

PORT OF PALM BEACH DISTRICT



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED SEPTEMBER 30, 2020

PORT OF PALM BEACH DISTRICT
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED SEPTEMBER 30, 2020



Prepared by the Finance Department

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Deputy Port Director & Chief Financial Officer

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

PORT OF PALM BEACH DISTRICT
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 SEPTEMBER 30, 2020

TABLE OF CONTENTS

	<u>Pages</u>
INTRODUCTORY SECTION	
Principal Officials	1
Organizational Chart	2
FINANCIAL SECTION	
Independent Auditor’s Report	3 – 5
Management’s Discussion and Analysis	6 – 18
BASIC FINANCIAL STATEMENTS	
Statement of Net Position	19 – 20
Statement of Revenues, Expenses and Changes in Net Position	21
Statement of Cash Flows	22 – 23
Notes to the Financial Statements	24 – 65
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Total OPEB Liability	66
Schedule of Employer Contributions – Florida Retirement System Pension Plan	67
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Pension Plan	68
Schedule of Employer Contributions – Florida Retirement System Retiree Health Insurance Subsidy Program	69
Schedule of Proportionate Share of Net Pension Liability – Florida Retirement System Retiree Health Insurance Subsidy Program	70
OTHER SUPPLEMENTARY INFORMATION	
Bond Amortization Schedules:	
\$9,576,835 Revenue Refunding Bonds – Series 2002	71
\$14,301,991 Revenue Refunding Bonds – Series 2013	72
\$9,077,666 Revenue Refunding Bonds – Series 2016	73
Combined Revenue Bonds	74
Schedule of Port Facilities Revenues	75
Schedule of Operating Expenses	76 – 77
Schedule of Revenues and Expenses	78

PORT OF PALM BEACH DISTRICT
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 SEPTEMBER 30, 2020

TABLE OF CONTENTS

	<u>Pages</u>
STATISTICAL SECTION (UNAUDITED)	
Net Position	79
Operating Revenues by Source	80
Chart – Operating Revenues by Source	81
Operating Expenses	82
Chart – Operating Expenses	83
Chart – Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization	84
Chart – Net Operating Revenues and Operating Expenses	85
Non-Operating Revenues (Expenses)	86
Changes in Net Position	87
Operating Statistics	88
Revenue Bond Coverage	89
 COMPLIANCE SECTION	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	90 – 91
Independent Auditor’s Report on Compliance for Each Major State Project and on Internal Control Over Compliance Required by Chapter 10.550, Rules of the Auditor General	92 – 94
Schedule of Expenditures of State Financial Assistance	95
Schedule of Findings and Questioned Costs	96 – 97
Summary Schedule of Prior Audit Findings	98
Management Letter in Accordance with the Rules of the Auditor General of the State of Florida	99 – 101
Independent Accountant’s Report on Compliance with Section 218.415, Florida Statutes	102

PORT OF PALM BEACH DISTRICT

**PRINCIPAL OFFICIALS
AS OF SEPTEMBER 30, 2020**

PORT BOARD MEMBERS

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

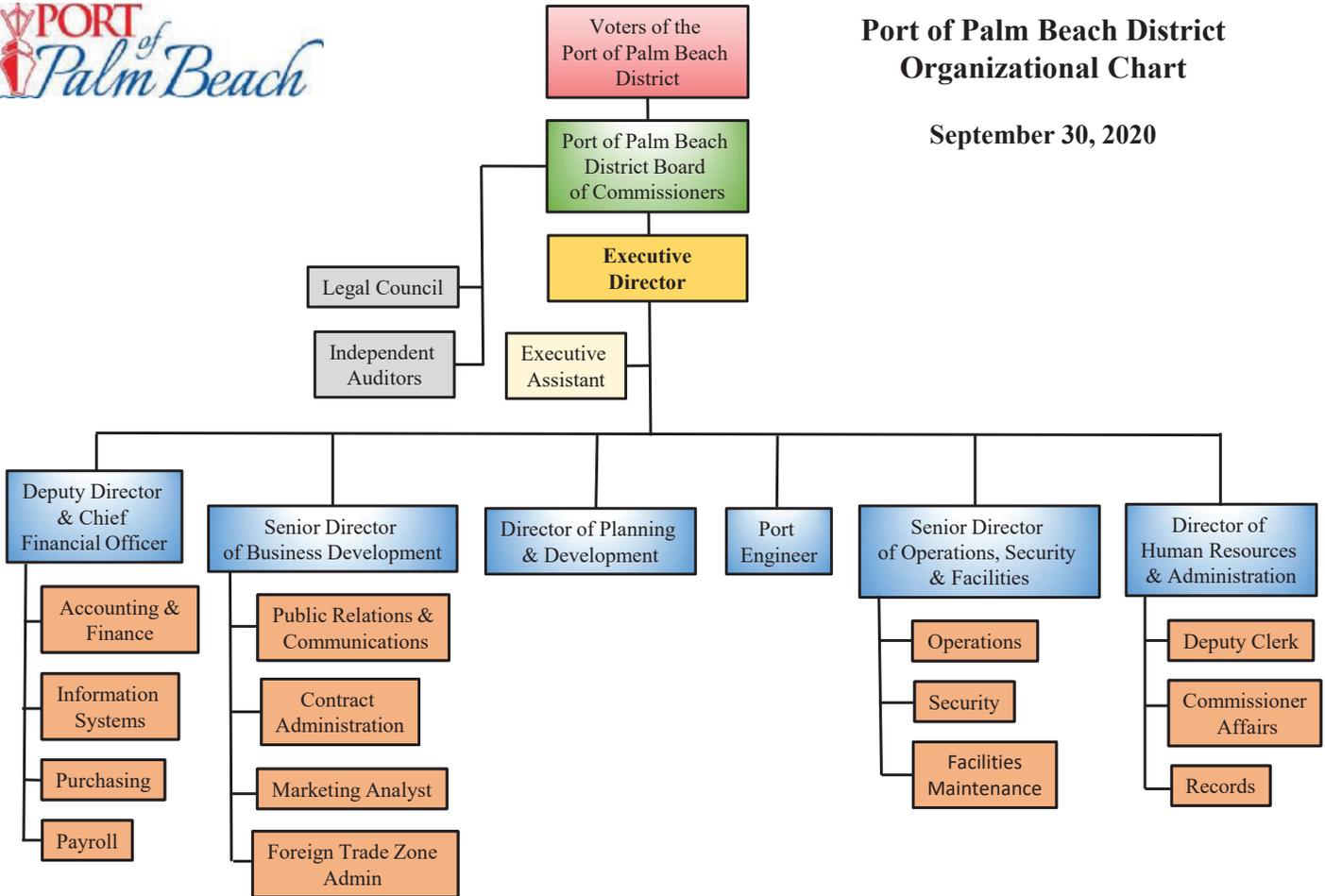
PORT STAFF

Manuel Almira, PPM [®]	Executive Director
Paul J. Zielinski	Deputy Director / Chief Financial Officer
Ronald Coddington, P.E.	Port Engineer
Michael Meekins	Director of Business Development and Communications
Ken Hern	Senior Director of Security, Facilities, Operations, and Railroad
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, 2020





NOWLEN, HOLT & MINER, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

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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

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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, 2020, 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, Error! No document variable supplied., and the respective changes in financial position, and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 6 through 18, the schedule of changes in the total OPEB liability on page 66, and the pension schedules on pages 67 through 70, 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 71 through 78, and the statistical section, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The prior year other supplementary information has been derived from the Port of Palm Beach District's 2019 basic financial statements and, in our report dated June 2, 2020 we expressed an unmodified opinion on those financial statements. The schedule of expenditures of state financial assistance on page 95 is presented for purposes of additional analysis as required by Chapter 10.550, Rules of the Auditor General, and is also not a required part of the basic financial statements.

The other supplementary information on pages 71 through 78 and the schedule of expenditures of state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

The introductory section 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 May 6, 2021, 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 & Mimer, P.A.

West Palm Beach, Florida
May 6, 2021

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, 2020 and 2019. The information presented should be read in conjunction with the financial statements, notes and supplemental schedules found in this report.

INTRODUCTION

The Port consists of approximately 160 acres and is primarily a landlord port serving Palm Beach County. The Port is a self-supporting organization and generates revenues from port users to fund all operating expenses, debt service requirements and a portion of its capital projects. Capital projects are also funded by external financing including the issuance of municipal revenue bonds, awards of federal and state grants, and surplus operating funds above those needed to cover operating expenses and debt service.

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

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the Port exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$128,490,651 (*net position*). Of this amount, \$15,189,636 (*unrestricted net position*) may be used to meet the Port's ongoing obligations to creditors.
- The Port's total net position increased by \$2,948,171. This increase consists of \$197,820 of income before contributions, and \$2,750,351 of capital contributions.
- At the end of the current fiscal year, unrestricted net position was 149% of cash operating expenses and the return on unrestricted net position was 1%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Governmental accounting policy, practice and procedures fall under the auspices of the Government Accounting Standards Board ("GASB"). The Port's financial transactions and subsequent statements are prepared according to the GASB Statement 34 reporting model, as

mandated by the GASB. The purpose of the GASB 34 reporting model is to consolidate two basic forms of governmental accounting, governmental (such as municipalities) and proprietary (those entities that generate their own revenues and therefore are similar to a private business such as the Port).

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

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

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

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

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

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

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

The basic proprietary fund financial statements are on pages 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 are on pages 24 - 65 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Port’s progress in funding its obligation to provide pension and OPEB benefits to its employees, *other supplementary information*, and *statistical data*. This information is on pages 66 - 89 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, 2020 and 2019 by \$128,490,651 and \$125,542,480 respectively.

The following table reflects the condensed statement of net position:

Port of Palm Beach District’s Net Position

	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 32,321,016	\$ 32,962,325
Capital assets, net	<u>125,500,237</u>	<u>124,099,895</u>
Total assets	<u>157,821,253</u>	<u>157,062,220</u>
 Total deferred outflows of resources	 <u>1,761,595</u>	 <u>1,565,898</u>
 Current liabilities	 8,025,743	 7,759,402
Noncurrent liabilities	<u>22,945,942</u>	<u>25,019,627</u>
Total liabilities	<u>30,971,685</u>	<u>32,779,029</u>
 Total deferred inflows of resources	 <u>120,512</u>	 <u>306,609</u>
 Net investment in capital assets	 109,888,686	 107,626,748
Restricted	3,412,329	2,646,112
Unrestricted	<u>15,189,636</u>	<u>15,269,620</u>
Total net position	<u>\$ 128,490,651</u>	<u>\$ 125,542,480</u>

Current and other assets decreased by approximately \$0.64 million. This was primarily due to a combined decrease of \$1.65 million in trade, grant, and accrued interest receivables, and prepaid items from the timing of receipts and payments. However, cash and cash equivalents increased by approximately \$1.01 million, operating activities provided approximately \$6.09 million, and capital grants and contributions, net operating grants, investment interest, and insurance recoveries provided approximately \$4.21 million, these increases were offset by total uses of approximately \$9.29 million for capital asset purchases and debt service payments on the revenue bonds.

Current liabilities increased by approximately \$0.26 million. Increases in payables, accrued expenses, unearned revenues and compensated absences offset a decrease in customer deposits primarily because of the Berth 17 construction settlement (see Note 11), timing of vendor payments, recognition of earned revenue and compensated absences increased due to employees taking less vacation due to COVID-19 or coronavirus pandemic. Accrued interest and the current portion of long-term debt remained relatively unchanged.

Deferred outflows of resources increased approximately \$0.20 million and deferred inflows of resources decreased approximately \$0.19 million primarily as a result of expected and actual experience, assumptions and proportion changes, projected and actual earnings and methods used by the FRS actuary in performing the GASB calculations to meet the parameters set by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Additional information on the Port’s deferred outflows and inflows of resources of pension related items are in Note 8, in the accompanying notes to the financial statements.

The decrease in noncurrent liabilities of approximately \$2.07 million is primarily the result of a decrease in the long-term debt (revenue bonds), net of bond issue discount of \$3.75 million from principal bond payments. Capital appreciation interest payable increased by \$0.69 million from additional deferred interest on the Series 2002 revenue bonds. Net pension liability had an increase of approximately \$1.07 million, as discussed below. Decreases in other postemployment benefits offset increases in compensated absences by \$0.08 million.

The Port has recorded a liability for the fiscal years ending September 30, 2020 and 2019 of \$4,962,859 and \$3,889,504 respectively, for its proportionate share of the FRS and HIS pension plan’s net pension liability because of implementing GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* in FY 2015. Additional information on the Port’s net pension liability are in Note 8, in the accompanying notes to the financial statements.

Net Position



By far the largest portion of the Port's net position as of September 30, 2020 and 2019 (86%) reflects its net investment in capital assets (e.g., land, buildings, slips, wharfs, improvements, equipment, vehicles, furniture and fixtures and construction in progress, net of accumulated depreciation) less any related debt used to acquire those assets that is still outstanding. These assets are not available for future spending. Although the Port's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from operations, since the capital assets themselves cannot be used to liquidate these liabilities.

In addition, a portion of the Port's net position as of September 30, 2020 and 2019 (3% and 2%) 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 2020, the Port's unrestricted net position was \$15,189,636 (12% of net position), a decrease of \$79,984 or less than 1% from FY 2019.

