403</u>	<u>206,585</u>	<u>206,537</u>	<u>223,463</u>
RAIL CARS (IN AND OUT BOUND)	<u>19,813</u>	<u>16,462</u>	<u>15,327</u>	<u>12,798</u>	<u>12,961</u>
VESSELS	<u>2,168</u>	<u>1,969</u>	<u>1,467</u>	<u>1,320</u>	<u>1,395</u>
PASSENGERS	<u>424,204</u>	<u>349,800</u>	<u>285,043</u>	<u>303,886</u>	<u>341,004</u>
	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
CARGO TONNAGE					
General Cargo					
Container	1,243,179	1,292,505	1,303,289	1,295,490	1,351,573
Break-bulk	62,162	64,488	53,546	98,801	96,530
Sub-Total	<u>1,305,341</u>	<u>1,356,993</u>	<u>1,356,835</u>	<u>1,394,291</u>	<u>1,448,103</u>
Bulk and Dry Cargo					
Asphalt	72,768	87,817	80,732	83,909	101,023
Cement					
Fuel Oil	63,030	30,284	53,045	98,354	122,174
Miscellaneous	11,086				
Recyclable metal		68,950	26,604	37,122	35,618
Molasses	147,550	110,720	100,553	121,889	184,176
Sugar	547,904	496,040	544,780	783,690	593,563
Sub-Total	<u>842,338</u>	<u>793,811</u>	<u>805,714</u>	<u>1,124,964</u>	<u>1,036,554</u>
TOTAL ALL CARGO	<u>2,147,679</u>	<u>2,150,804</u>	<u>2,162,549</u>	<u>2,519,255</u>	<u>2,484,657</u>
TEUs	<u>248,211</u>	<u>257,252</u>	<u>265,245</u>	<u>260,324</u>	<u>275,538</u>
RAIL CARS (IN AND OUT BOUND)	<u>13,098</u>	<u>16,606</u>	<u>20,153</u>	<u>17,324</u>	<u>18,885</u>
VESSELS	<u>1,523</u>	<u>1,553</u>	<u>1,406</u>	<u>1,750</u>	<u>1,533</u>
PASSENGERS	<u>345,970</u>	<u>364,829</u>	<u>350,932</u>	<u>502,876</u>	<u>432,585</u>

PORT OF PALM BEACH DISTRICT
Revenue Bond Coverage
For the Fiscal Years Ended September 30, 2008 through 2017
Unaudited

		<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Gross Revenues	(1)	\$ 11,514,966	\$ 10,596,465	\$ 12,186,376	\$11,935,498	\$ 14,351,818
Operating Expenses	(2)	(8,796,812)	(7,672,541)	(7,251,748)	(7,012,459)	(7,149,783)
Supplemental Revenues		-	-	-	-	-
Net Revenues	(3)	<u>2,718,154</u>	<u>2,923,924</u>	<u>4,934,628</u>	<u>4,923,039</u>	<u>7,202,035</u>
Maximum Annual Debt Service		4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
Required Coverage		110%	110%	110%	110%	110%
Annual Debt Service Requirement		<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>
Excess (Deficiency)		<u>\$ (2,066,846)</u>	<u>\$ (1,861,076)</u>	<u>\$ 149,628</u>	<u>\$ 138,039</u>	<u>\$ 2,417,035</u>
Coverage	(4)	57%	61%	103%	103%	151%

		<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Gross Revenues	(1)	\$ 15,443,416	\$ 15,680,031	\$ 15,079,628	\$16,652,404	\$17,211,513
Operating Expenses	(2)	(8,051,295)	(8,178,867)	(8,332,220)	(8,772,394)	(9,145,427)
Supplemental Revenues		-	-	-	-	-
Net Revenues	(3)	<u>7,392,121</u>	<u>7,501,164</u>	<u>6,747,408</u>	<u>7,880,010</u>	<u>8,066,086</u>
Maximum Annual Debt Service		4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
Required Coverage		110%	110%	110%	110%	110%
Annual Debt Service Requirement		<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>
Excess (Deficiency)		<u>\$ 2,607,121</u>	<u>\$ 2,716,164</u>	<u>\$ 1,962,408</u>	<u>\$ 3,095,010</u>	<u>\$ 3,281,086</u>
Coverage	(4)	154%	157%	141%	165%	169%

(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.



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

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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, 2017, and the related notes to the financial statements, which collectively comprise the Port of Palm Beach District’s basic financial statements, and have issued our report thereon dated April 10, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
April 10, 2018



NOWLEN, HOLT & MINER, P.A.