The Port's total net position increased by \$2,948,171 or over 2% in FY 2020. Of this amount, \$197,820 represents net income before capital contributions and \$2,750,351 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>2020</u>	<u>2019</u>
Operating revenues:		
Fees and charges for services	\$ 16,098,091	\$ 18,382,377
Non-operating revenues:		
Investment earnings	160,328	399,541
Other	2,260	4,944
Grant revenue	94,454	179,249
Total non-operating revenues	<u>257,042</u>	<u>583,734</u>
Total revenues	<u>16,355,133</u>	<u>18,966,111</u>
Operating expenses:		
General expenses	2,757,698	2,622,378
Engineering and maintenance	2,596,159	2,995,644
Security	1,740,390	2,174,002
Administration	2,027,942	2,032,611
Business development	695,735	688,383
Operations	346,744	321,467
Depreciation and amortization	4,768,111	4,504,988
Total operating expenses	<u>14,932,779</u>	<u>15,339,473</u>

Non-operating expenses:		
Grant and related expenses	140,990	203,607
Loss on disposition of assets	94,507	274,780
Interest	989,037	1,095,454
Total non-operating expenses	<u>1,224,534</u>	<u>1,573,841</u>
Total expenses	<u>16,157,313</u>	<u>16,913,314</u>
Income before contributions	197,820	2,052,797
Capital contributions	<u>2,750,351</u>	<u>4,062,669</u>
Change in net position	2,948,171	6,115,466
Net position – beginning	<u>125,542,480</u>	<u>119,427,014</u>
Net position - ending	<u>\$ 128,490,651</u>	<u>\$ 125,542,480</u>

Key elements of the increase in net position for the fiscal year ended September 30, 2020 are as follows.

- Operating Revenues (Fees and charges for services) decreased by approximately \$2.28 million or 12.4%. This was primarily due to decreases in net passenger charges and parking, as discussed below. Wharfage, dockage and related revenues, passenger and parking charges, and rent and related storage are the largest portion of the Ports operating revenues, accounting for over 90% each year.

The Port’s operating revenues have achieved a compound annual growth rate of approximately 3% over the last ten fiscal years. This is a result of Port management’s continued aggressive marketing campaign, which has resulted in attracting new business and growing current business. Economic conditions had improved, after the end of the Great Recession, from FY 2010 through FY 2019, when the Port had achieved a compound annual growth rate of approximately 6%. Then the COVID-19 or coronavirus pandemic hit in March 2020, which had a seismic effect on the global economy, essentially shutting down the economy, and negatively affected the cruise and tourism industry in the Caribbean, which the Port primarily serves. The Port was able to rely on its diverse revenue base and cash reserves to help it weather the economic downturn brought about by COVID-19.

Bahamas Paradise Cruise Line (the cruise vessels and their owners) began their eleventh year of operations (tenth fiscal year) as a multi-day cruise line to the Bahamas. Under the terms of the current agreement, the Port receives a Passenger Charge for each departing and arriving passenger; the net proceeds from all parking revenue generated from cruising passengers and has agreed to participate in the cost of the sales and marketing efforts of the cruise ships based upon their passenger counts. Passenger charges were approximately \$2.38 million from 141 thousand passengers and the Port’s contribution to the Cruise Lines sales and marketing effort was approximately \$1.32 million, which resulted in net passenger charges of \$1.06 million for FY 2020. The Port’s multiday net-passenger revenue decreased by approximately \$1.37 million or 56%, and passenger counts were

down approximately 308 thousand or 69%. The decrease in net revenue was twofold, first missed sailings and passenger decreases from the damages to Grand Bahamas (Freeport) from Hurricane Dorian in September 2019, that carried over into FY 2020, and second, the COVID-19 or coronavirus pandemic that hit in March 2020 and shut down the cruise industry. March is the start of the peak cruising season and runs through August.

Wharfage and cargo related revenue increased by approximately \$0.17 million or 3%, and total cargo tonnage increased by approximately 8.0%, primarily due to significant increases in sugar and molasses and modest increases in tariff rates. Asphalt and recyclable steel/scrap metal tonnage had modest increases. Container tonnage and TEU's decreased by approximately 2.5%, respectively, because of the COVID-19 or coronavirus pandemic, as noted above. Breakbulk (vehicles and steel rebar), diesel, and utility fuel oil tonnage were all down. Over the last five fiscal years, the Port has seen cargo volumes return to previous levels before the Great Recession, when factoring out the utility fuel oil shipments that mostly ended in FY 2010 when the FP&L power plant was replaced by a natural gas powered plant, and the COVID-19 or coronavirus pandemic, which primarily affected the container tonnage and TEU's, as noted above.

Dockage and related revenue had an increase of approximately \$0.71 million or 24%, primarily due to significant increases in sugar and molasses shipments and modest increases in tariff rates. In addition, due to the coronavirus pandemic that hit in March 2020 and shut down the cruise line for the remainder of the FY 2020, the cruise ship incurred additional dockage fees while being moored at the Port.

Rent and related storage increased by approximately \$0.35 million or 7% primarily due to additional space assignments for land to several tenants, and annual contractual inflationary increases.

Parking fees decreased by approximately \$0.95 million or 73%, primarily because of the COVID-19 or coronavirus pandemic that hit in March 2020 and shut down the cruise industry, as noted above.

Miscellaneous income decreased by approximately \$1.03 million or 92% primarily due to missed sailing charges from the owners chartering out the Grand Celebration and Grand Classica cruise ships periodically throughout FY 2019, and did not occur in FY 2020.

The remaining operating revenues, which consist of switching, licenses, permits, and identification badging, decreased by approximately \$0.17 million or 20%, primarily due to a decrease in rail car switching volume from increased rail rates charged by Florida East Coast Railway (FEC), the exclusive rail provider for the Port. This caused the Port's rail switching customers to move to truck road transportation.

The Schedule of Port Facilities Revenues can be found on page 75 of this report.

- Investment Earnings decreased by approximately \$0.24 million, as the target range for the federal funds target interest rate and the Port's money market mutual fund and bank managed earnings rate declined significantly due to the COVID-19 or coronavirus pandemic. The federal funds rate target remains at a level of 0.00% - 0.25%, and is expected to remain at this level for calendar years 2021-22.
- Other non-operating revenues of approximately \$0.01 million consist of insurance recoveries various property and equipment damages.
- Operating Grant revenue decreased by approximately \$0.08 million. The Port recognized approximately \$0.09 million in operating grant revenue from reimbursed hurricane repair and maintenance expenses under the FEMA Public Assistance Grant Programs matching grants.
- Operating Expenses decreased approximately \$0.41 million or 3%, and operating expenses before depreciation and amortization decreased approximately \$0.67 million or 6%. The most significant decreases were contracted security costs, cruise line water usage, repairs and maintenance expenses, which were a result of the COVID-19 or coronavirus pandemic that hit in March 2020 and shut down the cruise industry. These decreased expenses offset increases in salaries, employee retirement (mandated by the State of Florida), legal, bad debt and depreciation expenses.

The Port's operating expenses have remained relatively flat over the last ten fiscal years, only rising at a compound annual rate of approximately 3%. This is a result of Port Management undertaking a significant effort to contain, if not reduce expenditures primarily through previous staff reductions, conservation and negotiation efforts, and the use of contract services personnel for security, eliminating the railroad and janitorial contracts by bringing the operation of the railroad and janitorial services in-house with existing staff in FY 2009. These changes continue to have a positive effect in reducing or containing expenses. Operating Expense containment continues to be a priority for Port Management moving forward, especially due to the COVID-19 or coronavirus pandemic and the uncertain future of the cruise and tourism industry in the Caribbean, which the Port primarily serves.

Salaries, payroll taxes and benefits (employee costs) represent the largest portion of the Port's operating expenses before depreciation and amortization, at approximately 57% and increased by approximately \$0.27 million or 5%. Salaries and payroll taxes increased by \$0.28 million or 8%, primarily due to approved salary increases and increased paid time off hours, because of the COVID-19 or coronavirus pandemic, in which most employees did not take vacation. Group health insurance costs decreased approximately \$0.14 million or 13%, because of unfilled staff positions, and premiums that stayed flat. Retirement costs increased approximately \$0.13 million primarily from the increase in net pension liability caused by the annual adjustments in actuarial assumptions, experience, earnings and proportions by the FRS because of GASB Statement No. 68; see Note 8, in the accompanying notes to the financial statements.

General expense (excluding employee benefits) increased by approximately \$0.15 million or 19%, primarily due to increasing the allowance for bad debt expense at the end of FY 2020 by management to cover possible future delinquencies because of the COVID-19 or coronavirus pandemic, that has affected the Port's customers, as discussed above.

Security expense (excluding employee costs) decreased by approximately \$0.55 million or 43%. This was due primarily to decreases or discontinued contracted security and parking costs from the shut down the cruise line for the remainder of FY 2020, as discussed above.

Engineering and maintenance expense (excluding employee costs) decreased by approximately \$0.53 million or 22%, primarily from decreased water usage from the shut down the cruise line for the remainder of FY 2020, as discussed above; and decreases in port-wide repairs and maintenance costs.

Administration expense (excluding employee costs) increased by approximately \$0.11 million or 23%, primarily due to increases in legal fees from litigation see Note 11 – Risk Management, in the accompanying notes to the financial statements.

Business development expenses (excluding employee costs) decreased by approximately \$0.05 million or 23%, primarily due cost cutting measures because of the COVID-19 or coronavirus pandemic, as discussed above.

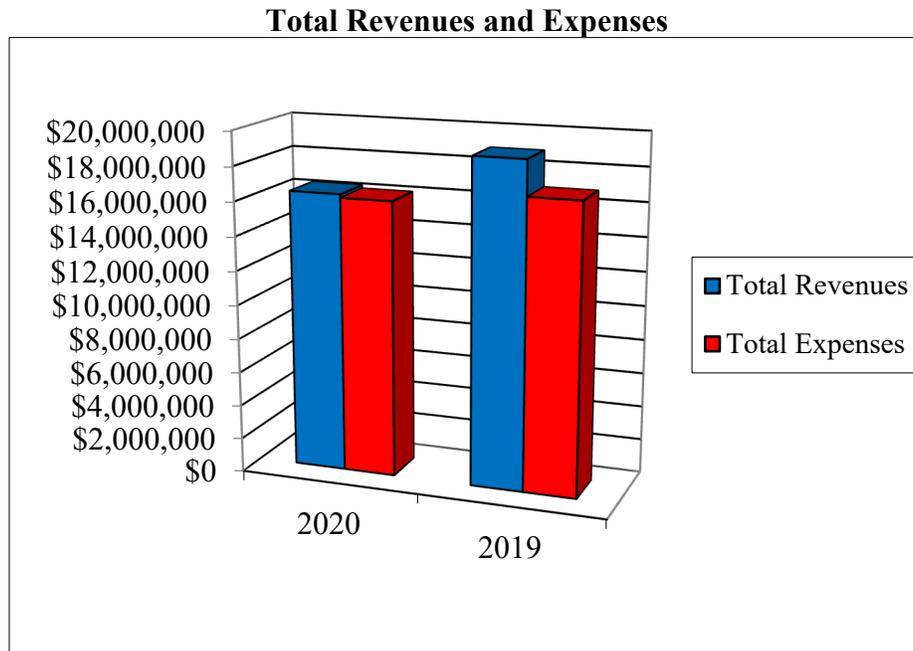
Operations expense (excluding employee costs) decreased by approximately \$0.07 million or 53%, primarily due to reductions in rail track repairs and maintenance. A high volume section of curved rail track was replaced that had previously required continuing repairs. (*see Capital Asset section below for On Port Rail*)

Depreciation and amortization expense increased by approximately \$0.26 million or 6% as several major capital projects were completed during FY 2020, the Berth 17 project was placed in service, as it is substantially complete and operational. In addition, the new Reefer Container Yard and Berth 1 Bulkhead projects were completed and placed into service in the fourth quarter of FY 2020.

The Schedule of Operating Expenses can be found on pages 76 and 77 of this report.

- The largest non-operating expense is interest, which decreased by approximately \$0.10 million or 10%, primarily because of an increase in capitalized interest on the Reefer Container Yard and Berth 1 Bulkhead projects, and reductions in the outstanding principal balance.
- Non-operating Grant and related expenses decreased by approximately \$0.06 million. The Port recognized approximately \$0.14 million in operating grant expenses that were administrative fees for FDOT grant funding and application costs.
- The loss on disposition of assets of approximately \$0.09 million was primarily from the disposal of obsolete computer equipment and software.

- Capital contributions decreased by approximately \$1.31 million, primarily because of the Berth 1 Bulkhead and the Reefer Container Yard Expansion projects winding down and closing out. The total capital contributions of \$2.75 million consisted of approximately \$2.12 million from the Florida Department of Transportation Seaport matching grants for capital projects, primarily noted above; \$0.59 million in private capital contributions, primarily for the Reefer Container Yard Expansion. The remaining \$0.04 million is from DHS - FEMA Grant matching program for hurricane related costs.



CAPITAL ASSETS

Capital assets: The Port’s capital assets as of September 30, 2020 amounted to approximately \$125.50 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 2020 was \$1.40 million. This was attributable to \$6.20 million for the acquisition and construction of Capital Assets, of which the majority were additions for the construction of Berth 1, and MOB Demolition/Container Yard Expansion projects, which were completed in FY 2020; Berth 17 additional construction costs due to the settlement agreement (see Note 11); and the remainder for other projects, improvements, machinery and equipment and computers, which were offset by depreciation of \$4.71 million and loss on disposition of assets of \$0.09 million.

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

Berth 1 Shore Power, which began in the 3rd quarter of FY 2020 and was substantially completed in the 2nd quarter of FY 2021, at a cost of approximately \$1.25 million. The project provided three upgraded shore power stations. The Florida Department of Transportation Seaport 75/25 matching grant program is funding the project.

The On Port Rail Facility Expansion project began construction in FY 2017, to start replacing the Port’s aging rail system. Phase 1 of the project was completed in the 4th quarter of FY 2019, which replaced approximately 1,700 feet of aging and obsolete rail tracks (spur #1), switches, turnouts, crossing arms, paving and utility infrastructure west of U.S. Highway 1. The project is being funded by the Florida Department of Transportation Seaport 50/50 matching grant of \$9.74 million. In addition, the Port was recently awarded a Federal Maritime Administration Port Infrastructure Development Program for \$26.5 million with a 50/50 required match. Both grants will allow for the redevelopment of the Port’s intermodal rail yard and other significant infrastructure improvements on the west side of the Port. Design and permitting is schedule to begin in August 2021 and the project phases will be completed over the next several fiscal years.

Construction-in-progress projects total approximately \$0.31 million as of September 30, 2020 and includes the following projects:

- Berth 1 Shore Power
- Passenger Loading Bridge
- Other small projects

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

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

	<u>2020</u>	<u>2019</u>
Land	\$ 28,119,220	\$ 28,119,220
Buildings and improvements	28,083,137	29,309,744
Slips and improvements	46,971,550	35,400,158
Other improvements	11,555,133	7,611,239
Wharf and loading ramps	9,347,636	3,447,341
Machinery and equipment	775,022	789,125
Computer equipment	222,393	262,114
Autos and trucks	37,126	66,478
Furniture and fixtures	77,872	99,787
Construction in progress	311,148	18,994,689
Total capital assets, net	\$ 125,500,237	\$ 124,099,895

DEBT ADMINISTRATION

Long-term debt: The Port had outstanding revenue bonds of approximately \$13.18 million as of September 30, 2020. Of this amount, approximately \$3.76 million is current and will mature by September 1, 2021. The Port's outstanding revenue bonds are secured by a first lien upon and a pledge of the operating revenues. Additional information on the Port's long-term debt can be found in Note 4, in the accompanying notes to the financial statements.

The Port of Palm Beach District is required by the terms of the Series 2002, 2013 and 2016 Revenue Refunding Bonds to generate sufficient Net Revenues to maintain a minimum ratio of 110% to the debt service requirement for that year. In FY 2020 and 2019, the Port met this requirement.

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

Port of Palm Beach District's Outstanding Debt Revenue Bonds

	<u>2020</u>	<u>2019</u>
Revenue bonds payable	\$ 13,213,446	\$ 16,893,153
Less deferred amounts:		
For issuance discounts	<u>(31,817)</u>	<u>(37,194)</u>
Total revenue bonds payable	<u>\$ 13,181,629</u>	<u>\$ 16,855,959</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The FY 2021 Budget is based upon the following assumptions:

- Net operating revenues are budgeted to increase by approximately 6.7% for FY 2021 as a result of the increases in tariff rates, volume and contractual increases and cruise passengers and parking (resuming sailing in the second half of FY 2021). Operating expenses are budgeted to increase approximately 4.1% primarily due to salary, payroll taxes and benefit increases, and litigation legal fees, contracted security and parking costs, and significant repairs and maintenance projects.

- Income before capital contributions is budgeted at approximately \$0.59 million. This represents a budgeted increase of approximately \$0.39 over FY 2020.
- The Port's operating revenues maybe negatively affected, which may cause the FY 2021 final actual results, when compared to the budget, to be adversely different, because of the COVID-19 or coronavirus pandemic that will most severely impact cruise and parking revenue, as the cruise line cancelled all sailings in mid-March 2020, and have not resumed to date. This may have a profound impact on the business activity for the final seven months of the fiscal year. In addition, reductions in cargo volumes from the cruise and tourism industry, which effects all of the Caribbean economy the Port serves, may also be impacted. The future developments in the cruise and tourism industry and the coronavirus pandemic are highly uncertain and the related financial impact cannot be reasonably estimated at this time.
- Thanks to the Port's cash reserves and diverse revenue stream and its long-standing practice of including minimum tonnage and financial guarantees in many of its agreements with tenants and customers, combined with the cost reductions previously above, the Port continues to meet all financial obligations including maintaining its debt service coverage ratio. Looking forward the Port has acknowledged continuing disruptions to the cruise business as well as lesser impacts to other lines of business for the coming fiscal year and has taken the appropriate cost cutting measures to ensure the continued financial success of the Port in fiscal year 2021 and beyond. These include deferred hiring, reviews of non-essential maintenance and repair expenditures and capital purchases, to defer where possible, reducing business development and security costs until the cruise line resumes sailing; The Port continues to closely monitor and evaluate revenues and expenditures to enable it to proactively manage and guide the Port through these challenging times.

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, 2020

ASSETS

	2020
Current assets:	
Cash and cash equivalents	\$ 22,379,354
Accounts receivable (net of allowance for uncollectables of \$475,000)	908,949
Grants receivable	167,483
Accrued interest receivable	99
Prepaid items	342,556
Restricted assets:	
Cash and cash equivalents	8,501,445
Accounts receivable	21,130
Total current assets	32,321,016
 Noncurrent assets:	
Capital assets:	
Land and land rights	28,119,220
Buildings and improvements	54,503,525
Slips and improvements	62,748,067
Other improvements	39,300,781
Wharf and loading ramps	13,878,765
Machinery and equipment	2,992,409
Computer equipment	1,223,606
Autos and trucks	463,844
Furniture and fixtures	383,881
Construction in progress	311,148
Less accumulated depreciation	(78,425,009)
Total capital assets (net of accumulated depreciation)	125,500,237
Total noncurrent assets	125,500,237
Total assets	157,821,253

DEFERRED OUTFLOWS OF RESOURCES

Deferred outflows of resources:	
Pension related items	1,505,194
Deferred loss on bond refunding, net	256,401
Total deferred outflows of resources	1,761,595

(Continued)

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Net Position
September 30, 2020
(Continued)

LIABILITIES

	2020
Current liabilities	
Accounts payable and accrued expenses	\$ 671,167
Contracts payable	1,759,402
Retainage payable	926,921
Unearned revenue	330,117
Compensated absences payable	281,204
Payable from restricted assets:	
Customer deposits	225,000
Accounts payable and accrued expenses	51,421
Accrued interest payable	19,590
Current portion of long-term debt	3,760,921
Total current liabilities	8,025,743
Noncurrent liabilities	
Compensated absences payable	281,204
Other postemployment benefits	149,534
Net pension liability	4,962,859
Capital appreciation interest payable from restricted assets	8,131,637
Revenue bonds payable (less unamortized bond discount)	13,181,629
Less: current portion	(3,760,921)
Total noncurrent liabilities	22,945,942
Total liabilities	30,971,685

DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources:	
Pension related items	120,512
	120,512

NET POSITION

Net investment in capital assets	109,888,686
Restricted for renewal and replacement	2,057,691
Restricted for business development	1,354,638
Unrestricted	15,189,636
	128,490,651
Total net position	\$ 128,490,651

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, 2020

	2020
Operating revenue	
Port facilities	\$ 17,519,132
Less: Direct marketing support	(1,421,041)
Net operating revenue	16,098,091
 Operating expenses	
General expenses	2,757,698
Engineering and maintenance	2,596,159
Security	1,740,390
Administration	2,027,942
Business development	695,735
Operations	346,744
Operating expenses before depreciation and amortization	10,164,668
 Operating income before depreciation and amortization	5,933,423
 Depreciation and amortization expense	4,768,111
 Operating income	1,165,312
 Non-operating revenues (expenses)	
Investment earnings	160,328
Grant revenue	94,454
Grant expense	(140,990)
Insurance recoveries	2,260
Gain (loss) on disposition of assets	(94,507)
Interest expense	(989,037)
Total nonoperating revenue (expenses)	(967,492)
 Income before contributions	197,820
 Capital contributions	2,750,351
 Change in net position	2,948,171
 Total net position - beginning	125,542,480
 Total net position - ending	\$ 128,490,651

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2020

	2020
Cash flows from operating activities:	
Receipts from customers and users	\$ 16,323,357
Payments to suppliers for goods and services	(4,913,883)
Payments to or on behalf of employees	(5,324,019)
Net cash provided by operating activities	6,085,455
Cash flows from non-capital financing activities	
Grant revenues received	152,781
Payments for grant	(140,990)
Net cash provided by non-capital financing activities	11,791
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(5,286,853)
Principal paid on debt	(3,679,707)
Interest paid on debt	(322,521)
Insurance recoveries	2,260
Capital contributions received	66,989
Capital grants received	3,954,264
Net cash used for capital and related financing activities	(5,265,568)
Cash flows from investing activities	
Interest received on investments	179,609
Net cash provided by investing activities	179,609
Net increase in cash and cash equivalents	1,011,287
Cash and cash equivalents - beginning	29,869,512
Cash and cash equivalents - ending	\$ 30,880,799

(Continued)

See notes to the financial statements

PORT OF PALM BEACH DISTRICT
Statement of Cash Flows
For the Fiscal Year Ended September 30, 2020
(Continued)

	2020
Cash and cash equivalents classified as:	
Unrestricted assets	\$ 22,379,354
Restricted assets	8,501,445
Total cash and cash equivalents	\$ 30,880,799
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income	\$ 1,165,312
Adjustments to reconcile net operating income to net cash provided (used) by operating activities:	
Depreciation expense	4,712,915
Amortization expense	55,196
Change in net pension liability and related deferred amounts	565,150
(Increase) decrease in assets	
Accounts receivable	265,871
Prepaid expenses	(13,812)
Increase (decrease) in liabilities	
Accounts payable and accrued expenses	(592,439)
Unearned revenue	109,395
Customer deposits	(150,000)
Other postemployment benefits	(135,713)
Compensated absences	103,580
Total adjustments	4,920,143
Net cash provided by operating activities	\$ 6,085,455

See notes to the financial statements

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity and General Overview

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

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

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

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

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

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

Basis of Presentation

Proprietary Fund Type

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation (Continued)

Proprietary Fund Type (Continued)

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

Measurement Focus

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

Basis of Accounting

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

Deposits and Investments

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deposits and Investments (Continued)

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

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

Restricted Assets

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

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

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

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Accounts Receivable

The Port records accounts receivable at estimated net realizable value. Accordingly, accounts receivable at September 30, 2020 are shown net of allowances for doubtful accounts. The Port maintains an allowance for uncollectible accounts at a level which management believes is sufficient to cover potential credit losses.

Prepaid Items

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

Property and Equipment

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

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

Deferred Outflow of Resources

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Inflows of Resources

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

Unearned Revenue

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

Compensated Absences

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

Unamortized Bond Discount

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

Net Position

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

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

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

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenues

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

Estimates

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

Budgetary Accounting

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

General Obligation Bonds and Taxes

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

Determination of Operating versus Non-Operating Revenues and Expenses

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

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

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements

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

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This Statement will improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement is effective for the fiscal year ending September 30, 2021.

In May 2017, the GASB issued Statement No. 87, *Leases*. This Statement will increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting that is based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the fiscal year ending September 30, 2022.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. This Statement will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and simplify accounting for interest cost incurred before the end of a construction period. This Statement is effective for the fiscal year ending September 30, 2022.

In August 2018, the GASB issued Statement No. 90, *Major Equity Interests*. This Statement will improve consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This Statement is effective for the fiscal year ending September 30, 2021.

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Recently Issued Accounting Pronouncements (Continued)

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

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

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

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement is effective for the fiscal year ending September 30, 2023.

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 – DEPOSITS AND INVESTMENTS

Deposits

As of September 30, 2020, the Port’s book balance for deposits in Qualified Public Depositories was \$14,007,700 and the related bank balance totaled \$14,026,569.

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

Custodial credit risk – For deposits, custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Port will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Port requires all deposits to be in Qualified Public Depositories to control custodial credit risk. As of September 30, 2020, the Port’s deposits are considered insured for custodial credit risk purposes.

Investments

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

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

term categories; (12) units of participation in the Local Government Surplus Funds Trust Fund; (13) federal funds or banker's acceptances; (14) repurchase agreements; (15) other forms of investments approved in writing by the Credit Facility Issuer.

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

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

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

Money market funds are exempt from reporting under the fair value hierarchy, and the fair value is measured at amortized cost.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

As of September 30, 2020, the Port held the following investments in money market funds, which are reported as cash and cash equivalents in the statement of net position:

Investments Measured at Amortized Cost	Moody's Standard & Poor's Credit Rating	Fair Value	Weighted Average Maturity
Wells Fargo Institutional Government Money Market Fund	Aaa-mf AAAm	\$16,387,825	Less than 60 days
Morgan Stanley Institutional Liquidity Funds Portfolio	Aaa-mf AAAm	<u>483,724</u>	Less than 60 days
		<u>\$16,871,549</u>	

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

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 2 – DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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

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

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

Custodial credit risk – For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty to a transaction, the Port will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At September 30, 2020, the Port’s investments consisted of open-end money market mutual funds which are not subject to custodial credit risk because they are not evidenced by securities that exist in physical or book entry form.