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

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

Report on Compliance for Each Major Federal Program and State Project

We have audited the Port of Palm Beach District’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *Department of Financial Services’ State Projects Compliance Supplement* that could have a direct and material effect on the Port of Palm Beach District’s major federal program and state project for the year ended September 30, 2017. The Port of Palm Beach District’s major Federal program and State project are identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

Management is responsible for compliance with federal statutes, regulations, the terms and conditions of its federal awards applicable to its federal program, and the requirements of laws, regulations, contracts, and grants applicable to its state project.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for the Port of Palm Beach District’s major federal program and state project based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 Chapter 10.550, Rules of the Auditor General. Those standards, the Uniform Guidance, and Chapter 10.550, Rules of the Auditor General require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with

the types of compliance requirements referred to above that could have a direct and material effect on a major federal program or state project occurred. An audit includes examining, on a test basis, evidence about the Port of Palm Beach District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program and State Project

In our opinion, the Port of Palm Beach District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program and state project for the year ended September 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as Finding 2017-1. Our opinion on each major federal program and state project is not modified with respect to these matters.

The Port of Palm Beach District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Port of Palm Beach District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program or state project on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program or state project will

not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program or state project that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as Finding 2017-2 that we consider to be a material weakness.

The Port of Palm Beach District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Port of Palm Beach District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response

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

Nowlen, Holt & Mims, P.A.

West Palm Beach, Florida
April 10, 2018

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of Federal Awards and State Financial Assistance
For the Fiscal Year Ended September 30, 2017

Federal Grantor/Program Title	CFDA Number	Agency Number	Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Homeland Security</u>				
Port Security Grant Program	97.056	EMW-2014-PU-00532	\$ 691,148	\$ 691,148
Port Security Grant Program	97.056	EMW-2016-PU-00572	255,879	22,500
			<u>947,027</u>	<u>713,648</u>
Public Assistance Grants	97.036		18,848	
Total Federal Awards			<u>\$ 965,875</u>	<u>\$ 713,648</u>

State Grantor/Program Title	CSFA Number	Contract Number	State Expenditures	Amount Provided to Subrecipients
<u>Florida Department of Transportation</u>				
Seaport Grants	55.005	AR857	2,871,079	
Seaport Grants	55.005	ARL88	35,496	
Seaport Grants	55.005	ARS49	15,775	
Seaport Grants	55.005	G0846	31,187	
Seaport Grants	55.005	G0E90	14,634	
			<u>2,968,171</u>	
Total State Financial Assistance			<u>\$ 2,968,171</u>	<u>\$</u>

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Expenditures are recognized on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The Port has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance. The Port did not have any loan programs.

NOTE 3 - CONTINGENCIES

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

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2017

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

Type of auditor’s report issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified Opinion

Internal control over financial reporting:

- Material weakness identified? No
- Reportable condition identified that is not considered to be a material weakness? None reported

Noncompliance material to financial statements noted? No

Federal Awards and State Financial Assistance

Internal control over major programs/projects:

- Material weakness identified? Yes
- Reportable condition identified that is not considered to be a material weakness? None reported

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

Any audit findings disclosed that are required to be reported in accordance with the 2 CFR Section 200.516(a) or Chapter 10.550, Rules of the Auditor General? Yes

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2017

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

Identification of Major Federal Program

<u>CFDA Number</u>	<u>Name of Federal Program</u>
97.056	U.S. Department of Homeland Security - FEMA · Port Security Grant Program

Dollar threshold used to distinguish between
type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? No

Identification of Major State Project

<u>CSFA Number</u>	<u>Name of State Project</u>
55.005	Florida Department of Transportation · Seaport Grants

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

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2017

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III — FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

Major Federal Programt

U.S. Department of Homeland Security - FEMA
Port Security Grant Program – CFDA No. 97.056

Finding 2017-1 Subrecipient Monitoring

Condition: During our testing of subrecipient monitoring we noted the following instances of noncompliance.

- The Port did not provide subrecipients all information required for Federal awards identification.
- For subrecipients expending \$750,000 or more in Federal awards during the subrecipient’s fiscal year, the Port did not timely review the subrecipient audit report to ensure they met the audit requirements of 2 CFR part 200, subpart F, that the required audits were completed within 9 months of the end of the subrecipient’s audit period, and determine if there were any finding(s) that pertain to the federal pass-through funds the Port provided to the subrecipient.