A reconciliation of deposits and investments as of September 30, 2020, is as follows:

By Category:	
Deposits	\$14,007,700
Petty cash	1,550
Investments	16,871,549
Total deposits and investments	<u>\$30,880,799</u>
Presented in the statement of net position	
Cash and cash equivalents	\$22,379,354
Restricted cash and cash equivalents	8,501,445
Total statement of net position	<u>\$30,880,799</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 3 – PROPERTY AND EQUIPMENT

A summary of changes in capital assets for the year ended September 30, 2020, is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not being depreciated:				
Land	\$ 28,119,220	\$	\$	\$ 28,119,220
Construction in process	18,994,689	6,207,764	(24,891,305)	311,148
Total capital assets, not being depreciated	47,113,909	6,207,764	(24,891,305)	28,430,368
Capital assets, being depreciated:				
Building and improvements	54,273,814	229,711		54,503,525
Slips and improvements	49,742,290	13,005,777		62,748,067
Other improvements	34,074,526	5,226,255		39,300,781
Wharf and loading ramps	7,798,154	6,080,611		13,878,765
Machinery and equipment	2,834,166	158,243		2,992,409
Computer equipment	1,412,877	183,294	(372,565)	1,223,606
Autos and trucks	463,844			463,844
Furniture and fixtures	376,467	7,414		383,881
Total capital assets, being depreciated	150,976,138	24,891,305	(372,565)	175,494,878
Less: accumulated depreciation	(73,990,152)	(4,712,915)	278,058	(78,425,009)
Total capital assets, being depreciated, net	76,985,986	20,178,390	(94,507)	97,069,869
Total capital assets, net	\$124,099,895	\$26,386,154	\$(24,985,812)	\$125,500,237

NOTE 4 – LONG-TERM LIABILITIES

Revenue Bonds

The Port is authorized to issue Revenue Bonds for the purpose of constructing and financing modern Port facilities. As of September 30, 2020, the following Revenue Bonds were outstanding:

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Bonds (Continued)

These bonds are payable from and secured by a first lien upon and a pledge of the gross revenues derived from the operation of the Port facilities on parity with the parity bonds and any pari passu additional bonds hereafter issued. Principal and interest paid for the year ended September 30, 2020 totaled \$4,002,228 and pledged gross revenues were \$16,098,091. As of September 30, 2020, principal and interest to maturity in September 2026 to be paid from pledged future revenues totaled \$25,215,860.

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, 2020, the Port had no supplemental revenues. As of September 30, 2020, the Port was in compliance with the bond covenants.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding and Improvement Bonds, Series 2002

On December 18, 2002, the Port issued \$9,576,835 of Revenue Refunding and Improvement Bonds, Series 2002. The issue includes \$4,535,000 of current interest bonds, with interest rates of 3.00% to 4.00%, and \$5,041,835 of capital appreciation bonds, with approximate yield to maturity of 5.40% to 5.51%. Interest on the current interest bonds is paid semiannually on March 1 and September 1. Interest on the capital appreciation bonds bear interest only at maturity, which maturity amount includes both the original principal amount and interest compounded semi-annually on each March 1 and September 1, commencing March 1, 2003 maturing September 1, 2022 through September 1, 2026. Principal payments on the current interest are due each September 1 through 2012 and the capital appreciation bonds each September 1 beginning 2022 through 2026. The proceeds were used to refund the outstanding Port Revenue Refunding Bonds, Series 1992 on a current refunding basis, pay and defease a portion of the Revenue Improvement Bonds, Series 1996A on an advance refunding basis, to finance all or a portion of the costs of additions, extensions, improvements to the Port Facilities of the Port designated as the 2002 project, and to pay the costs of issuing the 2002 Bonds, including the cost of obtaining a bond insurance policy. The 2002 bonds are not subject to redemption prior to their stated maturity dates. The remaining current interest bonds and all the capital appreciation bonds are tax exempt. The tax-exempt bonds are not subject to alternative minimum tax.

Debt service requirements to maturity are as follows at September 30, 2020:

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding Bonds, Series 2013

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

Debt service requirements to maturity are as follows at September 30, 2020:

	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2021	\$1,376,072	\$190,963	\$1,567,035
2022	1,424,208	145,553	1,569,761
2023	1,469,531	98,554	1,568,085
2024	1,516,951	50,059	1,567,010
	<u>\$5,786,762</u>	<u>\$485,129</u>	<u>\$6,271,891</u>

Revenue Refunding Bonds, Series 2016

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Revenue Refunding Bonds, Series 2016 (Continued)

Debt service requirements to maturity are as follows at September 30, 2020:

	Principal	Interest	Total Debt Service
2021	\$2,384,849	\$44,120	\$2,428,969

Bond Insurers

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

Events of Default

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

Interest Expense

Total interest costs incurred during the year ended September 30, 2020, was \$1,139,451. Interest in the amount of \$150,414 was capitalized as part of the cost of construction in progress during the year. Total interest paid during the year was \$322,521.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 4 – LONG-TERM LIABILITIES (Continued)

Changes in Long-Term Liabilities

Long-term liability activity for the year ended September 30, 2020, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One year
Direct Borrowings & Placements:					
Series 2013 Revenue Bonds	\$7,122,190	\$	\$(1,335,428)	\$5,786,762	\$1,376,072
Series 2016 Revenue Bonds	4,729,128		(2,344,279)	2,384,849	2,384,849
Total Direct Borrowings & Placements	<u>11,851,318</u>		<u>(3,679,707)</u>	<u>8,171,611</u>	<u>3,760,921</u>
Other Bonds:					
Series 2002 Revenue Bonds	5,041,835			5,041,835	
Issuance discount	(37,194)		5,377	(31,817)	
Total Other Bonds	<u>5,004,641</u>		<u>5,377</u>	<u>5,010,018</u>	
Total Bonds Payable	16,855,959		(3,674,330)	13,181,629	3,760,921
Compensated absences	458,828	474,091	(370,511)	562,408	281,204
Net pension liability	3,889,504	1,073,355		4,962,859	
Other postemployment benefits	285,247	48,711	(184,424)	149,534	
Capital appreciation interest payable	<u>7,439,210</u>	<u>692,427</u>		<u>8,131,637</u>	
Total long-term liabilities	<u>\$28,928,748</u>	<u>\$2,288,584</u>	<u>\$(4,229,265)</u>	<u>\$26,988,067</u>	<u>\$4,042,125</u>

NOTE 5 – COMMITMENTS

Contractual Commitments

As of September 30, 2020, the Port had significant contractual commitments for the following projects:

Project	Contract Balance
Berth #1 Improvements	\$ 1,073,744
FDOT Annex Property Improvements	84,629
	<u>\$ 1,158,373</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 5 – COMMITMENTS (Continued)

Collective Bargaining Agreement

The Port's workforce is made up of approximately 49 staff and 5 Commissioners. The majority of the Port's non-management maintenance, railroad and security employees are union employees, which represents approximately 35% of the total. The Port renewed its collective bargaining agreement with the National Association of Government Employees, effective as of October 1, 2019, for a three-year period ending September 30, 2022. The agreement is automatically renewed for an additional year unless either party gives notice of termination. The agreement defines both employee and management rights, including holidays, leaves of absence, work assignments, schedule, performance evaluation, wages, overtime, pension and health insurance benefits. The union is prohibited by law from going on strike and has also agreed not to strike, but to settle any questions or disputes through collective bargaining, grievance and arbitration procedures, or the Public Employees Relations Commissions or other appropriate governmental agency and the courts in the event of alleged unfair labor practices or other improper conduct.

Security Services Agreement

On April 19, 2017, the Port entered into an agreement with a security company to provide professional security services for all areas of the Port twenty-four hours a day seven days a week. Such services include without limitation the control of access to the Port, coordinated with Port security, police and fire personnel for the benefit of the Port and such other security services and activities as are generally provided for similar areas and as may be agreed between the parties and contained in a procedural manual written by the security company and approved by the Port. The term of this contract is for three (3) years and is renewable for up to three (3) additional one-year terms based on mutual agreements of both parties. The security company bills the Port weekly at the contract hourly rates for services provided. For the fiscal year ended September 30, 2020, the Port incurred costs of \$515,788 pursuant to the agreement.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 6 – LEASING ACTIVITIES

The Port has entered into operating leases with tenants for the use of space at various Port facilities including vacant land, buildings, terminals, offices and commercial space for periods up to approximately 30 years. Generally, the leases are long-term leases that provide for minimum annual rentals and/or wharfage guarantees. (See also Note 10). Most leases contain a provision for periodic rental increases based on the Consumer Price Index. Total revenues from long-term leases for the period ended September 30, 2020 was \$4,691,222. Future minimum rentals are predicated upon the ability of the lessees to meet their commitments. As of September 30, 2020, the cost of the land, buildings, and improvements under operating leases was \$64,605,490 and accumulated depreciation on these facilities was \$22,457,331. Minimum future rentals under non-cancelable operating leases having an initial term greater than one year as of September 30, 2020 are as follows:

2021	\$ 4,377,437
2022	4,199,635
2023	3,213,968
2024	2,792,519
2025	2,702,844
Thereafter	<u>14,396,259</u>
Total minimum future rentals	<u>\$31,682,662</u>

NOTE 7 – DEFERRED COMPENSATION PLAN

Employees of the Port may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 - Deferred Compensation Plans with Respect to Service for State and Local Governments. The deferred compensation plan is available to all employees of the Port. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. A third party administers the deferred compensation plan.

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 8 – FLORIDA RETIREMENT SYSTEM

General Information

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

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

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

Significant Accounting Policies

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020**

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, 2020**

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, 2020 were as follows:

Class	10/01/19 through 06/30/20	07/01/20 through 09/30/20
Regular Class	8.47%	10.00%
Senior Management Service Class	25.41%	27.29%
Special Risk Class	25.48%	24.45%
Elected Officials Class	48.82%	49.18%
DROP	14.60%	16.98%

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, 2020, the Port made contributions of \$266,917 to the Pension Plan and the Port's employees made contributions of \$89,824, for total contributions of \$356,741.

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

At September 30, 2020, the Port reported a liability of \$3,645,054 for its proportionate share of the Pension Plan's net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Port's proportionate share of the net pension liability was based on the Port's 2019-2020 fiscal year contributions relative to the 2019-2020 fiscal year contributions of all participating members. At June 30, 2020, the Port's proportionate share was 0.008410084 percent, which was an increase of 0.000341663 percent from its proportionate share measured as of June 30, 2019.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020, the Port recognized pension expense of \$790,521 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	\$ 139,504	\$ -
Change of assumptions	659,871	
Net difference between projected and actual earnings on Pension Plan assets	217,030	
Change in proportions and differences between Pension Plan contributions and proportionate share of contributions	92,866	(35,802)
Port Pension Plan contributions subsequent to the measurement date	<u>72,698</u>	
Total	<u>\$1,181,969</u>	<u>\$ (35,802)</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 \$72,698 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the Pension Plan will be recognized in pension expense as follows:

Fiscal Year Ending September 30	Amount
2021	\$ 221,697
2022	339,009
2023	287,779
2024	175,457
2025	49,527
Thereafter	_____
	<u><u>\$ 1,073,469</u></u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined using the following actuarial assumptions:

Valuation date	July 1, 2020
Measurement date	June 30, 2020
Actuarial cost method	Individual Entry Age
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Investment rate of return	6.8%, net of pension plan investment expense, including inflation
Mortality	Generational PUB-2010 with Projection Scale MP-2018

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Actuarial Assumptions (Continued)

The actuarial assumptions that determined the total pension liability as of June 30, 2020, were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2018.

The long-term expected rate of return assumption of 6.80% consists of two building block components: 1) a real return of 4.30%, consistent with the capital market outlook model developed during 2020 by the outside investment consultant to the Florida State Board of Administration; and 2) a long-term average annual inflation assumption of 2.40% as adopted in October 2020 by the FRS Actuarial Assumption Conference. In the opinion of the FRS consulting actuary, Milliman, both components and the overall 6.80% return assumption were determined to be reasonable and appropriate per Actuarial Standards of Practice. The 6.80% reported investment return assumption differs from the 7.00% investment return assumption chosen by the 2020 FRS Actuarial Assumption Conference for funding policy purposes, as allowable under governmental accounting and reporting standards.

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

<u>Asset Class</u>	(1) <u>Target Allocation</u>	<u>Annual Arithmetic Return</u>	<u>Compound Annual (Geometric) Return</u>	<u>Standard Deviation</u>
Cash	1.0%	2.2%	2.2%	1.2%
Fixed Income	19.0%	3.0%	2.9%	3.5%
Global Equity	54.2%	8.0%	6.7%	17.1%
Real Estate (Property)	10.3%	6.4%	5.8%	11.7%
Private Equity	11.1%	10.8%	8.1%	25.7%
Strategic Investments	4.4%	5.5%	5.3%	6.9%
Total	<u>100.0%</u>			
Assumed Inflation - Mean			2.4%	1.7%

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

PENSION PLAN (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 6.80%. The Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculation the total pension liability is equal to the long-term expected rate of return.

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

The following represents the Port’s proportionate share of the net pension liability calculated using the discount rate of 6.80%, as well as what the Port’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (5.80%) or one percentage point higher (7.80%) than the current rate:

	1% Decrease 5.80%	Current Discount Rate 6.80%	1% Increase 7.80%
Port's proportionate share of the net pension liability	\$ 5,820,539	\$ 3,645,054	\$ 1,828,080

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, 2020, the Port reported a payable in the amount of \$22,051 for outstanding contributions to the Pension Plan required for the fiscal year ended September 30, 2020.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020, 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, 2020, the HIS contribution rate was 1.66%. The Port contributed 100% of its statutorily required contributions for the current and preceding three years. HIS Plan contributions are deposited in a separate trust fund from which payments are authorized. HIS Plan benefits are not guaranteed and are subject to annual legislative appropriation. In the event legislative appropriation or available funds fail to provide full subsidy benefits to all participants, benefits may be reduced or cancelled.

The Port's contributions to the HIS Plan totaled \$59,065 for the fiscal year ended September 30, 2020.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020, the Port reported a liability of \$1,317,805 for its proportionate share of the HIS Plan’s net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The Port’s proportionate share of the net pension liability was based on the Port’s 2019-2020 fiscal year contributions relative to the 2019-2020 fiscal year contributions of all participating members. As of June 30, 2020, the Port’s proportionate share was 0.010792979 percent, which was an increase of 0.000864909 percent from its proportionate share measured as of June 30, 2019.

For the fiscal year ended September 30, 2020, the Port recognized pension expense of \$129,993. In addition, the Port reported deferred outflows of resources and deferred in flows of resources related to pensions from the following sources:

<u>Description</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 53,906	\$ (1,017)
Change of assumptions	141,702	(76,625)
Net difference between projected and actual earnings on Pension Plan assets	1,052	
Change in proportions and differences between Pension Plan contributions and proportionate share of contributions	113,635	(7,068)
Port Pension Plan contributions subsequent to the measurement date	<u>12,930</u>	
Total	<u>\$ 323,225</u>	<u>\$ (84,710)</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 \$12,930 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to the HIS.

Fiscal Year Ending September 30	Amount
2021	\$ 54,172
2022	47,589
2023	26,985
2024	29,069
2025	33,976
Thereafter	<u>33,794</u>
	<u>\$225,585</u>

Actuarial Assumptions

The total pension liability as of June 30, 2020 was determined using the following actuarial assumptions:

Valuation date	July 1, 2020
Measurement date	June 30, 2020
Inflation	2.40 %
Salary increases	3.25%, average, including inflation
Municipal bond rate	2.21%
Investment rate of return	N/A
Mortality	Generational PUB-2010 with Projection Scale MP-2018
Actuarial cost method	Individual Entry Age

The actuarial assumptions used in the July 1, 2020, 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, 2020**

NOTE 8 – FLORIDA RETIREMENT SYSTEM (Continued)

RETIREE HEALTH INSURANCE SUBSIDY PROGRAM (Continued)

Discount Rate

The discount rate used to measure the total pension liability as of June 30, 2020 was 2.21%, which decreased from the discount rate of 3.50% as of June 30, 2019. 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 2.21%, 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 (1.21%) or one percentage point higher (3.21%) than the current rate:

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
	1.21%	2.21%	3.21%
Port's proportionate share of the net pension liability	\$ 1,523,324	\$ 1,317,805	\$ 1,149,589

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, 2020, the Port reported a payable in the amount of \$4,249 for outstanding contributions to the HIS Plan required for the fiscal year ended September 30, 2020.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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, 2020**

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, 2020, are as follows:

Class	10/01/19 through 06/30/20	07/01/20 through 09/30/20
Regular Class	8.47%	10.00%
Senior Management Service Class	25.41%	27.29%
Special Risk Class	25.48%	24.45%
Elected Officials Class	48.82%	49.18%
DROP	14.60%	16.98%

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, 2020, information on the amount of forfeitures was unavailable from the SBA; however, management believes that these amounts, if any, would be immaterial to the Port.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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 \$43,380 for the fiscal year ended September 30, 2020, and as of the fiscal year end, the Port reported a payable in the amount of \$3,583 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, 2020.

Description	Pension Plan	HIS Plan	Total
Proportionate share of total pension liability	\$ 17,233,081	\$ 1,358,631	\$ 18,591,712
Proportionate share of plan fiduciary net position	13,588,027	40,826	13,628,853
Proportionate share of net pension liability	3,645,054	1,317,805	4,962,859
Proportionate share of deferred outflows of resources	1,181,969	323,225	1,505,194
Proportionate share of deferred inflows of resources	35,802	84,710	120,512
Pension expense	790,521	129,993	920,514

NOTE 9 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Contributions

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

Plan Membership

The following table provides a summary of the participants in the plan as of September 30, 2020:

Active plan members	50
Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members or beneficiaries entitled to but not yet receiving benefits	58
	58

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

Discount Rate

The Port does not have a dedicated trust to pay retiree healthcare benefits. For plans that do not have assets held in a dedicated trust, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. As of the measurement date of September 30, 2020, the municipal bond rate was 2.25% based on the daily rate of Fidelity’s 20-Year Municipal General Obligation AA Index closest to but not later than the measurement date. The discount rate as of the beginning of the measurement year was 3.58%.

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

As of September 30, 2020, the Port reported a total OPEB liability of \$149,534. For the fiscal year ended September 30, 2020, the Port recognized OPEB expense of negative \$131,277. As of September 30, 2020, the Port did not report any deferred outflows of resources or deferred in flows of resources related to OPEB.

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Actuarial Methods and Assumptions

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

Significant methods and assumptions were as follows:

Valuation date	September 30, 2020
Measurement date	September 30, 2020
Actuarial cost method	Entry Age Normal
Discount rate	2.25%
Retirement age	62
Mortality Tables	RP2000 Mortality Table for Males and Females Projected 18 years
Healthcare cost trend rates	Medical – 4.60% initially trending to 4.70% in 10 years Pharmacy – 7.60% initially trending to 4.70% in 10 years Dental – 3.00% Vision – 3.00%
Percentage participation	5.00%
Age adjustment factor	1.461404

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

Total OPEB Liability

The components of the total OPEB liability as of September 30, 2020 were as follows:

Description	Total OPEB Liability
Balance September 30, 2019	\$285,247
Changes due to:	
Service cost	20,762
Interest on the total OPEB liability	10,876
Economic/demographic gains or losses	(179,988)
Change of assumptions and other inputs	17,073
Benefit payments	(4,436)
Total changes	(135,713)
Balance September 30, 2020	\$149,534

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

The following table presents the total OPEB liability of the Port calculated using the single discount rate of 2.25% as well as what the Port’s total OPEB liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current rate.

Discount Rate Sensitivity	1% Decrease 1.25%	Current Discount Rate 2.25%	1% Increase 3.25%
Total OPEB liability	\$164,821	\$149,534	\$136,394

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

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

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

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

<u>Healthcare Trend Rate Sensitivity</u>	<u>1% Decrease</u>	<u>Current Healthcare Trend Rate Assumption</u>	<u>1% Increase</u>
Total OPEB liability	\$134,571	\$149,534	\$166,985

NOTE 10 – MAJOR CUSTOMERS

The Port had revenue from three major customers providing more than 10% each of the Port facilities revenue during the fiscal year ended September 30, 2020. The Port facilities total revenue from these customers were as follows:

Tropical Shipping USA, LLC/Birdsall, Inc.	\$ 6,677,237
Paradise Cruise Line (Multi-day Cruise):	
Revenue	\$ 3,339,754
Less Direct Marketing Support	<u>(1,421,041)</u>
Net	1,918,713
Florida Sugar and Molasses	<u>1,628,489</u>
Total	<u>\$10,224,439</u>

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 11 – RISK MANAGEMENT

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

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

The Port is a defendant in a lawsuit with respect to construction of Berth 17 for breach of contract. The plaintiffs in the suit are seeking significant damages. The Port has claims for liquidated damages that could offset or exceed the claims. The Port has also filed a cross claim against one plaintiff seeking damages. The matter went to Court-ordered mediation on April 27, 2021 and was resolved at that time, subject to approval of a formal Mediated Settlement Agreement by all parties. The parties agreed on the form of the Mediated Settlement Agreement, subject to signatures of all parties, and approval of the Mediated Settlement Agreement by the Court. On May 6, 2021, the Board of Commissioners of the Port approved and executed the Mediated Settlement Agreement. In the opinion of the Port's legal counsel, it is probable that the remaining parties will approve and execute the Mediated Settlement Agreement, and that same will be approved by the Court.

The Mediated Settlement Agreement increased the total cost of the contract by \$478,738. The final contract amount after change orders and amendments is \$10,804,486. As of September 30, 2020, the Port had made payments pursuant to the contract totaling \$8,304,486. A liability in the amount of \$2,500,000 for the outstanding balance is reported in the accompanying financial statements.

NOTE 12 – CONTINGENCY

On January 30, 2020, the World Health Organization (WHO) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the COVID-19 outbreak) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. As a result of worldwide reporting of COVID-19 infections, certain national, state, and local governmental authorities have issued stay-at-home orders, proclamations and/or directives aimed at minimizing the spread of COVID-19. Additionally, more restrictive proclamations and/or directives may be issued in the future. As a

**PORT OF PALM BEACH DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2020**

NOTE 12 – CONTINGENCY (Continued)

result, certain internal operations, communications, and administrative operations of the Port have been disrupted. In addition to implementing protective guidelines and protocols, the Port considered and implemented preventative and protection measures recommended by the Centers for Disease Control and Prevention (CDC) aimed at providing a safe environment for Port personnel during the course of the COVID-19 pandemic.

The ultimate impact of the COVID-19 pandemic on the Port's operations is unknown and will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the COVID-19 outbreak, new information which may emerge concerning the severity of the COVID-19 pandemic, and any additional preventative and protective actions that other governments or agencies may direct, which may result in an extended period of operational disruption. Any resulting financial impact cannot be reasonably estimated at this time but could be anticipated to have a material adverse impact on the Port's operations, financial position, and results of operations for fiscal year 2021.

PORT OF PALM BEACH DISTRICT
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability
For the Fiscal Year Ended September 30, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Service cost	\$ 16,117	\$ 15,897	\$ 20,762
Interest on total OPEB liability	8,350	9,421	10,876
Effect of plan changes			
Effect of economic/demographic gains or losses	20,026	11,398	(179,988)
Effect of assumption changes or inputs		(2,529)	17,073
Benefit payments	(22,779)	(4,395)	(4,436)
Net change in total OPEB liability	21,714	29,792	(135,713)
Total OPEB liability - beginning	233,741	255,455	285,247
Total OPEB liability - ending	\$ 255,455	\$ 285,247	\$ 149,534
Covered-employee payroll	\$ 3,298,312	\$ 3,404,291	\$ 3,707,772
Total OPEB liability as a percentage of covered-employee payroll	7.75%	8.38%	4.03%

Changes in Assumptions

<u>Measurement date</u>	<u>9/30/2018</u>	<u>9/30/2019</u>	<u>9/30/2019</u>
Discount rate	3.50%	3.58%	2.25%
Percentage participation	5.00%	8.00%	5.00%
Age adjustment factor	1.57673	1.502659	1.461404

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<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%
	<u>2018</u>	<u>2019</u>	<u>2020</u>	
Contractually required FRS contribution	\$ 222,139	\$ 235,897	\$ 266,917	
FRS contributions in relation to the contractually required contribution	<u>222,139</u>	<u>235,897</u>	<u>266,917</u>	
FRS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	
Port's covered payroll	\$ 2,867,752	\$ 2,861,309	\$ 3,003,462	
FRS contributions as a percentage of covered payroll	7.75%	8.24%	8.89%	

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.

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

	2014	2015	2016	2017
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	\$ 2,459,835
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%	86.55%
FRS Plan fiduciary net position as a percentage of the total pension liability	96.09%	92.00%	84.88%	83.89%
	2018	2019	2020	
Proportion of the FRS net pension liability	0.008182944%	0.008068421%	0.008410084%	
Proportionate share of the FRS net pension liability	\$ 2,464,745	\$ 2,778,652	\$ 3,645,054	
Port's covered payroll	\$ 2,893,846	\$ 2,875,427	\$ 2,985,554	
Port's proportionate share of the FRS net pension liability as a percentage of covered payroll	85.17%	96.63%	122.09%	
FRS Plan fiduciary net position as a percentage of the total pension liability	84.26%	82.61%	78.85%	

Changes in Assumptions

The discount rate changed as follows:

2014	7.65%
2015	7.65%
2016	7.60%
2017	7.10%
2018	7.00%
2019	6.90%
2020	6.80%

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

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

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

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<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%
	<u>2018</u>	<u>2019</u>	<u>2020</u>	
Contractually required HIS contribution	\$ 53,253	\$ 55,536	\$ 59,065	
HIS contributions in relation to the contractually required contribution	<u>53,253</u>	<u>55,536</u>	<u>59,065</u>	
HIS contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	
Port's covered payroll	\$ 3,208,018	\$ 3,345,543	\$ 3,558,161	
HIS contributions as a percentage of covered payroll	1.66%	1.66%	1.66%	

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

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

	2014	2015	2016	2017
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%
	2018	2019	2020	
Proportion of the HIS net pension liability	0.009912036%	0.009928070%	0.010792979%	
Proportionate share of the HIS net pension liability	\$ 1,049,101	\$ 1,110,852	\$ 1,317,805	
Port's covered payroll	\$ 3,237,451	\$ 3,320,372	\$ 3,538,801	
Port's proportionate share of the HIS net pension liability as a percentage of it covered payroll	32.41%	33.46%	37.24%	
HIS Plan fiduciary net position as a percentage of the total pension liability	2.15%	2.63%	3.00%	

Changes in Assumptions

The discount rate changed as follows:

2014	4.29%
2015	3.80%
2016	2.85%
2017	3.58%
2018	3.87%
2019	3.50%
2020	2.21%

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

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$9,576,835 Revenue Refunding Bonds - Series 2002
September 30, 2020

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

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
\$14,301,991 Revenue Refunding Bonds - Series 2013
September 30, 2020

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
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>\$ 485,129</u>	<u>\$ 5,786,762</u>	<u>\$ 6,271,891</u>