Criteria: 2 CFR section 200.331 requires that all pass-through entities must perform the following procedures for monitoring subrecipients:

- A. Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2017

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

1. Federal Award Identification:
 - Subrecipient name (which must match registered name in DUNS);
 - Subrecipient's DUNS number;
 - Federal Award Identification Number (FAIN);
 - Federal Award Date ;
 - Subaward Period of Performance Start and End Date;
 - Amount of Federal Funds Obligated by this action;
 - Total Amount of Federal Funds Obligated to the subrecipient;
 - Total Amount of the Federal Award;
 - Federal award project description, as required to be responsive to the Federal Funding Accountability and Transparency Act (FFATA);
 - Name of Federal awarding agency, pass-through entity, and contact information for awarding official,
 - CFDA Number and Name; the pass-through entity must identify the dollar amount made available under each Federal award and the CFDA number at time of disbursement;
 - Identification of whether the award is R&D; and
 - Indirect cost rate for the Federal award.
 2. A requirement that the subrecipient permit the pass-through entity and auditors to have access to the subrecipient's records and financial statements as necessary for the passthrough entity to meet their requirements.
 3. Appropriate terms and conditions concerning closeout of the subaward.
- B. Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward performance goals are achieved. Pass-through entity monitoring of the subrecipient must include:
1. Reviewing financial and programmatic reports required by the pass-through entity.
 2. Following-up and ensuring that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the Federal award provided to the subrecipient from the passthrough entity detected through audits, on-site reviews, and other means.

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2017

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
(Continued)

3. Issuing a management decision for audit findings pertaining to the Federal award provided to the subrecipient from the pass-through entity.

Effect: Noncompliance with Federal grant requirements.

Questioned Costs: We did not identify any questioned costs in our tests of compliance with this requirement

Recommendation: We recommend that the Port's designated Grant Manager review Title 2 U.S. Code of Federal Regulations Part 200 and the OMB Compliance Supplement to become familiar with the Federal requirements for monitoring grant subrecipients and implement procedures to ensure compliance with those requirements.

Management Response: We agree with the finding. The Port's designated Grant manager will review Title 2 U.S. Code for Federal Regulations Part 200 and the OMB Compliance Supplement and become familiar with the Federal requirements for monitoring grant subrecipients and implement procedures to ensure compliance with those requirements.

Finding 2017-2 Internal Control for Subrecipients

Condition: The Port has not developed adequate procedures for monitoring subrecipients.

Criteria: The A-102 Common Rule, OMB Circular A-110 and 2 CFR section 200.303 require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

Effect: Inadequate monitoring procedures for subrecipients resulted in noncompliance with federal grant requirements.

Recommendation: We recommend that the Port's designated Grant Manager develop detailed written procedures for monitoring subrecipients.

Management Response: We agree with the finding. The Port's designated Grant Manager will develop detailed written procedures for monitoring subrecipients.

PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2017

SECTION IV— STATE PROJECTS FINDINGS AND QUESTIONED COSTS

Major State Project

Florida Department of Transportation
Seaport Grants – CSFA 55.005

None

**PORT OF PALM BEACH DISTRICT
Summary Schedule of Prior Audit Findings
September 30, 2017**

FEDERAL SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None

STATE SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None



NOWLEN, HOLT & MINER, P.A.

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

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

Report on the Financial Statements

We have audited the financial statements of the Port of Palm Beach District, as of and for the fiscal year ended September 30, 2017, and have issued our report thereon dated April 10, 2018.

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 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 Standard*, 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; 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, which are dated April 10, 2018, 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. There were no findings or recommendations made in the preceding financial audit report.

Official Title and Legal Authority

Section 10.554(1)(i)4., Rules of the Auditor General, requires that the name or official title and legal authority for the primary government and each component unit of the reporting entity be disclosed in this Management Letter, unless disclosed in the notes to the financial statements. This information is 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

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

Pursuant to Sections 10.554(1)(i)5.c. 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 recommendation to improve financial management. In connection with our audit, we did not have any such recommendations.

Annual Financial Report

Section 10.554(1)(i)5.b. 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 the annual financial report for the Port of Palm Beach District for the fiscal year ended September 30, 2017, filed with the Florida Department of Financial Services pursuant to Section 218.32(1)(a), Florida Statutes, is in agreement with the annual financial audit report for the fiscal year ended September 30, 2017. In connection with our audit, we determined that these two reports were in agreement.

Special District Component Units

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

Additional Matters

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

Single Audits

The Port of Palm Beach District expended more than \$750,000 of federal awards and more than \$750,000 of state financial assistance for the fiscal year ended September 30, 2017, 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.

Nowlen Holt & Miner, P.A.

West Palm Beach, Florida
April 10, 2018



NOWLEN, HOLT & MINER, P.A.

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

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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, 2017. Management of the Port of Palm Beach District is responsible for the Port of Palm Beach District’s compliance with the specified requirements. Our responsibility is to express an opinion on the Port of Palm Beach District’s compliance with the specified requirements based on our examination.

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

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

In our opinion, the Port of Palm Beach District complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2017.

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

Nowlen, Holt & Miner, P.A.

West Palm Beach, Florida
April 10, 2018