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

Year Ending September 30	Interest	Retirement of Bonds	Total
2021	\$ 44,120	\$ 2,384,849	\$ 2,428,969

PORT OF PALM BEACH DISTRICT
Bond Amortization Schedule
Combined Revenue Bonds
September 30, 2020

<u>Year Ending September 30</u>	<u>Interest</u>	<u>Retirement of Bonds</u>	<u>Total</u>
2021	\$ 235,083	\$ 3,760,921	\$ 3,996,004
2022	1,838,829	2,335,932	4,174,761
2023	1,847,812	2,325,273	4,173,085
2024	1,849,228	2,322,782	4,172,010
2025	3,080,844	1,269,156	4,350,000
2026	3,150,618	1,199,382	4,350,000
	<u>\$ 12,002,414</u>	<u>\$ 13,213,446</u>	<u>\$ 25,215,860</u>

PORT OF PALM BEACH DISTRICT
Schedule of Port Facilities Revenues
For the Fiscal Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Wharfage	\$ 3,765,410	\$ 3,663,759
Rent	4,968,807	4,691,222
Dockage	2,770,447	2,229,884
Parking	460,027	1,680,429
Net passenger charges	2,377,435	7,425,725
Storage	246,712	170,296
Water	212,773	191,714
Line handling	158,088	105,881
Miscellaneous	92,408	1,124,018
Switching	505,627	667,602
Licenses	157,800	153,200
Identification badging	6,015	14,829
Security fee	717,814	642,163
Cargo terminal fee	784,283	727,511
Harbor master fee	205,355	194,202
Vessel bunkers	90,131	68,583
	<u> </u>	<u> </u>
Total Port Facilities Revenue	<u><u>\$ 17,519,132</u></u>	<u><u>\$ 23,751,018</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses
For the Fiscal Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
General expenses		
Insurance and surety bonds	\$ 420,113	\$ 391,090
Retirement	901,803	778,528
Group insurance	925,132	1,064,257
State and local taxes	2,673	35
Audit and other accounting services	76,809	92,650
Bad debt expense	375,000	239,000
Trustee fees	4,198	2,558
Consulting	36,045	36,045
Miscellaneous	15,925	18,215
Total general expenses	<u>2,757,698</u>	<u>2,622,378</u>
Engineering and maintenance		
Salaries	666,502	544,454
Payroll taxes	49,038	40,048
Maintenance and repairs - buildings and grounds	558,107	696,682
Electricity	295,088	343,012
Water	554,695	829,935
Janitorial and trash removal	206,127	265,223
Maintenance and repairs - equipment	45,700	54,398
Engineering fees	136,992	90,084
Surveys and maps		22,631
Fuel and oil - port vehicles	21,298	35,106
Telephone	34,705	37,708
Uniforms	4,230	3,857
Shop maintenance and supplies	23,029	32,506
Cruise line transportation	648	
Total engineering and maintenance	<u>2,596,159</u>	<u>2,995,644</u>
Security		
Salaries	951,713	846,766
Payroll taxes	69,926	61,565
Contract services	605,750	1,154,615
Identification badges	6,376	7,203
Security equipment	31,967	23,053
Subscriptions	23,747	37,299
Uniforms	10,251	3,252
Telephone	8,449	11,154
Maintenance and repairs - radios	25,560	25,056
Miscellaneous	6,651	4,039
Total security	<u>1,740,390</u>	<u>2,174,002</u>

(Continued)

PORT OF PALM BEACH DISTRICT
Schedule of Operating Expenses (Continued)
For the Fiscal Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Administration		
Salaries	\$ 1,375,412	\$ 1,437,437
Payroll taxes	92,403	102,840
Telephone	58,868	81,890
Maintenance and repairs	8,905	7,545
Information Systems	185,271	170,917
Supplies, stationary and printing	21,973	30,180
Postage	3,518	3,411
Dues and subscriptions	1,209	2,270
Publications	7,469	10,923
Legal fees and other professional fees	246,888	156,297
Miscellaneous	26,026	28,901
Total administration	<u>2,027,942</u>	<u>2,032,611</u>
Business development		
Salaries	453,778	408,713
Payroll taxes	30,637	27,540
Retirement	52,119	44,720
Advertising and promotion	16,451	35,065
Trade development	25,391	31,756
Community relations	16,291	24,201
Travel	13,200	28,494
Dues and subscriptions	73,052	69,060
Publications	8,490	8,699
Miscellaneous	6,326	10,135
Total business development	<u>695,735</u>	<u>688,383</u>
Operations		
Salaries	260,367	166,921
Payroll taxes	19,279	12,382
Customer & Tenant Operation	3,200	11,040
Telephone	1,168	1,102
Maintenance and repairs - train	21,128	22,139
Maintenance and repairs - track	25,801	73,484
Fuel and oil - train	15,314	22,939
Equipment rental		11,100
Miscellaneous	437	360
Training	50	
Total operations	<u>346,744</u>	<u>321,467</u>
Amortization	<u>55,196</u>	<u>52,025</u>
Depreciation	<u>4,712,915</u>	<u>4,452,963</u>
Total operating expenses	<u><u>\$ 14,932,779</u></u>	<u><u>\$ 15,339,473</u></u>

PORT OF PALM BEACH DISTRICT
Schedule of Revenues and Expenses
For the Fiscal Years Ended September 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Revenue		
Port facilities	\$ 17,519,132	\$ 23,751,018
Less: Direct marketing support	(1,421,041)	(5,368,641)
Net operating revenue	<u>16,098,091</u>	<u>18,382,377</u>
Expenses		
General expenses	2,757,698	2,622,378
Engineering and maintenance	2,596,159	2,995,644
Security	1,740,390	2,174,002
Administration	2,027,942	2,032,611
Business development	695,735	688,383
Operations	346,744	321,467
Operating expenses	<u>10,164,668</u>	<u>10,834,485</u>
Operating income before depreciation and amortization	5,933,423	7,547,892
Depreciation and amortization expense	<u>4,768,111</u>	<u>4,504,988</u>
Operating income after depreciation and amortization	1,165,312	3,042,904
Non-operating revenues (expenses)		
Investment earnings	160,327	399,541
Grant revenue	94,454	179,249
Grant expense	(140,990)	(203,607)
Insurance recoveries	2,260	4,944
Gain (loss) on disposition of assets	(94,506)	(274,780)
Interest expense	(989,037)	(1,095,454)
Total non-operating revenues (expenses)	<u>(967,492)</u>	<u>(990,107)</u>
Income before contributions	<u>197,820</u>	<u>2,052,797</u>
Capital contributions	<u>2,750,351</u>	<u>4,062,669</u>
Change in net position	<u>\$ 2,948,171</u>	<u>\$ 6,115,466</u>

PORT OF PALM BEACH DISTRICT
Net Position
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited

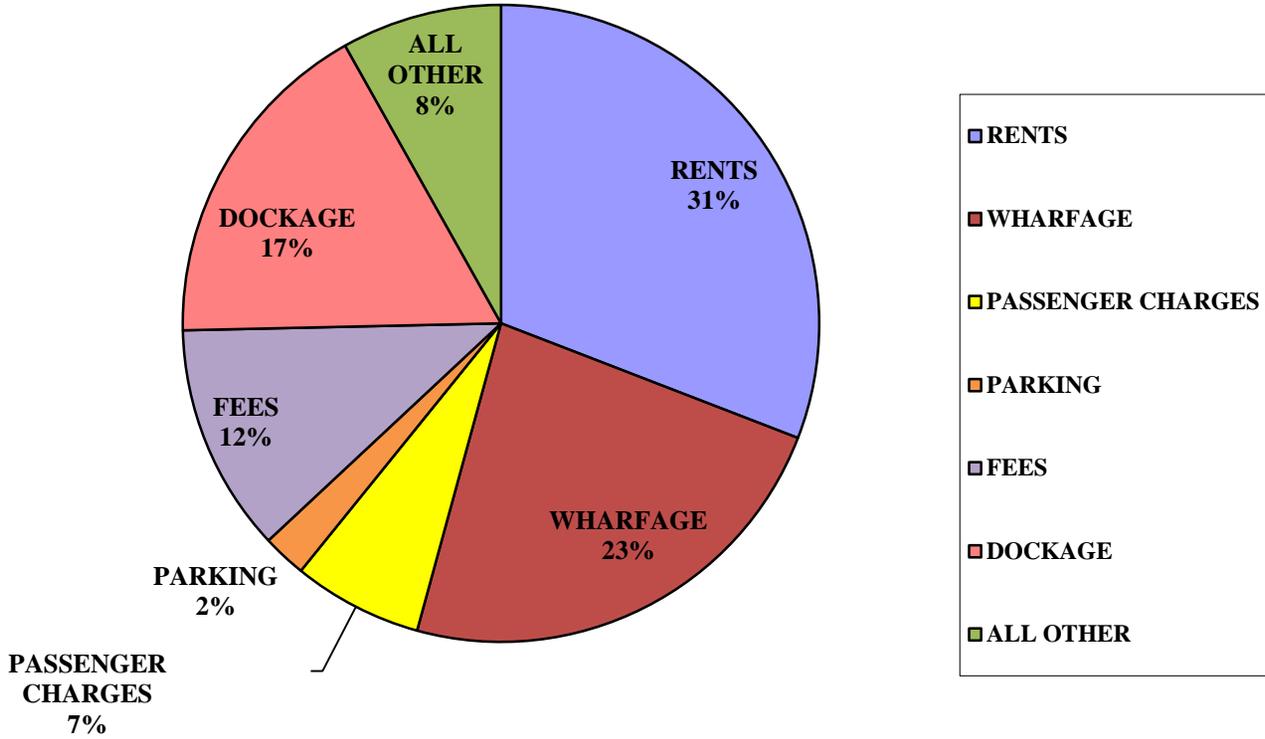
<u>Year Ending September 30</u>	<u>Net Investment in Capital Assets</u>	<u>Restricted</u>	<u>Unrestricted</u>	<u>Total</u>
2011	66,302,448	3,012,502	11,555,399	80,870,349
2012	70,964,253	2,551,244	11,339,498	84,854,995
2013	(1) (2) 75,618,050	1,803,999	13,391,300	90,813,349
2014	(3) 88,705,163	1,222,146	10,784,688	100,711,997
2015	92,452,076	1,399,672	12,451,083	106,302,831
2016	93,240,172	1,102,486	16,301,307	110,643,965
2017	(4) 99,729,682	1,080,356	14,668,613	115,478,651
2018	102,315,957	1,671,605	15,439,452	119,427,014
2019	107,626,748	2,646,112	15,269,620	125,542,480
2020	109,888,686	3,412,329	15,189,636	128,490,651

-
- (1) GASB Statement No. 63 was implemented in fiscal year 2013 and identifies net position as the residual of all other elements presented in a statement of financial position. It further requires the "Capital asset, net of debt" now be titled "Net investment in capital assets" and the the last line of the statements, previously called "Net assets" now be titled "Net position".
- (2) Beginning net position was restated due to prior period adjustments that were made to comply with GASB Statement No. 65 that was adopted in fiscal year 2013.
- (3) Ending net position was restated due to adjustments that were made to comply with GASB Statement No. 68 that was adopted in fiscal year 2015.
- (4) Ending net position was restated due to prior period adjustments that were made to comply with GASB Statement No. 75 that was adopted in fiscal year 2018.

PORT OF PALM BEACH DISTRICT
Operating Revenues by Source
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Wharfage	\$ 2,567,801	\$ 3,081,238	\$ 3,465,204	\$ 3,562,456	\$ 3,030,665
Rent	3,782,088	4,193,930	4,565,986	4,515,033	4,524,583
Dockage	1,474,044	1,626,476	1,680,365	1,731,439	1,602,038
Parking	838,664	969,020	987,052	1,186,040	1,142,624
Passenger wharfage			61,816	59,305	65,153
Net passenger charges	1,380,003	1,854,073	1,839,498	2,013,881	2,060,173
Storage	106,742	242,344	309,647	66,939	33,977
Water	84,258	77,519	80,050	79,888	80,050
Line handling	38,400	48,600	59,200	28,000	47,200
Miscellaneous	121,848	541,606	453,320	396,087	454,739
Switching	308,428	392,583	421,825	528,987	595,658
Licenses	125,000	118,500	115,450	111,300	108,900
Identification badging	20,708	12,827	22,337	47,496	29,760
Security fee	481,071	505,006	535,019	536,966	494,829
Cargo terminal fee	460,614	540,615	689,458	661,301	594,948
Harbor master fee	81,610	88,740	99,980	107,500	156,450
Vessel bunkers	44,640	45,990	44,010	45,480	48,480
Total	<u>\$ 11,915,919</u>	<u>\$ 14,339,067</u>	<u>\$ 15,430,217</u>	<u>\$ 15,678,098</u>	<u>\$ 15,070,227</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Wharfage	\$ 3,526,606	\$ 3,586,472	\$ 3,954,805	\$ 3,663,759	\$ 3,765,410
Rent	4,563,441	4,239,509	4,383,957	4,691,222	4,968,807
Dockage	2,090,756	2,214,939	2,235,834	2,229,884	2,770,447
Parking	1,493,751	1,440,349	1,372,946	1,306,727	357,813
Passenger wharfage	384,669		1,410		
Net passenger charges	1,945,396	2,533,252	3,261,832	2,430,786	1,058,608
Storage	38,705	71,384	232,482	170,296	246,712
Water	74,842	95,249	133,902	191,714	212,773
Line handling	167,800	127,600	127,704	105,881	158,088
Miscellaneous	192,069	577,194	737,307	1,124,018	92,407
Switching	527,907	628,742	703,025	667,602	505,628
Licenses	100,200	108,900	118,600	153,200	157,800
Identification badging	34,826	28,857	27,561	14,829	6,015
Security fee	615,631	589,043	625,546	642,163	717,814
Cargo terminal fee	618,438	688,159	768,863	727,511	784,283
Harbor master fee	182,615	181,962	202,872	194,202	205,355
Vessel bunkers	82,084	53,711	53,498	68,583	90,131
Total	<u>\$ 16,639,736</u>	<u>\$ 17,165,322</u>	<u>\$ 18,942,144</u>	<u>\$ 18,382,377</u>	<u>\$ 16,098,091</u>

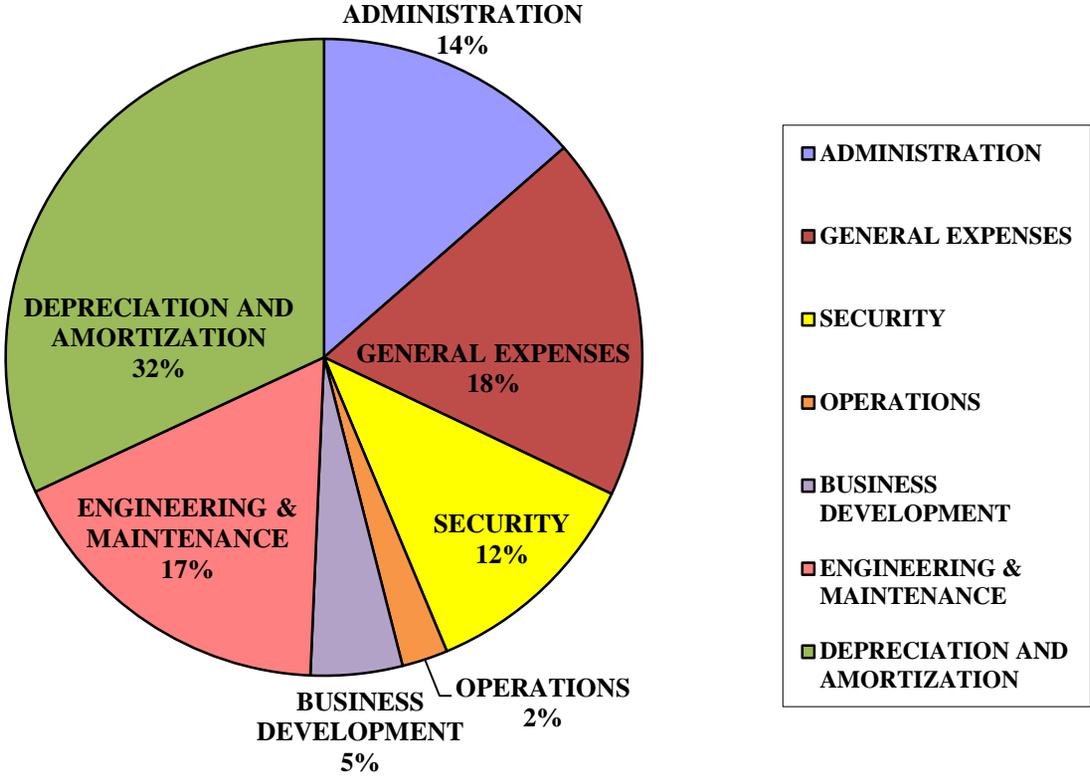
PORT OF PALM BEACH DISTRICT
Operating Revenues By Source
For the Fiscal Year Ended September 30, 2020
Unaudited



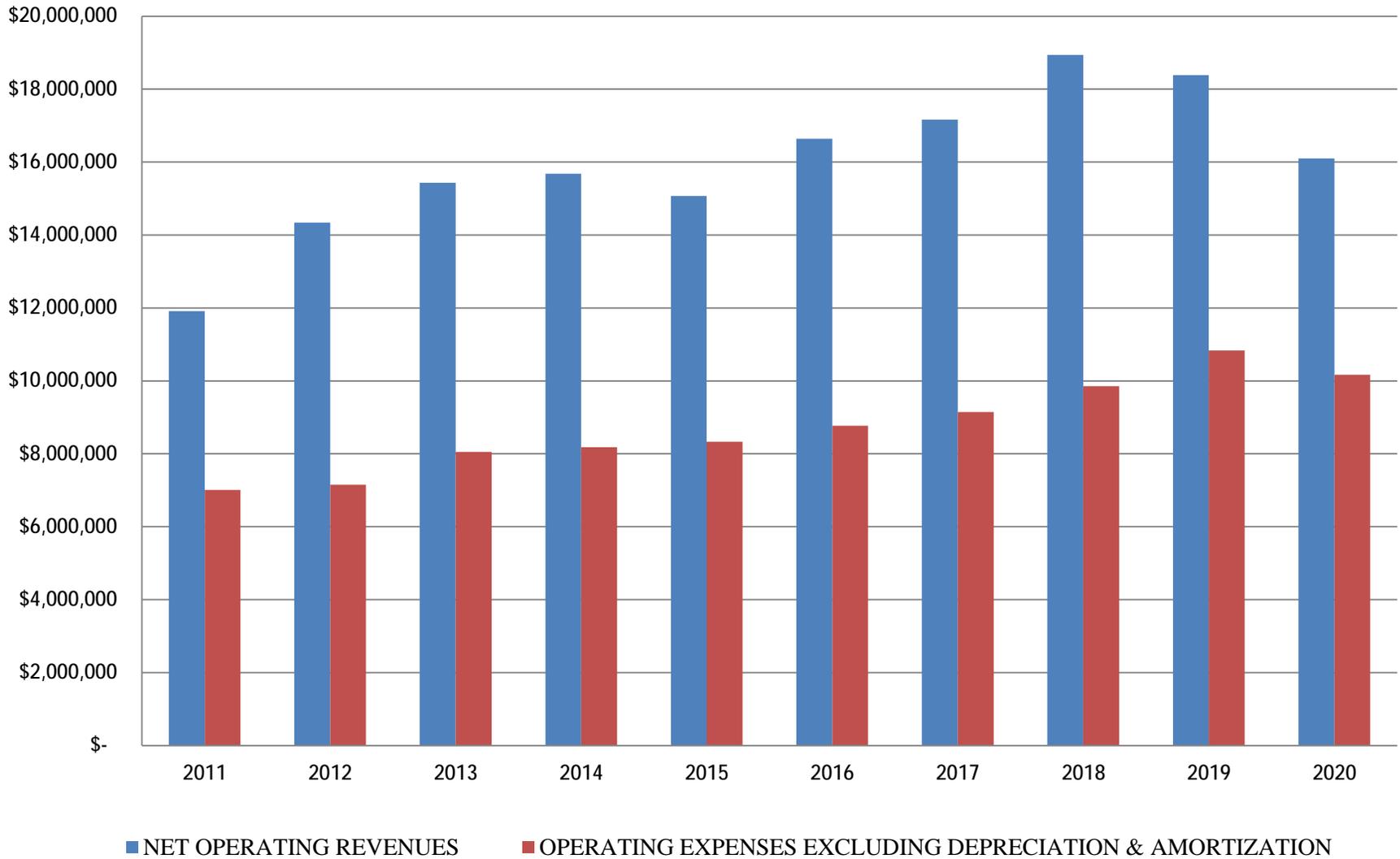
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
General expenses	\$ 1,505,593	\$ 1,479,517	\$ 1,632,400	\$ 1,771,389	\$ 1,590,821
Engineering and maintenance	1,859,962	1,774,571	2,401,307	1,989,431	2,269,742
Security	1,698,797	1,657,090	1,853,418	1,879,762	1,776,390
Administration	1,277,805	1,492,557	1,440,193	1,677,101	1,631,993
Business development	376,386	380,648	501,629	524,075	747,789
Operations	293,916	365,400	222,348	337,109	315,485
Subtotal	<u>7,012,459</u>	<u>7,149,783</u>	<u>8,051,295</u>	<u>8,178,867</u>	<u>8,332,220</u>
Amortization	108,473	91,018	31,809	28,817	28,817
Depreciation	4,297,853	4,161,428	4,178,485	4,159,615	4,218,874
Subtotal	<u>4,406,326</u>	<u>4,252,446</u>	<u>4,210,294</u>	<u>4,188,432</u>	<u>4,247,691</u>
Total	<u>\$ 11,418,785</u>	<u>\$ 11,402,229</u>	<u>\$ 12,261,589</u>	<u>\$ 12,367,299</u>	<u>\$ 12,579,911</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
General expenses	\$ 1,865,103	\$ 2,213,993	\$ 2,012,394	\$ 2,622,378	\$ 2,757,698
Engineering and maintenance	2,408,293	2,419,325	2,931,289	2,995,644	2,596,159
Security	2,000,425	1,784,325	2,071,052	2,174,002	1,740,390
Administration	1,611,402	1,814,485	1,847,377	2,032,611	2,027,942
Business development	624,175	655,740	684,139	688,383	695,735
Operations	262,996	257,559	309,952	321,467	346,744
Subtotal	<u>8,772,394</u>	<u>9,145,427</u>	<u>9,856,203</u>	<u>10,834,485</u>	<u>10,164,668</u>
Amortization	28,817	28,817	48,992	52,025	55,196
Depreciation	4,509,802	4,757,631	4,779,661	4,452,963	4,712,915
Subtotal	<u>4,538,619</u>	<u>4,786,448</u>	<u>4,828,653</u>	<u>4,504,988</u>	<u>4,768,111</u>
Total	<u>\$ 13,311,013</u>	<u>\$ 13,931,875</u>	<u>\$ 14,684,856</u>	<u>\$ 15,339,473</u>	<u>\$ 14,932,779</u>

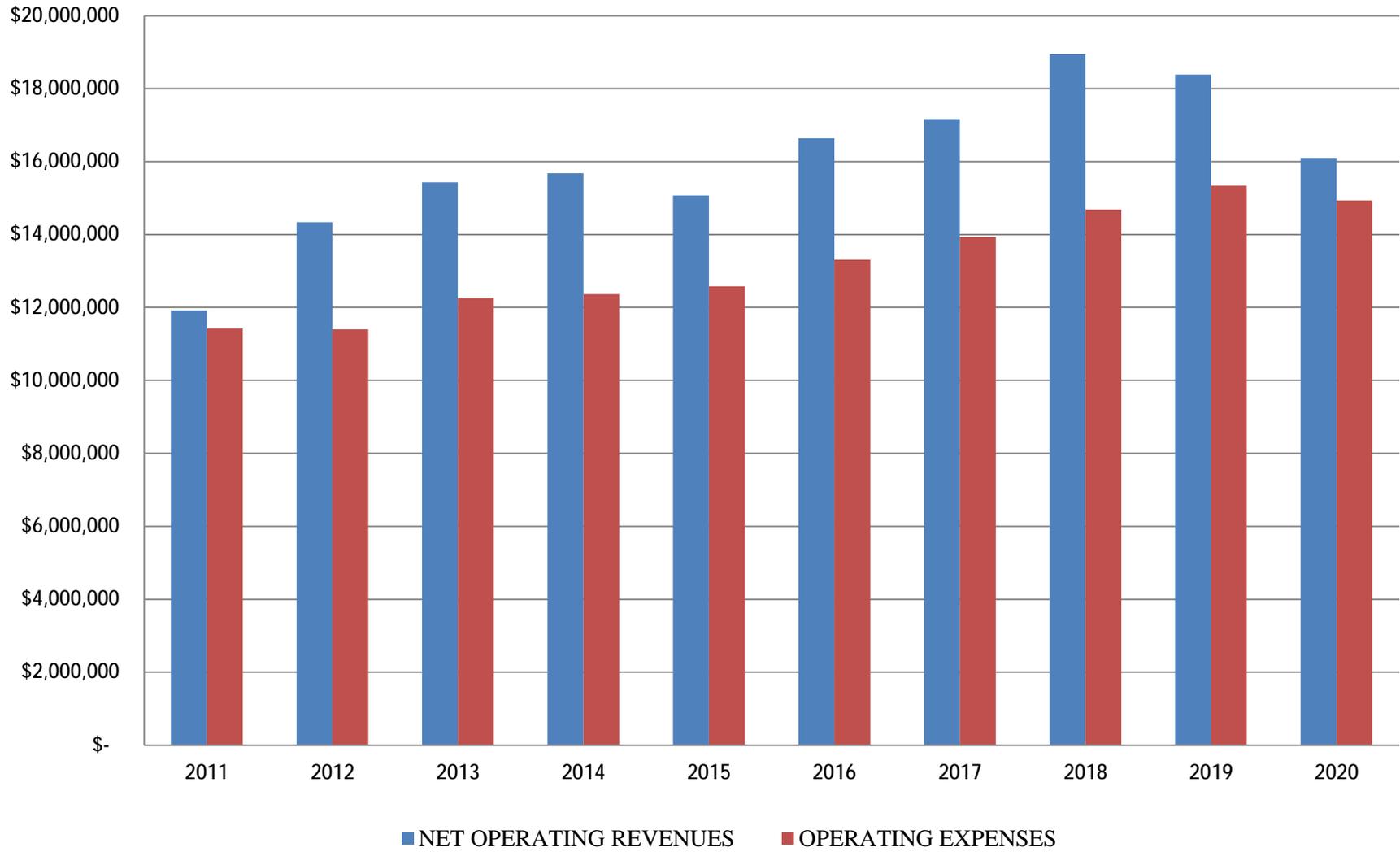
PORT OF PALM BEACH DISTRICT
Operating Expenses
For the Fiscal Year Ended September 30, 2020
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses Excluding Depreciation and Amortization
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited



PORT OF PALM BEACH DISTRICT
Net Operating Revenues and Operating Expenses
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited



PORT OF PALM BEACH DISTRICT
Non-Operating Revenues (Expenses)
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Investment earnings	\$ 19,579	\$ 12,751	\$ 13,199	\$ 1,933	\$ 9,401
Grant revenue	340,138	1,029,354	182,428	146,674	754,466
Grant expense	(249,055)	(915,803)	(90,982)	(2,000)	(477,999)
Gain (loss) on disposition of assets	(5,075)	(7,093)	4,679	(562)	325,978
Electric utility distribution line relocation					(126,324)
Feasibility study			(65,891)	(230,678)	(4,266)
Interest expense	(2,322,513)	(2,286,276)	(2,152,645)	(1,659,947)	(1,405,344)
Total	<u>\$ (2,216,926)</u>	<u>\$ (2,167,067)</u>	<u>\$ (2,109,212)</u>	<u>\$ (1,744,580)</u>	<u>\$ (924,088)</u>

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Investment earnings	\$ 12,668	\$ 46,191	\$ 158,189	\$ 399,541	\$ 160,327
Grant revenue	1,537,154	55,772	230,249	179,249	94,454
Grant expense	(1,523,778)	(28,690)	(206,500)	(203,607)	(140,990)
Gain (loss) on disposition of assets	(6,713)	2,500	(1,088,109)	(274,780)	(94,506)
Insurance recoveries	31,291	60,721	67,608	4,944	2,260
Bond issue costs	(57,050)	(97)			
Feasibility study	(5,048)				
Interest expense	(1,523,830)	(1,363,288)	(996,704)	(1,095,454)	(989,037)
Total	<u>\$ (1,535,306)</u>	<u>\$ (1,226,891)</u>	<u>\$ (1,835,267)</u>	<u>\$ (990,107)</u>	<u>\$ (967,492)</u>

PORT OF PALM BEACH DISTRICT
Changes in Net Position
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Net Operating Income (Loss)	\$ 497,134	\$ 2,936,838	\$ 3,168,628	\$ 3,310,799	\$ 2,490,316
Net Non-Operating Revenue (Expense)	<u>(2,216,926)</u>	<u>(2,167,067)</u>	<u>(2,109,212)</u>	<u>(1,744,580)</u>	<u>(924,088)</u>
Income (Loss) before Contributions	(1,719,792)	769,771	1,059,416	1,566,219	1,566,228
Capital Contributions	<u>502,757</u>	<u>3,817,316</u>	<u>4,898,938</u>	<u>10,222,352</u>	<u>4,024,606</u>
Change in Net Position	<u>\$ (1,217,035)</u>	<u>\$ 4,587,087</u>	<u>\$ 5,958,354</u>	<u>\$ 11,788,571</u>	<u>\$ 5,590,834</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Net Operating Income (Loss)	\$ 3,328,723	\$ 3,233,447	\$ 4,257,288	\$ 3,042,904	\$ 1,165,312
Net Non-Operating Revenue (Expense)	<u>(1,535,306)</u>	<u>(1,226,891)</u>	<u>(1,835,267)</u>	<u>(990,107)</u>	<u>(967,492)</u>
Income (Loss) before Contributions	1,793,417	2,006,556	2,422,021	2,052,797	197,820
Capital Contributions	<u>2,547,717</u>	<u>2,855,381</u>	<u>1,526,342</u>	<u>4,062,669</u>	<u>2,750,351</u>
Change in Net Position	<u>\$ 4,341,134</u>	<u>\$ 4,861,937</u>	<u>\$ 3,948,363</u>	<u>\$ 6,115,466</u>	<u>\$ 2,948,171</u>

PORT OF PALM BEACH DISTRICT
Operating Statistics
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
CARGO TONNAGE					
General Cargo					
Container	1,006,299	1,118,662	1,243,179	1,292,505	1,303,289
Break-bulk	67,341	71,043	62,162	64,488	53,546
Sub-Total	<u>1,073,640</u>	<u>1,189,705</u>	<u>1,305,341</u>	<u>1,356,993</u>	<u>1,356,835</u>
Bulk and Dry Cargo					
Asphalt	88,522	78,902	72,768	87,817	80,732
Cement					
Fuel Oils	187,281	120,861	63,030	30,284	53,045
Miscellaneous	61,619	4,409	11,086		
Recyclable metal				68,950	26,604
Molasses	186,432	124,859	147,550	110,720	100,553
Sugar	413,254	537,517	547,904	496,040	544,780
Sub-Total	<u>937,108</u>	<u>866,548</u>	<u>842,338</u>	<u>793,811</u>	<u>805,714</u>
TOTAL ALL CARGO	<u>2,010,748</u>	<u>2,056,253</u>	<u>2,147,679</u>	<u>2,150,804</u>	<u>2,162,549</u>
TEUs	<u>206,537</u>	<u>223,463</u>	<u>248,211</u>	<u>257,252</u>	<u>265,245</u>
RAIL CARS (IN AND OUT BOUND)	<u>12,798</u>	<u>12,961</u>	<u>13,098</u>	<u>16,606</u>	<u>20,153</u>
VESSELS	<u>1,320</u>	<u>1,395</u>	<u>1,523</u>	<u>1,553</u>	<u>1,406</u>
PASSENGERS	<u>303,886</u>	<u>341,004</u>	<u>345,970</u>	<u>364,829</u>	<u>350,932</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
CARGO TONNAGE					
General Cargo					
Container	1,295,490	1,351,573	1,422,801	1,344,157	1,317,997
Break-bulk	98,801	96,530	111,965	91,612	69,972
Sub-Total	<u>1,394,291</u>	<u>1,448,103</u>	<u>1,534,766</u>	<u>1,435,769</u>	<u>1,387,969</u>
Bulk and Dry Cargo					
Asphalt	83,909	101,023	118,191	107,034	121,288
Cement					
Fuel Oils	98,354	122,174	233,331	139,982	75,477
Miscellaneous				11,665	14,855
Recyclable metal	37,122	35,618	27,705	46,420	56,873
Molasses	121,889	184,176	139,656	73,835	130,499
Sugar	783,690	593,563	513,744	494,065	705,748
Sub-Total	<u>1,124,964</u>	<u>1,036,554</u>	<u>1,032,627</u>	<u>873,001</u>	<u>1,104,740</u>
TOTAL ALL CARGO	<u>2,519,255</u>	<u>2,484,657</u>	<u>2,567,393</u>	<u>2,308,770</u>	<u>2,492,709</u>
TEUs	<u>260,324</u>	<u>275,538</u>	<u>286,704</u>	<u>273,902</u>	<u>266,431</u>
RAIL CARS (IN AND OUT BOUND)	<u>17,324</u>	<u>18,885</u>	<u>20,048</u>	<u>18,682</u>	<u>14,288</u>
VESSELS	<u>1,750</u>	<u>1,533</u>	<u>1,683</u>	<u>1,556</u>	<u>1,392</u>
PASSENGERS	<u>502,876</u>	<u>432,585</u>	<u>462,674</u>	<u>449,457</u>	<u>141,051</u>

PORT OF PALM BEACH DISTRICT
Revenue Bond Coverage
For the Fiscal Years Ended September 30, 2011 through 2020
Unaudited

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Gross Revenues	(1) \$ 11,935,498	\$ 14,351,818	\$ 15,443,416	\$ 15,680,031	\$ 15,079,628	\$ 16,652,404	\$ 17,211,513	\$ 19,100,333	\$ 18,781,918	\$ 16,258,418
Operating Expenses	(2) (7,012,459)	(7,149,783)	(8,051,295)	(8,178,867)	(8,332,220)	(8,772,394)	(9,145,427)	(9,856,203)	(10,834,485)	(10,164,668)
Supplemental Revenues	-	-	-	-	-	-	-	-	-	-
Net Revenues	(3) <u>4,923,039</u>	<u>7,202,035</u>	<u>7,392,121</u>	<u>7,501,164</u>	<u>6,747,408</u>	<u>7,880,010</u>	<u>8,066,086</u>	<u>9,244,130</u>	<u>7,947,433</u>	<u>6,093,750</u>
Maximum Annual Debt Service	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000	4,350,000
Required Coverage	110%	110%	110%	110%	110%	110%	110%	110%	110%	110%
Annual Debt Service Requirement	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>	<u>4,785,000</u>
Excess (Deficiency)	<u>\$ 138,039</u>	<u>\$ 2,417,035</u>	<u>\$ 2,607,121</u>	<u>\$ 2,716,164</u>	<u>\$ 1,962,408</u>	<u>\$ 3,095,010</u>	<u>\$ 3,281,086</u>	<u>\$ 4,459,130</u>	<u>\$ 3,162,433</u>	<u>\$ 1,308,750</u>
Coverage	(4) 103%	151%	154%	157%	141%	165%	169%	193%	166%	127%

(1) Gross Revenues includes operating revenues and investment earnings.

(2) Operating Expenses do not include depreciation and amortization.

(3) Net revenues are gross revenues after deduction of operating expenses less supplemental revenues.

(4) Net revenues less all supplemental revenues shall always be adequate to pay, in each year, at least 110% of the annual debt service.



NOWLEN, HOLT & MINER, P.A.

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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, 2020, 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 May 6, 2021.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
May 6, 2021



NOWLEN, HOLT & MINER, P.A.

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

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

Report on Compliance for Each Major State Project

We have audited the Port of Palm Beach District’s compliance with the types of compliance requirements described in the Department of Financial Services’ *State Projects Compliance Supplement* that could have a direct and material effect on the Port of Palm Beach District’s major State project for the year ended September 30, Error! No document variable supplied.. The Port of Palm Beach District’s major State project is identified in the summary of auditor’s results section of the accompanying Schedule of Findings and Questioned Costs.

Management’s Responsibility

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

Auditor’s Responsibility

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

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

Opinion on Each Major State Project

In our opinion, the Port of Palm Beach District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major State project for the year ended September 30, Error! No document variable supplied..

Report on Internal Control over Compliance

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

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

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

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

Nowlen, Holt & Miness, P.A.

West Palm Beach, Florida
May 6, 2021

PORT OF PALM BEACH DISTRICT
Schedule of Expenditures of State Financial Assistance
For the Fiscal Year Ended September 30, 2020

<u>State Grantor/Program Title</u>	<u>CSFA Number</u>	<u>Contract Number</u>	<u>State Expenditures</u>	<u>Amount Provided to Subrecipients</u>
<u>Florida Department of Transportation</u>				
Seaport Grants	55.005	ARS49	2,043,254	
Seaport Grants	55.005	ARJ70	264,287	
Seaport Grants	55.005	G0078	253,094	
Seaport Grants	55.005	G1I90	39,510	
Seaport Grants	55.005	G0E90	10,897	
			<u>2,611,042</u>	
Total State Financial Assistance			<u>\$ 2,611,042</u>	<u>\$</u>

NOTE 1 - BASIS OF PRESENTATION

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 3 - CONTINGENCIES

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

**PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2020**

SECTION I—SUMMARY OF AUDITOR’S RESULTS

Financial Statements

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? No

State Financial Assistance

Internal control over major programs/projects:

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

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

Any audit findings disclosed that are required to be reported in accordance with Chapter 10.550, Rules of the Auditor General? No

**PORT OF PALM BEACH DISTRICT
Schedule of Findings and Questioned Costs
September 30, 2020**

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

Identification of Major State Project

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

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

SECTION II — FINANCIAL STATEMENT FINDINGS

None

SECTION III— STATE PROJECTS FINDINGS AND QUESTIONED COSTS

Major State Project

Florida Department of Transportation
Seaport Grants – CSFA 55.005

None

PORT OF PALM BEACH DISTRICT
Summary Schedule of Prior Audit Findings
September 30, 2020

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, 2020, and have issued our report thereon dated May 6, 2021.

Auditor's Responsibility

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

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*; Independent Auditor's Report on Compliance for Each Major State Project and Report on Internal Control over Compliance; Schedule of Findings and Questioned Costs; and Independent Accountant's Report on an examination conducted in accordance with *AICPA Professional Standards*, AT-C Section 315, regarding compliance requirements in accordance with Chapter 10.550, Rules of the Auditor General. Disclosures in those reports and schedule, which are dated May 6, 2021, should be considered in conjunction with this Management Letter.

Prior Audit Findings

Section 10.554(1)(i)1., Rules of the Auditor General, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding financial audit report. No findings and recommendations were made in the preceding financial audit report.

Official Title and Legal Authority

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

Financial Condition and Management

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

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

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

Special District Component Units

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

Additional Matters

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

Single Audits

The Port of Palm Beach District expended less than \$750,000 of Federal awards and more than \$750,000 of State financial assistance for the fiscal year ended September 30, 2020 and was required to have a State single audit.

Purpose of this Letter

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

Nowlen, Holt & Mimer, P.A.

West Palm Beach, Florida
May 6, 2021



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, 2020. Management of the Port of Palm Beach District is responsible for the Port of Palm Beach District’s compliance with the specified requirements. Our responsibility is to express an opinion on the Port of Palm Beach District’s compliance with the specified requirements based on our examination.

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

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

In our opinion, the Port of Palm Beach District complied, in all material respects, with Section 218.415, Florida Statutes for the year ended September 30, 2020.

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 Town Commission, 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
May 6, 2021